PECK COMMUNITY SCHOOLS

Peck, Michigan

REPORT ON FINANCIAL STATEMENTS
(with additional information)
June 30, 2008

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August 25, 2008

INDEPENDENT AUDITOR'S REPORT

Board of Education
Peck Community Schools
Peck, Michigan 48466

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Peck Community Schools, as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements of the District's primary government as listed in the table of contents. These financial statements are the responsibility of Peck Community Schools' 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Peck Community Schools as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2008 on our consideration of Peck Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages i through viii and 23, 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 on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Board of Education
Peck Community Schools
August 25, 2008

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Peck Community Schools' basic financial statements. The additional information on pages 24 to 47 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

PECK COMMUNITY SCHOOLS

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2008

Peck Community Schools, a K-12 school district located in Sanilac County, Michigan has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Peck Community Schools' Management's discussion and analysis of the financial results for the fiscal year ended June 30, 2008.

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

Fund Financial Statements
The fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "major" funds, not the School District as a whole. The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources. The District has two kinds of funds:

- Governmental Funds: All of the District's basic services are provided in governmental funds, which generally focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out (2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed short-term view that helps to 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 district-wide statements, additional information at the bottom of governmental funds statements explains the relationship (or differences) between them. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Funds and the School Service Funds, which are comprised of: Food Service and Athletics.

- Fiduciary Funds: The District is the trustee or fiduciary agent for assets that belong to others in the student activities agency fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities form the district-wide financial statements because it cannot use these assets to finance its operations.

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

District Wide Financial Statement
The District wide financial statements report using the full accrual basis of accounting. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Assets of the District-wide financial statements.

Financial Position and Results of Operations
The School District's net assets – the difference between assets and liabilities, as reported in the Statement of Net Assets, is one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net assets, as reported in the Statement of Activities, is one indicator of whether its financial health is improving or deteriorating, respectively. The relationship between revenues and expenses indicates the School District's operating results. To assess the School District's overall health, it is important to consider additional non-financial factors such as the quality of educational services provided, the condition of school building and facilities, the safety of the schools and other non-financial factors.

Summary of Net Assets

The following schedule summarizes the net assets at fiscal year ended June 30, 2008.

	6/30/2008	6/30/2007
Assets		
Current assets	$ 2,532,205	$ 2,407,776
Capital assets	6,680,444	6,721,575
Less: Accumulated Depreciation	(2,809,595)	(2,720,122)
Capital Assets, net book value	3,870,849	4,001,453
Total assets	$ 6,403,054	$ 6,409,229
Liabilities		
Current liabilities	$ 753,754	$ 733,597
Long-term liabilities	1,603,177	1,795,929
Total liabilities	$ 2,356,931	$ 2,529,526
Net Assets		
Invested in capital assets, net of related debt	$ 2,081,839	$ 2,029,070
Restricted for debt service	48,500	56,740
Unrestricted	1,915,784	1,793,893
Total net assets	4,046,123	3,879,703
Total net assets and liabilities	$ 6,403,054	$ 6,409,229

Analysis of Financial Position:

During the fiscal year ended June 30, 2008, the District's net assets increased by $166,421. A few of the significant factors affecting net assets during the year, are discussed below:

A. General Fund Operations

The District's revenues were more than expenditures by $110,715 for the fiscal year ended June 30, 2008. See the section entitled Results of Operations, below, for further discussion of General Fund Operations.

B. Debt, Principal Payments

The District issued 2008 refunding bonds to refinance the 1996 bonds during the year.
The District made principal payments on long-term debt obligations that reduced the amount of the District's long-term liabilities as follows:

	Principal Balance June 30, 2007	Principal Payments June 30, 2008	New Loans June 30, 2008	Principal Balance June 30, 2008
Bonds Payable	$ 1,700,000	$ 1,700,000	$ 1,565,000	$ 1,565,000
Compensated Absences Payable	21,920	1,412		20,508
Retirement Incentives Payable			14,000	14,000
Bus Notes Payable	81,225	21,992		59,233
Energy Note Payable	169,385	15,702		153,683
Copier Note Payable	21,773	10,679		11,094
Total Long-Term Debt	$ 1,994,303	$ 1,749,785	$ 1,579,000	$ 1,823,518

C. Net Investment in Capital Assets

The District's net investment in capital assets decreased by $130,604 during the fiscal year. This can be summarized as follows:

Assets not being depreciated – land	$ 50,000			$ 50,000
Other capital assets:				
Land improvements	400,409			400,409
Building and additions	4,598,963			4,598,963
Machinery and equipment	1,155,863	40,317	81,448	1,114,732
Transportation equipment	516,340			516,340
Subtotal	6,671,575	40,317	81,448	6,630,444
Accumulated depreciation	(2,720,122)	(170,921)	(81,448)	(2,809,595)
Net other capital assets:	3,951,453	(130,604)	-	3,820,849
Net capital assets	$4,001,453	$ (130,604)	$ -	$3,870,849

In 1996, Peck voters approved a $3.2 million, general obligation bond issue. The proceeds from that bond issue were used for constructing additions to and remodeling of existing school facilities, technology and infrastructure and equipping and updating equipment within the facility. The capital project was completed in the fiscal year ended June 30, 1997. Prior to 1996, the District's most recent bond issue had been 1976.

Results of Operations:
For the fiscal year ended June 30, 2007, the District wide Results of Operations were:

	June 30, 2008		June 30, 2007	
	Amount	% of Total	Amount	% of Total
General Revenues				
Property taxes	$ 382,486	7.50%	$ 372,185	7.05%
Investment earnings	66,241	1.30%	70,564	1.34%
State sources	4,205,895	82.53%	4,397,348	83.31%
Other	71,804	1.41%	74,824	1.42%
Total general revenues	$ 4,726,426	92.74%	$ 4,914,921	93.12%
Program Revenues				
Charges for services	$ 137,233	2.69%	$ 120,064	2.27%
Operating grants	232,787	4.57%	243,312	4.61%
Total revenues	$ 5,096,446	100.00%	$ 5,278,297	100.00%
Expenses				
Instruction	$ 2,788,638	56.56%	$ 2,854,421	55.90%
Support services	1,564,092	31.73%	1,657,302	32.45%
Community service	-	0.00%	-	0%
Food services	185,510	3.76%	183,541	3.59%
Athletics	143,232	2.91%	147,165	2.88%
Interest on long-term debt	77,332	1.57%	85,688	1.68%
Other	300	0.01%	300	0.01%
Unallocated depreciation expense	170,921	3.47%	178,426	3.49%
Total expenses	$ 4,930,025	100.00%	$ 5,106,843	100.00%
Increase (decrease) in net assets	$ 166,421		$ 171,454	

Governmental Funds Financial Highlights
The General Fund and the 1996 Debt Retirement Fund are reported separately as major funds in the fund financial statements. Funds reported as "Other Governmental Funds" in the fund financial statements include the Food Service and Athletics Funds. The annual fund financial statements provide the following insights about the results of this year's operations:

- **General Fund**

  The General Fund experienced an increase in fund equity of $110,715 during the year ended June 30, 2008. Ending fund equity in the General Fund was $1,912,666 at June 30, 2008, which equates to 41% of revenues for the year. This level is up from $1,801,951 at June 30, 2007.

- **1996 Debt Retirement Fund**

  The 1996 Debt Retirement Fund experienced a decrease in fund equity of $8,240 during the year ended June 30, 2008.

- **Other Governmental (Special Revenue) Funds**

  Other government (special revenue) funds experience an overall decrease in fund equity of $1,767 during the year.

General Fund Budget and Actual Expenditures (Operating Highlights)

The School District's budgets are prepared according to the Uniform Budget Act of the State of Michigan law which requires the Board of Education approve the initial budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The initial budget is based on facts and assumptions known at the time of the initial budget preparation. It is expected that there will be changes between the initial budget and subsequent budgets, as many factors are not known at the time of adoption of the initial budget. Some of these factors include enrollment figures and the resulting staffing requirements, staffing changes that take place during the year, state school aid adjustments, grant allocations, and other unforeseen items. As a matter of practice, the School District amends its budget two or three times during the fiscal year to adjust for these changes. These amendments must be approved by the Board of Education prior to the close of the fiscal year on June 30.

For the 2007-2008 fiscal year, the District amended the general fund budget several times. The following schedule shows a comparison of the original general fund budgeted revenues and expenditures, the final amended general fund budgeted revenues and expenditures and the actual totals for the fiscal year:

2007-2008 General Fund Budgeted Expenditures

Total Expenditures Original Budget	$ 4,544,662
Total Expenditures Final Budget	4,597,849
Increase (decrease) in Budgeted Expenses	$ 53,187

The District's actual general fund expenditures were less than the final budget by $66,549.

2007-2008 General Fund Budgeted Revenues

Total Revenues Original Budget	$ 4,550,340
Total Revenues Final Budget	4,605,702
Increase (decrease) in Budgeted Revenues	$ 55,362

The District's 2007-2008 actual general fund revenues were more than the final budget by $36,313. The variances between the original and final amended budgets in the General Fund are due primarily to changes in state and federal funding.

The School District is predominantly funded by State Aid, which has increased on a per-pupil basis between years at a modest rate. Unrestricted state aid is determined by the following three variables:

1. State of Michigan State Aid Act per student foundation allowance
2. Student enrollment, blended at 75% of current year's fall count and 25% of prior year's spring count
3. The School District's non-homestead property tax levy

1. **Per Student Foundation Allowance:**
   Annually, the State of Michigan establishes the per student foundation allowance. Peck Community School's foundation allowance was $7,085 per student for the 2006-2007 and $7,204 for the 2007-2008 school year.

2. **Student Enrollment**
   The District's student enrollment for the fall count of 2007-2008 was 578.00 students. The District's enrollment decreased from the prior school year's student count. The following summarizes fall student enrollments in the past five years:

Fiscal Year	Student FTE	FTE Change from Prior Year
2007-2008	590.75	-5.3%
2006-2007	623.75	2.6%
2005-2006	608.00	-2.1%
2004-2005	621.00	1.8%
2003-2004	610.23	-.5%

3. **Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)**
   The District levies 18.0000 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase, or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

   The District's non-homestead property revenue for the 2007-2008 fiscal year was $155,196.

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

Fiscal Year	Non-Hmst. Tax Levy	Increase (Decrease) from prior year
2007-2008	$155,196	$ 14,379
2006-2007	$140,817	$ 7,130
2005-2006	$133,687	$ 4,955
2004-2005	$128,732	$ 7,275
2003-2004	$121,457	$13,344

4. **Property Taxes Levied For Debt Retirement Fund**
   The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable value of all properties: homestead and non-homestead. For 2007-2008, the District's debt levy was 3.2 mills that generated revenue of $227,290.

5. **Food Sales to Students & Adults (School Lunch Program)**
   The District's food and milk sales to students and adults increased by approximately $13,824 from the prior year.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Superintendent's Office, Peck Community Schools.

BASIC FINANCIAL STATEMENTS

PECK COMMUNITY SCHOOLS
STATEMENT OF NET ASSETS
June 30, 2008

	GOVERNMENTAL ACTIVITIES
ASSETS	
CURRENT ASSETS:	
Cash	$ 1,673,746
Accounts receivable	2,083
Due from other governmental units	814,813
Due from other funds	13,127
Property taxes receivable	1,000
Deferred charges on debt refunding	27,436
TOTAL CURRENT ASSETS	2,532,205
NONCURRENT ASSETS:	
Capital assets	6,680,444
Less accumulated depreciation	(2,809,595)
TOTAL NONCURRENT ASSETS	3,870,849
TOTAL ASSETS	***$ 6,403,054***
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	$ 39,962
Deferred Revenue	-
Accrued salaries & wages	359,870
Accrued payroll taxes	64,352
Accrued interest	9,593
Retirement payable	59,636
Current portion of long term debt	220,341
TOTAL CURRENT LIABILITIES	753,754
NONCURRENT LIABILITIES:	
Noncurrent portion of long term debt	1,568,669
Compensated absences & retirement incentives	34,508
TOTAL NONCURRENT LIABILITIES	1,603,177
NET ASSETS:	
Invested in capital assets, net of related debt	2,081,839
Restricted for debt service	48,500
Unrestricted	1,915,784
TOTAL NET ASSETS	4,046,123
TOTAL LIABILITIES AND NET ASSETS	***$ 6,403,054***

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

PECK COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
June 30, 2008

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Governmental Activities: Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	$ 2,788,638		$ 107,439	$ (2,681,199)
Support services	1,564,092		46,045	(1,518,047)
Food services	185,510	$ 98,084	79,303	(8,123)
Athletics	143,232	39,149	-	(104,083)
Interest on long-term debt	77,332			(77,332)
Other	300			(300)
Unallocated depreciation	170,921			(170,921)
Total governmental activities	$ 4,930,025	$ 137,233	$ 232,787	(4,560,005)
General revenues:				
Property taxes, levied for general purposes				155,196
Property taxes, levied for debt service				227,290
State of Michigan school aid unrestricted				4,205,895
Transfers from other districts				18,606
Investment revenue				66,241
Miscellaneous				53,198
Total general revenue				4,726,426
Change in net assets				166,421
Net assets, beginning of year				3,879,702
Net assets, end of year				$ 4,046,123

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

PECK COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	GENERAL FUND	DEBT RETIREMENT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
CURRENT ASSETS:				
Cash	$ 1,608,812	$ 48,500	$ 16,434	$ 1,673,746
Accounts receivable	2,083			2,083
Due from other governmental units	812,427		2,386	814,813
Due from other funds	13,127		-	13,127
TOTAL ASSETS	***$ 2,436,449***	***$ 48,500***	***$ 18,820***	***$ 2,503,769***
LIABILITIES AND FUND BALANCE				
LIABILITIES:				
Accounts payable	$ 39,925		$ 37	$ 39,962
Due to other funds	-		-	-
Deferred Revenue	-			-
Accrued salaries & wages	359,870			359,870
Retirement benefits payable	59,636			59,636
Accrued expenses	64,352			64,352
TOTAL LIABILITIES	523,783	-	37	523,820
FUND BALANCE:				
Unreserved	1,912,666		18,783	1,931,449
Designated for capital projects	-			-
Reserved for debt service		$ 48,500		48,500
TOTAL FUND BALANCE	1,912,666	48,500	18,783	1,979,949
TOTAL LIABILITIES & FUND BALANCE	***$ 2,436,449***	***$ 48,500***	***$ 18,820***	***$ 2,503,769***

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

PECK COMMUNITY SCHOOLS

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2008

Total fund balances--governmental funds	$ 1,979,949
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	6,680,444
Accumulated depreciation is	(2,809,595)
Long term liabilities are not due and payable in the current period and are not reported in the funds	
Bonds payable	(1,565,000)
Bus notes payable	(59,233)
Copier note payable	(11,094)
Energy note payable	(153,683)
Compensated absences	(34,508)
Accrued interest is not included as a liability in governmental funds; it is recorded when paid	(9,593)
Deferred bond issuance costs	27,436
Balance of taxes receivable at 6/30/08 less allowance for doubtful accounts	1,000
Net assets of governmental activities	$ 4,046,123

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

PECK COMMUNITY SCHOOLS

Statement of Revenues, Expenditures, and Changes in Fund Balances
June 30, 2008

	GENERAL FUND	DEBT RETIREMENT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Local sources	$ 271,395	$ 229,923	$ 137,840	$ 639,158
State sources	4,198,530		7,365	4,205,895
Federal sources	153,484		79,303	232,787
TOTAL REVENUES	4,623,409	229,923	224,508	5,077,840
EXPENDITURES:				
Instruction	2,779,826			2,779,826
Supporting services	1,600,633			1,600,633
School activities			328,742	328,742
Capital outlay				-
Debt service:				
Principal retirement		150,000		150,000
Interest		43,363		43,363
Other		300		300
TOTAL EXPENDITURES	4,380,459	193,663	328,742	4,902,864
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	242,950	36,260	(104,234)	174,976
OTHER FINANCING SOURCES (USES):				
Proceeds from bond refunding		1,565,000		1,565,000
Payment to bond escrow agent		(1,550,000)		(1,550,000)
Interest expense		(32,064)		(32,064)
Bond issuance costs		(27,436)		(27,436)
Transfer from General Fund			102,467	102,467
Transfers from other districts	18,606			18,606
Payments on loans	(48,374)			(48,374)
Transfer to Athletic Fund	(102,467)			(102,467)
TOTAL OTHER FINANCING SOURCES (USES)	(132,235)	(44,500)	102,467	(74,268)
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	110,715	(8,240)	(1,767)	100,708
FUND BALANCE - BEGINNING OF YEAR	1,801,951	56,740	20,550	1,879,241
FUND BALANCE - END OF YEAR	$ 1,912,666	$ 48,500	$ 18,783	$ 1,979,949

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

PECK COMMUNITY SCHOOLS

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds

June 30, 2008

Total net change in fund balances--governmental funds	$ 100,708
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(170,921)
Capital outlay	40,317
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable at the beginning of the year	7,688
Accrued interest payable at the end of the year	(9,593)
Loan proceeds are a revenue in the governmental funds, but not in the statement of activities (where it is an increase of liabilities)	-
Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)	198,374
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, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items is as follows:	
Principal payments	1,550,000
Proceeds of bonds	(1,565,000)
Bond issuance costs	27,436
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:	
Accrued revenue at the beginning of the year	(1,000)
Accrued revenue at the end of the year	1,000
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued absences & retirement at the beginning of the year	21,920
Accrued absences & retirement at the end of the year	(34,508)
Change in net assets of governmental activities	$ 166,421

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

PECK COMMUNITY SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2008

	PRIVATE PURPOSE TRUST FUND	AGENCY FUNDS
ASSETS		
CURRENT ASSETS		
Cash	$ 121,086	$ 70,730
TOTAL ASSETS	***$ 121,086***	***$ 70,730***
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Due to general fund		$ 13,127
Scholarships payable		
Due to student organizations		57,603
TOTAL LIABILITIES	-	70,730
FUND EQUITY:		
Fund balance:		
Reserved for scholarships	$ 121,086	
FUND BALANCE:	121,086	-
TOTAL LIABILITIES AND FUND BALANCE	***$ 121,086***	***$ 70,730***

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

PECK COMMUNITY SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
JUNE 30, 2008

	PRIVATE PURPOSE TRUST FUND
ADDITIONS:	
Interest	$ 8,483
Donations	11,075
Total Additions	$ 19,558
DEDUCTIONS:	
Scholarships awarded	$ 9,650
CHANGE IN NET ASSETS	9,908
NET ASSETS:	
Beginning of year	111,178
End of year	$ 121,086

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

REPORTING ENTITY:

The Peck Community Schools (the "District") is governed by the Peck Community Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14 and 39.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

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

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

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

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

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

The District does not allocate indirect costs.

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, (Continued):

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

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

GOVERNMENTAL FUNDS

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

The District reports the following as major governmental funds:

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

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The debt service fund no longer meets the criteria of a major fund, but is continuing to be reported as such for comparative purposes.

OTHER NON-MAJOR FUNDS

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

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

The *private purpose trust fund* is accounted for using the accrual method of accounting. Nonexpendable trust funds account for assets where only the interest may be spent. These funds are not reported on the District's financial statements. The District's trust fund currently holds assets donated to the District.

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:

Accrual Method:

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION, (Continued):

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

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

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

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

State Categorical Revenue:
The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received that are not expended by the close of the fiscal year are recorded as deferred revenue.

Federal Revenue:
Expenditure-driven grants are recognized when the qualifying expenditures have been incurred and all other grant requirements have been met.

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

ASSETS, LIABILITIES AND EQUITY:

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

   The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40 Deposits and Investment Risk Disclosures.* Under these standards, certain investments are valued at fair value and determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost. The District had no investments at June 30th.

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

2. Short-term Interfund Receivables/Payables.

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

3. Property Taxes.

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

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

FUND	MILLS
General Fund – Non Homestead	18.0000
Debt Service Fund- Homestead and non-homestead	3.2000

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

ASSETS, LIABILITIES AND EQUITY, (Continued):

4. Prepaid items.

   Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

5. Capital Assets.

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

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

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

Buildings and additions	50 years
Furniture and other equipment	5 – 15 years

   The District's capitalization policy is to capitalize individual amounts exceeding $2,500. Group purchases are evaluated on a case-by-case basis.

6. Compensated Absences.

   The District's policies generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

   It is the policy of the District that upon the death or retirement or layoff of a teacher from the district, the Board shall pay to the teacher with ten years or more of service, or his/her estate, a sum equal to $50 for each unused accumulated sick days in excess of 50 days. Unused sick days in excess of 100 shall be paid out annually.

7. Unemployment Insurance.

   The District reimburses the Bureau of Worker's & Unemployment Compensation (BW & UC) for the actual amount of unemployment benefits disbursed by the BW & UC on behalf of the District. Billings received for amounts paid by the BW & UC through June 30, are accrued, if material.

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

ASSETS, LIABILITIES AND EQUITY, (Continued):

8. Long-term obligations.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund Balance.

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spendable resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

10. Memorandum Only - Total Column.

The total column on the combined general-purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis and do not represent consolidated financial information. Data in these columns do not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

11. Use of Estimates.

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

NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:

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

The District does not maintain a formalized encumbrance accounting system.

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

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

2. Public hearings are conducted to obtain taxpayer comments.

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

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

5. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue.

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

NOTE 3 - DEPOSITS AND INVESTMENTS - CREDIT RISK:

As of June 30, 2008, the District had no investments as defined by generally accepted accounting principles.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

NOTE 3 - DEPOSITS AND INVESTMENTS - CREDIT RISK, (Continued):

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, $1,534,146 of the District's bank balance of $1,734,146 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

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

The above amounts as previously reported in Note 3:

Deposits - including fiduciary funds of $191,816	$1,865,563
Investments	-
	$1,865,563

The above amounts are reported in the financial statements as follows:

Cash Private Purpose Trust Fund	$ 121,086
Cash Agency Fund	70,730
Cash - District wide	1,673,747
Investments - District wide	-
	$1,865,563

NOTE 4 – LONG-TERM DEBT:

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of he District. Long-term obligations currently outstanding are as follows:

	LONG-TERM DEBT	
	2008	2007
Balance payable - July 1	$ 1,994,303	$1,942,340
1996 School Building and Site Bonds paid	(150,000)	(150,000)
Bus loans paid	(21,992)	(21,344)
1996 School Bonds Refunded	(1,550,000)	59,003
2008 Refunding Bond Proceeds	1,565,000	185,000
Energy loan payment	(15,702)	(15,615)
Copier loan paid	(10,679)	(10,281)
Increase (decrease) in Retirement Incentives Payable	14,000	-
Increase (decrease) in accumulated compensated absences	(1,412)	5,200
Balance payable June 30	$ 1,823,518	$1,994,303

interest at 3.50%	22,541
2006 copy machine note with annual payments of $11,524 through June 2009 with interest at 3.88%	11,094
2007 bus note with annual payments of $13,223 through June 2011 with interest at 3.95%	36,692
2007 energy project note with annual payments of $23,245 through June 2016 with interest at 4.38%	153,683
2008 Refunding bonds used to refinance the 1996 school building and site bonds due in annual installments of $170,000 to $175,000 through May 1, 2017 with interest from 2.60% to 3.55%	1,565,000
Retirement Incentives Payable	14,000
Obligation under contract for compensated absences	20,508
Total general long-term debt	$ 1,823,518

NOTE 4 – LONG-TERM DEBT, (Continued):

The annual requirements to amortize long-term debt outstanding as of June 30, 2008 are as follows:

YEAR ENDED JUNE 30,	PRINCIPAL	INTEREST	TOTAL
2009	$ 220,341	$ 62,419	$ 282,760
2010	210,842	50,679	261,521
2011	205,625	44,431	250,056
2012	193,694	38,239	231,933
2013	194,537	32,321	226,858
2014	195,404	26,204	221,608
2015	196,311	19,786	216,097
2016	197,256	13,152	210,408
2017	175,000	6,209	181,209
2018			-
Retirement incentive Payable	14,000		14,000
Accumulated compensated absences	20,508	-	20,508
TOTALS	$1,823,518	$ 293,440	$2,116,958

Interest expense (all funds) for the year ended June 30, 2008 was $96,515. General fund interest expense is included in support services.

NOTE 5 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:

Plan Description – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPSERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPSERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPSERS was established by Public Act 136 or 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan, 48909-7671 or by calling (800) 381-5111.

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

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

NOTE 5 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN, (Continued):

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2007 was 17.74% through September 2007 and 16.72% for October 1, 2007 through June 30, 2008. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District's contribution to MPSERS for the year ended June 30, 2008, 2007, and 2006 was $449,310, $415,600, and $424,289, respectively, and were equal to the required contribution for those years then ended.

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

Other post-employment benefits – Also within the MPSERS system, retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The MPSERS has contracted to provide the comprehensive group medical, hearing, dental, and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the MPSERS with the balance deducted from the monthly pension.

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES:

Inter-fund receivable and payable balances at June 30th 2008 are as follows:

	INTERFUND RECEIVABLE	INTERFUND PAYABLE
General Fund	$ 13,127	$ -
Trust & Agency	-	13,127
Total	$ 13,127	$ 13,127

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

NOTE 7 - RISK MANAGEMENT:

The District is exposed to various risk of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in a pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays quarterly premiums to the pool for the insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of $500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance, torts, theft of, damage to and destruction of assets and errors & omissions.

NOTE 8 – CAPITAL ASSETS:

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

	BALANCE 7/1/2007	ADDITIONS	DELETIONS	BALANCE 6/30/2008
Assets not being depreciated – land	$ 50,000			$ 50,000
Other capital assets:				
Land improvements	400,409			400,409
Building and additions	4,598,963			4,598,963
Machinery and equipment	1,155,863	40,317	81,448	1,114,732
Transportation equipment	516,340			516,340
Subtotal	6,671,575	40,317	81,448	6,630,444
Accumulated depreciation	(2,720,122)	(170,921)	(81,448)	(2,809,595)
Net other capital assets:	3,951,453	(130,604)	-	3,820,849
Net capital assets	$ 4,001,453	$ (130,604)	$ -	$ 3,870,849

Depreciation for the fiscal year ended June 30, 2008 amounted to $170,921. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 9 – TRANSFERS:

The general fund transferred $102,467 to the athletic fund during the current fiscal year. The transfer to the athletic fund was to subsidize operations.

REQUIRED SUPPLEMENTARY INFORMATION

PECK COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
REVENUES:				
Local	$ 70,000	$ 235,159	$ 271,395	$ 36,236
State sources	4,333,308	4,201,550	4,198,530	(3,020)
Federal sources	135,532	153,821	153,484	(337)
Total Revenues	4,538,840	4,590,530	4,623,409	32,879
EXPENDITURES:				
Instruction	2,819,065	2,804,573	2,779,826	24,747
Support services	1,665,716	1,631,693	1,600,633	31,060
Total Expenditures	4,484,781	4,436,266	4,380,459	55,807
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	54,059	154,264	242,950	88,686
OTHER FINANCING SOURCES (USES)				
Payments on loans	(59,881)	(48,409)	(48,374)	35
Loan proceeds		-	-	-
Transfers from other districts	11,500	15,172	18,606	3,434
Transfers to other funds		(113,174)	(102,467)	10,707
TOTAL OTHER FINANCING SOURCES (USES)	(48,381)	(146,411)	(132,235)	14,176
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	5,678	7,853	110,715	102,862
FUND BALANCE AT BEGINNING OF YEAR	1,724,261	1,801,951	1,801,951	-
FUND BALANCE AT END OF YEAR	$ 1,729,939	$ 1,809,804	$ 1,912,666	$ 102,862

ADDITIONAL INFORMATION

PECK COMMUNITY SCHOOLS
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2008

	SPECIAL REVENUE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS		
Cash	$ 16,434	$ 16,434
Due from other funds	-	-
Due from other governmental units	2,386	2,386
TOTAL ASSETS	***$ 18,820***	***$ 18,820***
LIABILITIES AND FUND BALANCE		
Accounts Payable	$ 37	$ 37
Due to other funds	-	-
TOTAL LIABILITIES	37	37
FUND BALANCE		
Fund balances:		
Unreserved:		
Undesignated	18,783	18,783
TOTAL FUND BALANCE	18,783	18,783
TOTAL LIABILITIES AND FUND BALANCE	***$ 18,820***	***$ 18,820***

PECK COMMUNITY SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED JUNE 30, 2008

	SPECIAL REVENUE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES		
Local sources	$ 137,840	$ 137,840
State sources	7,365	7,365
Federal sources	79,303	79,303
TOTAL REVENUES	224,508	224,508
EXPENDITURES		
Food services	185,510	185,510
Athletic services	143,232	143,232
TOTAL EXPENDITURES	328,742	328,742
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(104,234)	(104,234)
OTHER FINANCING SOURCES (USES)		
Transfers from other funds	102,467	102,467
TOTAL OTHER FINANCING SOURCES (USES)	102,467	102,467
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	(1,767)	(1,767)
FUND BALANCE AT BEGINNING OF YEAR	20,550	20,550
FUND BALANCE AT END OF YEAR	$ 18,783	$ 18,783

PECK COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
LOCAL SOURCES:			
Taxes	$ 150,159	$ 155,196	$ 5,037
Earnings on investments	60,000	63,001	3,001
Other local revenue	25,000	53,198	28,198
Total Local Sources	235,159	271,395	36,236
STATE SOURCES:			
State school aid	4,030,630	4,027,587	(3,043)
At Risk	82,738	82,753	15
Special education	86,350	86,358	8
Middle School Math	1,832	1,832	-
Total State Sources	4,201,550	4,198,530	(3,020)
FEDERAL SOURCES:			
Title I	67,424	67,424	-
Title V	127	127	-
Title II - A & D	27,295	27,295	-
IDEA - Project #070450	27,200	27,200	-
REAP grant	30,275	30,275	-
Safe & Drug Free Schools	1,500	1,163	(337)
Total Federal Sources	153,821	153,484	(337)
TOTAL REVENUES	$ 4,590,530	$ 4,623,409	$ 32,879

PECK COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
INSTRUCTION:			
BASIC PROGRAMS:			
ELEMENTARY:			
Professional Salaries	$ 810,815	$ 793,150	$ 17,665
Nonprofessional Salaries	59,628	56,296	3,332
Insurance benefits	183,687	175,605	8,082
FICA & Retirement	212,129	205,493	6,636
Other Benefits	18,022	28,511	(10,489)
Purchased Services	200	80	120
Supplies	27,514	25,078	2,436
Capital outlay	200	-	200
Miscellaneous	400	418	(18)
Total Elementary	1,312,595	1,284,631	27,964
SECONDARY:			
Professional Salaries	675,044	663,876	11,168
Nonprofessional Salaries	11,000	11,650	(650)
Speech	-	-	-
Insurance benefits	139,486	139,620	(134)
FICA & Retirement	167,188	162,801	4,387
Other Benefits	18,488	9,152	9,336
Purchased Services	15,715	14,737	978
Supplies	17,304	41,922	(24,618)
Capital outlay	200	-	200
Miscellaneous	400	-	400
Total Secondary	1,044,825	1,043,758	1,067
AT RISK:			
Professional Salaries	29,689	29,689	-
Nonprofessional Salaries	36,848	36,848	-
Insurance benefits	-	-	-
FICA & Retirement	16,217	16,216	1
Supplies	-	-	-
Total At Risk	82,754	82,753	1

PECK COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
INSTRUCTION (Continued):			
ADDED NEEDS:			
SPECIAL EDUCATION:			
Professional Salaries	$ 150,889	$ 149,925	$ 964
Nonprofessional Salaries	30,665	34,542	(3,877)
Insurance benefits	32,246	34,566	(2,320)
FICA & Retirement	39,688	40,578	(890)
Other Benefits	3,827	1,888	1,939
Purchased Services	3,000	3,543	(543)
Supplies	5,600	5,587	13
Capital outlay	300	71	229
Miscellaneous	200	-	200
Total Special Education	266,415	270,700	(4,285)
REAP GRANT:			
Professional Salaries	11,684	11,684	-
FICA & Retirement	3,062	3,062	-
Purchased Services	6,500	6,500	-
Supplies	1,570	1,570	-
Capital outlay	7,459	7,459	-
Miscellaneous	-	-	-
Total REAP Grant:	30,275	30,275	-
COMPENSATORY EDUCATION: (Title I)			
Professional Salaries	-	-	-
Nonprofessional Salaries	41,407	41,407	-
Social Worker	-	-	-
Insurance benefits	13,449	13,449	-
FICA & Retirement	10,294	10,294	-
Purchased Services	590	590	-
Supplies	1,684	1,684	-
Total Compensatory Education: (Title I)	67,424	67,424	-

PECK COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
INSTRUCTION, (Continued):			
ADDED NEEDS:			
COMPENSATORY EDUCATION: (Title II)			
Purchased Services	$ 158	$ 158	-
Supplies	-	-	-
Total Compensatory Education (Title II)	158	158	-
COMPENSATORY EDUCATION (Title V)			
Miscellaneous	127	127	-
TOTAL INSTRUCTION:	2,804,573	2,779,826	$ 24,747
SUPPORTING SERVICES:			
COUNSELING AND LIBRARY:			
Professional Salaries	107,606	111,180	(3,574)
Insurance benefits	8,676	7,286	1,390
FICA & Retirement	36,231	36,595	(364)
Other Benefits	214	212	2
Purchased Services	100	89	11
Supplies	4,100	1,130	2,970
Capital outlay	100	-	100
Miscellaneous	3,000	3,000	-
Total Counseling and Library	160,027	159,492	535
BUSINESS SERVICES:			
Miscellaneous	5,000	4,764	236
Interest Paid	11,472	11,495	(23)
Total Business Services	16,472	16,259	213

PECK COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
SUPPORTING SERVICES, (Continued):			
CENTRAL OFFICE:			
Professional Salaries	$ 120,240	$ 120,308	$ (68)
Nonprofessional Salaries	133,948	135,830	(1,882)
Insurance benefits	51,001	50,919	82
FICA & Retirement	68,979	66,662	2,317
Purchased Services	34,500	28,380	6,120
Supplies	59,500	56,111	3,389
Capital outlay	200	108	92
Miscellaneous	4,800	3,952	848
Total Central Office	473,168	462,270	10,898
SECONDARY AND ELEMENTARY OFFICES:			
Professional Salaries	101,387	99,387	2,000
Nonprofessional Salaries	37,826	39,894	(2,068)
Insurance benefits	53,836	50,955	2,881
FICA & Retirement	33,512	33,569	(57)
Purchased Services	69,184	65,907	3,277
Supplies	1,700	1,675	25
Capital outlay	500	143	357
Miscellaneous	200	-	200
Total Secondary and Elementary Offices	298,145	291,530	6,615
OPERATION OF PLANT:			
Professional Salaries	38,526	38,558	(32)
Nonprofessional Salaries	117,073	113,999	3,074
Insurance benefits	27,661	27,553	108
FICA & Retirement	37,919	37,352	567
Purchased Services	120,371	119,598	773
Supplies	136,000	134,693	1,307
Capital outlay	3,600	432	3,168
Miscellaneous	1,200	903	297
Total Operation of Plant	482,350	473,088	9,262

PECK COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
SUPPORTING SERVICES, (Continued):			
PUPIL TRANSPORTATION:			
Professional Salaries	$ 4,200	$ 3,686	$ 514
Nonprofessional Salaries	69,289	73,815	(4,526)
Insurance benefits	7,614	6,906	708
FICA & Retirement	17,909	14,523	3,386
Purchased Services	38,119	32,652	5,467
Supplies	53,100	55,582	(2,482)
Capital Outlay	-	-	-
Miscellaneous	2,200	1,730	470
Total Pupil Transportation	192,431	188,894	3,537
STAFF SERVICES:			
IDEA - Project #070450			
Professional Salaries	-	-	-
Insurance benefits	4,689	4,689	-
FICA & Retirement	4,411	4,411	-
Total IDEA	9,100	9,100	-
TOTAL SUPPORTING SERVICES:	1,631,693	1,600,633	31,060
TOTAL EXPENDITURES	$ 4,436,266	$ 4,380,459	$ 55,807

PECK COMMUNITY SCHOOLS
ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2008

	FOOD SERVICES	ATHLETIC ACTIVITIES	TOTAL
ASSETS			
Cash and investments	$ 12,033	$ 4,401	$ 16,434
Due from other governmental units	2,386	-	2,386
Due from other funds	-	-	-
TOTAL ASSETS	***$ 14,419***	***$ 4,401***	***$ 18,820***
LIABILITIES & FUND EQUITY			
LIABILITIES:			
Accounts Payable	$ 37		$ 37
TOTAL LIABILITIES	37	-	37
FUND BALANCE:			
Fund Balance	14,382	$ 4,401	18,783
TOTAL FUND BALANCE	14,382	4,401	18,783
TOTAL LIABILITIES & FUND BALANCE	***$ 14,419***	***$ 4,401***	***$ 18,820***

PECK COMMUNITY SCHOOLS
ALL SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008

	FOOD SERVICES	ATHLETIC ACTIVITIES	COMBINED
REVENUES:			
Local Sources:			
Sale of lunches	$ 98,084		$ 98,084
Athletic receipts and student fees		$ 39,149	39,149
Interest on investments	442	165	607
Total Local Sources	98,526	39,314	137,840
State Sources:			
State aid	7,365		7,365
Federal Sources:			
Federal aid	79,303		79,303
Total Federal Sources	79,303	-	79,303
TOTAL REVENUES	185,194	39,314	224,508
OTHER FINANCING SOURCES:			
Transfer from General Fund	-	102,467	102,467
TOTAL REVENUES AND OTHER FINANCING SOURCES	185,194	141,781	326,975
EXPENDITURES:			
Food and other purchases	88,059		88,059
Salaries	55,322	79,655	134,977
Insurance benefits	13,484	-	13,484
FICA & Retirement	13,463	21,183	34,646
Repairs and other purchased services	4,364	16,837	21,201
Supplies	6,764	19,026	25,790
Miscellaneous	4,054	6,531	10,585
TOTAL EXPENDITURES	185,510	143,232	328,742
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(316)	- (1,451)	(1,767)
FUND BALANCE AT BEGINNING OF YEAR	14,698	5,852	20,550
FUND BALANCE AT END OF YEAR	$ 14,382	$ 4,401	$ 18,783

PECK COMMUNITY SCHOOLS
1996 DEBT RETIREMENT FUNDS
BALANCE SHEET
June 30, 2008

	June 30, 2008
ASSETS	
Cash	$ 48,500
TOTAL ASSETS	$ 48,500
FUND BALANCES	
Fund Balance:	
Reserved for debt retirement	$ 48,500

PECK COMMUNITY SCHOOLS
1996 DEBT RETIREMENT FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2008

	June 30, 2008
REVENUES:	
Local Sources:	
Property taxes	$ 227,290
Interest	2,633
TOTAL REVENUES	229,923
EXPENDITURES:	
Debt Service:	
Retirement of bonds	150,000
Interest on bonded debt	43,363
Fees	300
Miscellaneous	
TOTAL EXPENDITURES	193,663
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	36,260
OTHER FINANCIANG SOURCES (USES):	
Proceeds from bond refunding	1,565,000
Payment to bond escrow agent	(1,550,000)
Interest expense	(32,064)
Bond issuance costs	(27,436)
TOTAL OTHER FINANCING SOURCES (USES)	(44,500)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	(8,240)
FUND BALANCE - BEGINNING OF YEAR	56,740
FUND BALANCE - END OF YEAR	$ 48,500

PECK COMMUNITY SCHOOLS
PRIVATE-PURPOSE TRUST AND AGENCY FUNDS
COMBINING BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2008

	PRIVATE PURPOSE TRUST	AGENCY FUNDS	TOTAL
ASSETS			
Cash	$ 121,086	$ 70,730	$ 191,816
TOTAL ASSETS	***$ 121,086***	***$ 70,730***	***$ 191,816***
LIABILITIES AND FUND EQUITY			
Liabilities:			
Due to student groups		$ 57,603	$ 57,603
Due to other funds		13,127	13,127
Total Liabilities	-	70,730	70,730
Fund Equity:			
Fund balance:			
Reserved for scholarships	$ 121,086		121,086
Total Fund Equity	121,086	-	121,086
TOTAL LIABILITIES AND FUND EQUITY	***$ 121,086***	***$ 70,730***	***$ 191,816***

PECK COMMUNITY SCHOOLS
PRIVATE-PURPOSE TRUST FUNDS
SCHOLARSHIP FUNDS
COMBINING BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2008

	SCHOLARSHIP FUNDS		
	LONGUSKI	**HANNAN**	**KETTLEWELL**
ASSETS			
Cash	$ 14,837	$ 55,375	$ 18,166
TOTAL ASSETS	***$ 14,837***	***$ 55,375***	***$ 18,166***
LIABILITIES AND FUND EQUITY			
Fund Equity:			
Fund balance:			
Reserved	$ 14,837	$ 55,375	$ 18,166
TOTAL LIABILITIES AND FUND EQUITY	***$ 14,837***	***$ 55,375***	***$ 18,166***

SCHOLARSHIP FUNDS

JOHNSTON	ERNST	LAPANOWSKI	R.E.D.	SONS OF AMERICAN LEGION	McCANHAM	TOTAL
$ 12,166	$ 1,451	$ 2,784	$ 5,833	$ 500	$ 9,974	$ 121,086
$ 12,166	***$ 1,451***	***$ 2,784***	***$ 5,833***	***$ 500***	***$ 9,974***	***$ 121,086***
$ 12,166	$ 1,451	$ 2,784	$ 5,833	$ 500	$ 9,974	$ 121,086
$ 12,166	***$ 1,451***	***$ 2,784***	***$ 5,833***	***$ 500***	***$ 9,974***	***$ 121,086***

PECK COMMUNITY SCHOOLS
PRIVATE-PURPOSE TRUST FUNDS
SCHOLARSHIP FUNDS
COMBINING SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008

	SCHOLARSHIP FUNDS		
	LONGUSKI	**HANNAN**	**KETTLEWELL**
REVENUES			
Local revenues:			
Interest on Investments	$ 233	$ 4,315	$ 786
Donations	10,000		
Total Revenues	10,233	4,315	786
EXPENDITURES			
Scholarships awarded	500	5,900	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	9,733	(1,585)	786
FUND BALANCE AT BEGINNING OF YEAR	5,104	56,960	17,380
FUND BALANCE AT END OF YEAR	$ 14,837	$ 55,375	$ 18,166

SCHOLARSHIP FUNDS

JOHNSTON	ERNST	LAPANOWSKI	R.E.D.	SONS OF AMERICAN LEGION	McCANHAM	TOTAL
$ 564	$ 43	$ 88	$ 2,033		$ 421	$ 8,483
		500	75	$ 500		11,075
564	43	588	2,108	500	421	19,558
500	1,000	250	500	500	500	9,650
64	(957)	338	1,608	-	(79)	9,908
12,102	2,408	2,446	4,225	500	10,053	111,178
$ 12,166	$ 1,451	$ 2,784	$ 5,833	$ 500	$ 9,974	$ 121,086

PECK COMMUNITY SCHOOLS
AGENCY FUNDS
SCHEDULE OF RECEIPTS,
DISBURSEMENTS AND CHANGE IN BALANCES
FOR THE YEAR ENDED JUNE 30, 2008

	BALANCE JUNE 30, 2007	CASH RECEIPTS	CASH DISBURSEMENTS	BALANCE JUNE 30, 2008
Student Council	$ 3,564			$ 2,443
Honor Society	45			69
Technology	369			369
Class of 2008	252			-
Class of 2009	3,570			837
Class of 2010	742			2,129
Class of 2011	608			1,911
Class of 2012	453			514
Class of 2013	-			686
Athletic Complex	1,495			738
Computer Club	441			367
Drama Club	626			1,324
Honors Account	2,855			1,655
Spirit Committee	2,081			2,754
Lunch Buddies	-			153
Special Funds	-			309
Athletic Activities	15,828			10,327
Interest	1,913			1,083
Earlier Classes	141			141
Band Boosters	1,809			3,763
Quiz Bowl Team	140			277
PPTO	5,521			7,304
Equipment Rental	292			574
Industrial Technology Club	123			412
Peck Booster Club	6,722			17,464
TOTALS	$ 49,590	$ 157,064	$ 149,051	$ 57,603
GENERAL FUND ACCOUNTS	$ 15,353	$ 23,623	$ 25,849	$ 13,127

PECK COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT -
1996 SCHOOL BUILDING AND SITE BONDS
June 30, 2008

YEAR ENDING June 30,	PRINCIPAL DUE	INTEREST DUE	TOTAL PAYMENT
2009	-	-	-
2010	-	-	-
2011	-	-	-
2012	-	-	-
2013	-	-	-
2014	-	-	-
2015	-	-	-
2016	-	-	-
2017	-	-	-
	$ -	$ -	$ -

Interest Rates	4.65% to 6.90%
Original Issue	$ 3,000,000

Purpose of Issue: The 1996 Bond issue was for building additions, remodeling existing buildings, new furnishings and upgrading technology equipment.

On February 25, 2008 refunding bonds in the amount of $1,565,000 were sold to refinance the above bonds. The school district realized a net present value savings of $77,727. See page 47 for payment schedule of the new bonds.

PECK COMMUNITY SCHOOLS
SCHEDULE OF COPIER NOTE PAYABLE
June 30, 2008

YEAR ENDING DATE	ORIGINAL AMOUNT	DUE DATE	INTEREST RATE	INTEREST	PRINCIPAL	TOTAL
6/30/06	$ 41,950	06/30/09	3.88%	$ 172	$ 11,094	$ 11,266
				$ 172	$ 11,094	$ 11,266

Purpose of issue - Purchase five new copiers for the school district.

PECK COMMUNITY SCHOOLS
SCHEDULE OF BUS NOTE PAYABLE
June 30, 2008

YEAR ENDING DATE	ORIGINAL AMOUNT	DUE DATE	INTEREST RATE	INTEREST	PRINCIPAL	TOTAL
8/4/04	$ 53,541					
		8/4/2008	3.50%	$ 802	$ 11,073	$ 11,875
		8/4/2009	3.50%	407	11,468	11,875
				$ 1,209	$ 22,541	$ 23,750

Purpose of issue - Purchase new bus for the school district

PECK COMMUNITY SCHOOLS
SCHEDULE OF BUS NOTE PAYABLE
June 30, 2008

YEAR ENDING DATE	ORIGINAL AMOUNT	DUE DATE	INTEREST RATE	INTEREST	PRINCIPAL	TOTAL
07/19/06	$ 59,003					
		6/25/2009	3.95%	$ 1,469	$ 11,754	$ 13,223
		6/25/2010	3.95%	999	12,224	13,223
		6/25/2011	3.95%	509	12,714	13,223
				$ 2,977	$ 36,692	$ 39,669

Purpose of issue - Purchase new bus for the school district

PECK COMMUNITY SCHOOLS
SCHEDULE OF ENERGY PROJECT NOTE PAYABLE
June 30, 2008

YEAR ENDING DATE	ORIGINAL AMOUNT	DUE DATE	INTEREST RATE	INTEREST	PRINCIPAL	TOTAL
07/21/06	$ 185,000					
		6/25/2009	4.38%	$ 6,825	$ 16,420	$ 23,245
		6/25/2010	4.38%	6,095	17,150	23,245
		6/25/2011	4.38%	5,334	17,911	23,245
		6/25/2012	4.38%	4,551	18,694	23,245
		6/25/2013	4.38%	3,708	19,537	23,245
		6/25/2014	4.38%	2,841	20,404	23,245
		6/25/2015	4.38%	1,936	21,311	23,247
		6/25/2016	4.38%	989	22,256	23,245
				$ 32,279	$ 153,683	$ 185,962

Purpose of note - Purchase and install energy efficient equipment.

PECK COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT -
2008 REFUNDING BONDS
June 30, 2008

YEAR ENDING June 30,	PRINCIPAL DUE	INTEREST DUE	TOTAL PAYMENT
2009	$170,000	$53,151	$223,151
2010	170,000	43,178	213,178
2011	175,000	38,588	213,588
2012	175,000	33,688	208,688
2013	175,000	28,613	203,613
2014	175,000	23,363	198,363
2015	175,000	17,850	192,850
2016	175,000	12,163	187,163
2017	175,000	6,209	181,209
	$ 1,565,000	$ 256,803	$ 1,821,803

Interest Rates	3.18294%
Original Issue	$ 1,565,000

The 2008 refunding bond was used to refinance the 1996 building and site bond issue.

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

August 25, 2008

Board of Education
Peck Community Schools
Peck, Michigan 48466

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Peck Community Schools, as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements of the District's primary government and have issued our report thereon dated August 25, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Peck Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the 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 significant deficiencies, but not material weaknesses.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control over financial reporting. We consider the deficiency described as 2008-1, 2008-2, and 2008-3 in the accompanying schedule of findings and responses to be significant in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Peck Community Schools' 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*.

Peck Community Schools' responses to the findings identified in our audit are described in the accompanying schedule of findings and response. We did not audit Peck Community Schools response and, accordingly, we express no opinion on it.

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

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

August 25, 2008

To the Board of Education
Peck Community Schools
Peck, MI 48466

Schedule of Findings and Responses

Findings considered significant deficiencies

Finding 2008-1

Criteria:
Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the financial statements and footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Condition:
Currently, the District's staff requests the external auditor's assistance in the preparation of the annual financial statements and related footnotes.

Context:
External assistance is required to prepare the annual financial statements and related footnotes.

Effect:
Utilization of the external auditor in preparing the financial statements and related footnotes to the financial statements assists management with the external financial reporting responsibility, to ensure their financial statements are accurate.

Cause:
The staff of the district does understand all information included in the annual financial statements; however, assistance of the external auditor was utilized in preparing the financial statements and footnotes to the financial statements.

Recommendation:
At this time, we recommend no changes to this situation and communicate this as required by professional standards. The correct process meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

August 25, 2008

To the Board of Education
Peck Community Schools
Peck, MI 48466

Schedule of Findings and Responses

Findings considered significant deficiencies

Finding 2008-2

Criteria:
Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client has a small staff that limits the segregation of duties.

Condition:
Due to the limited number of staff, many critical duties are combined and given to the available staff and/or board members.

Context:
Internal controls are weakened due to the lack of segregation of duties.

Effect:
Other staff members and/or board members must be utilized in order to achieve good internal controls.

Cause:
The district doesn't have enough staff in the business office to have a proper segregation of duties.

Recommendation:
At this time, we recommend the district segregate the duties whenever possible and communicate this as required by professional standards. The correct process meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

August 25, 2008

To the Board of Education
Peck Community Schools
Peck, MI 48466

Schedule of Findings and Responses

Findings considered significant deficiencies

Finding 2008-3

Criteria:
The cost principles of OMB Circular A-87 require, "Where employees are expected to work solely on a single Federal award or cost objective, charged for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee".

Condition:
The District did not complete the time certifications required for the employees working solely on a single federal program.

Context:
Salaries and wages charged to the program could be disallowed.

Effect:
Proper documentation of time spent by full time employees is not being completed.

Cause:
The cause of the condition was the lack of knowledge of the requirement of the Circular in regards to the need for time certification.

Recommendation:
The District should develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
Certified Public Accountants

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Robert L. Tuckey, CPA

August 25, 2008

To the Members of the Board
Peck Community Schools

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Peck Community Schools for the year ended June 30, 2008, and have issued our report thereon dated August 25, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 29, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the internal control of Peck Community Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Peck Community Schools' compliance with certain provisions of laws, regulations, contracts, and grants. However the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 29, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Peck Community Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

> Estimates have been used in calculating the liability for employee compensated absences. The estimated liability is approximately $20,508. We evaluated the key factors and assumptions used to develop the estimate of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. We did not identify any significant disclosures.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 25, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Members of the Board and management of the Peck Community Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt, & Doran, P.C.
Certified Public Accountants