

SANILAC INTERMEDIATE SCHOOL DISTRICT
Peck, Michigan

Report on Financial Statements
June 30, 2007

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Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

September 27, 2007

Independent Auditor's Report

To the Board of Education
Sanilac Intermediate School District
Peck, MI

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sanilac Intermediate School District, as of and for the year ended June 30, 2007, 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 Sanilac Intermediate School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with 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 for the primary government of Sanilac Intermediate School District as of June 30, 2007 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2007 on our consideration of Sanilac Intermediate School District's 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Board of Education
September 27, 2007

The management's discussion and analysis and budgetary comparison information on pages i through ix and pages 23 through 25, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the primary government of Sanilac Intermediate School District's basic financial statements. The additional information on pages 26 to 41 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This 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

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Sanilac Intermediate School District, located in Sanilac County, Michigan, is in its fifth year of implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Management Discussion and Analysis, a requirement of GASB 34, is intended to be the Sanilac Intermediate School District's administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2007.

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

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Special Education and Vocational Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are - +available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is 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.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. 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 obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

District Wide Financial Statements: (Continued)

These two statements report the Sanilac Intermediate School District net assets – the difference between assets and liabilities, as reported in the statement of net assets – as 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 – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services. Property taxes, unrestricted State aid, and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal years ended June 30, 2007 and 2006:

<u>ASSETS</u>		
Current Assets	\$2,592,488	\$1,948,302
Non-Current Assets	<u>4,650,908</u>	<u>4,808,038</u>
<u>TOTAL ASSETS</u>	<u>\$7,243,396</u>	<u>\$6,756,340</u>
<u>LIABILITIES</u>		
Current Liabilities	\$1,142,992	\$1,377,491
Long-Term Liabilities	<u>1,878,285</u>	<u>1,888,307</u>
Total Liabilities	\$3,021,277	\$3,265,798
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	2,548,205	2,636,443
Restricted for Debt Service	327,050	78,193
Restricted for Capital Projects	241	408
Unrestricted	<u>1,346,623</u>	<u>775,498</u>
Total Net Assets	<u>\$4,222,119</u>	<u>\$3,490,542</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$7,243,396</u>	<u>\$6,756,340</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2007 and 2006, the District wide results of operations were:

	2007	2006
<u>REVENUES</u>		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$274,673	\$262,673
Property Taxes Levied for Special Education Operations	989,126	946,255
Property Taxes Levied for Vocational Education Operations	2,199,241	2,103,836
Property Taxes Levied for Debt Service	189,568	180,239
State of Michigan Foundation Aid	1,862,036	1,915,721
Other General Revenues	790,683	831,140
Total General Revenues	\$6,305,327	\$6,239,864
<u>Operating Grants:</u>		
Federal	2,704,452	2,304,752
State of Michigan	-	-
Other Grants		
Total Operating Grants	\$2,704,452	\$2,304,752
<u>Charges for Services:</u>		
General Fund		-
Special Education Fund	383,101	269,064
Vocational Education Fund	159,693	240,226
Total Charges for Services	\$542,794	\$509,290
Total Revenues	\$9,552,573	\$9,053,906
<u>EXPENSES</u>		
Instruction & Instructional Support	3,232,522	3,397,141
Support Services	4,006,644	4,331,515
Community Services	213,649	317,574
Transfers to other governmental units	1,111,814	908,507
Interest on Long-Term Debt	59,323	88,947
Depreciation	197,044	175,908
Total Expenses	\$8,820,996	\$9,219,592
<u>INCREASE IN NET ASSETS</u>	\$731,577	(\$165,686)
<u>BEGINNING NET ASSETS</u>	3,490,542	3,480,814
<u>PRIOR YEAR CORRECTION</u>		175,414
<u>ENDING NET ASSETS</u>	\$4,222,119	\$3,490,542

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2007, the District's Total Net Assets increased by \$731,577 to a total of \$4,222,119. The largest portion of the net assets are the District's fund balances. Net assets (invested in capital assets, net of related debt) decreased by \$88,240 during the year due to depreciation exceeding purchases of new capital assets and principal payments on related debt. The District's Unrestricted Net Assets increased by \$571,125 during the year and the restricted portion of the net assets increased by \$248,690. The restricted Net Assets consist of the Investment in Capital Assets-net of related Debt, the restricted debt retirement funds that may only be used to pay bonded debt and restricted capital projects funds that may only be used to fund capital projects. The unrestricted net assets may be used to fund the educational services provided to students.

Analysis of Results of Operations

The district's overall revenues exceeded its expenses for the year by \$731,577. The total revenues increased by \$498,667. The major change was interest earned on investments, property taxes, Medicaid-School Based & AOP MI Works, and out-of-district tuition reimbursement Total expenditures decreased by \$398,596 due to reductions in staff, reduction in operation and maintenance and instructional program costs, contracted Speech Therapy services, and securing of lower interest rates on borrowings than anticipated.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund increased by \$160,093 during the year with the increase coming primarily from a reduction in staff. Revenues for the year decreased by \$65,451 from reductions in state aid-middle school math, elimination of small rural schools and economic development. Expenditures and other financing uses decreased by \$226,479, due to elimination of middle school math, reduction in general education staff, board of education conference and professional development elimination, change of superintendent reduction in costs, increase in legal fees, elimination of EDC at calendar year end. The major source of general fund revenues is state aid and taxes. An analysis of the major revenue sources is as follows:

1. State of Michigan Aid (Section 81)

The State of Michigan aid provided under Section 81 of the State Aid Act provides the majority of state aid to the District's General Fund. Funding to the District under Section 81 is provided to comply with the requirements of the State Aid Act and to provide technical assistance to local districts as authorized by the intermediate school board. Funding under Section 81 was \$643,768 (\$332,598 posted to general fund, \$154,454 to special education and \$156,716 to vocational education) for the fiscal year an increase of \$22,265 from the previous year.

2. Property Taxes Levied For General Operations (General Fund Homestead and Non-Homestead Taxes)

The District levies .2026 mills of property taxes for operations (General Fund) on Homestead and 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 property tax revenue for the 2006-07 fiscal year was \$274,673. An increase of \$12,003 from the prior year.

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

Special Education Fund

Unreserved fund balance for the special education fund increased by \$275,865 during the year with the increase coming primarily from a increase in cash. Revenues for the year increased by \$644,747 primarily from Medicaid reimbursements, property taxes, out-of-district tuition, I.D.E.A. funding. Expenditures and other financing uses decreased by \$140,719, primarily reduction in instructional classroom expenditures, staff reassignments, reduction in staff, an increase in contracted services, and a reduction in technology expenditures. The major source of special education revenues is federal grants, state aid and taxes. An analysis of the major revenue sources is as follows:

1. State of Michigan Aid (Section 51)

The State of Michigan aid provided under Section 51 of the State Aid Act provides the majority of state aid to the District's Special Education Fund. Funding to the District under Section 51 is provided to reimburse the District for unreimbursed costs of special education programs, services and special education personnel. Funding under Section 51 was \$747,980 for the fiscal year an increase of \$6,515 from the previous year.

2. Property Taxes Levied For Special Education

The District levies .7298 mills of property taxes for operations (Special Education Fund) on Homestead and 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 property tax revenue for the 2006-07 fiscal year was \$989,126. An increase of \$42,873 from the prior year.

Vocational Education Fund

Unreserved fund balance for the vocational education fund increased by \$140,596 during the year with the increase coming primarily from a increase in cash. Revenues for the year decreased by \$49,351 primarily due to elimination of entrepreneur funding, and reduced PEAK tuition reimbursement. Expenditures and other financing uses decreased by \$270,460 primarily due to reduction in program expenditures, technology costs, staff reassignment, elimination of building and site transfer-completion of fire replacement project. The major source of vocational education revenues is taxes. An analysis of the major revenue sources is as follows:

1. State of Michigan Aid (Sections 61 and 62)

The State of Michigan aid provided under Sections 61 and 62 of the State Aid Act provides the majority of state aid to the District's Vocational Education Fund. Funding to the District under Sections 61 and 62 is provided to reimburse, on an added cost basis, the District for unreimbursed costs of its vocational-technical education center and vocational-technical programs and services. Funding under Sections 61 and 62 was \$284,822 for the fiscal year a decrease of \$52,453 from the previous year.

2. Property Taxes Levied For Vocational Education

The District levies 1.6227mills of property taxes for operations (Vocational Education Fund) on Homestead and 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 tax revenue for the 2006-07 fiscal year was \$2,199,240. An increase of \$95,404 from the prior year.

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final Budget %	Variance Actual & Final Budget %
\$1,050,051	\$1,103,468	\$1,106,339	(5.09)	0.26
1,040,074	1,047,866	946,246	(0.75)	(9.70)
<u>\$9,977</u>	<u>\$55,602</u>	<u>\$160,093</u>		

SPECIAL EDUCATION FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final Budget %	Variance Actual & Final Budget %
Revenue	\$4,068,648	\$4,511,340	\$4,444,858	10.88	(1.47)
Expenditures	4,166,670	4,275,776	4,168,993	(2.62)	2.50
<u>TOTAL</u>	<u>(\$98,022)</u>	<u>\$235,564</u>	<u>\$275,865</u>		

VOCATIONAL EDUCATION FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final Budget %	Variance Actual & Final Budget %
Revenue	\$3,840,034	\$3,880,934	\$3,823,295	(1.07)	(1.49)
Expenditures	3,777,687	3,799,529	3,682,699	(0.58)	3.07
<u>TOTAL</u>	<u>\$62,347</u>	<u>\$81,405</u>	<u>\$140,596</u>		

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Sanilac Intermediate School District amends its budget during the school year. The June, 2007 budget amendment was the final budget for the fiscal year. Significant budget variations were as follows:

Original Budget vs. Final Budget

General Fund

Revenues: The District received an increase in Great Parents, Great Start-Section 32J monies from the previous year. The District was awarded Reading First-LETRS funding for the second year and HS/MASS funding.

Expenditures: The District was awarded additional Great Parents/Great Start funding and Reading First/LETRS was awarded for a second year and HS/Mass funding. Two General Education staff took jobs elsewhere and their positions were not replaced. Duties were reassigned with substantial savings. Professional Development monies not spent in the previous year that were restricted monies were brought back into the current year to be expended. Superintendent position was replaced; former superintendent's fringes beyond base salary were eliminated. As a result of superintendent position, legal fees were incurred that were not in the original budget. The District budgeted for district-wide capital outlay; they had not done so in previous years.

Special Education Fund

Revenues: Funding for the Medicaid-School Based Services and AOP Administrative Outreach increased based upon actual receipts. I.D.E.A. and Section 51a increased based on student numbers.

Expenditures: Normal increases in instructional expenditures due to salary and benefit increases. Staff reassignment and reduction in staff-Behavioral Support Consultant. Decrease in expenditures in transportation with the elimination of a noon route.

Vocational Education Fund

Revenues: Peak consortium reimbursement decreased due to student enrollment and increased administrative cost. Interest on investments increased. Section 61A.1 Added cost monies increased. Received transfer from General Fund for fire reimbursement based on actual expense. Interest on Investments greater than anticipated in original budget.

Expenditures: Decreased expenditures in instructional programs and interest on tax anticipative borrowing less than originally budgeted. Operation and maintenance expenditures increased in electricity due to current rates and usage--Engineering and Design building fully functional and parking lot was resurfaced over the year that wasn't originally in budget. Technology expenditures decreased due to staff reassignment.

Actual Results vs. Final Budget

General Fund

Revenues: Interest earned was greater than anticipated based upon actual receipts. Literacy received greater revenues from Michigan Works than anticipated.

Expenditures: A staff member changed in May just before revision resulted in a decrease in expenditures in secretarial, benefits, and carry over funds in ABC in science that were not anticipated but, will need to be brought into next fiscal year for expense. Expenditure variations occurred in actual audit expenses in Literacy expenditures; monies unspent will be carried over for future year's usage.

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

ANALYSIS OF BUDGETS: (Continued)

Actual Results vs. Final Budget (Continued)

Special Education Fund

Revenues: Significant variances in actual results versus final budget were due to actual Medicaid and AOP receipts, additional interest earned on investments, state aid received in excess of anticipated and actual IDEA expenditures versus budgeted.

Expenditures: Variances occurred primarily in reduced instructional classroom expenditures, support services, contracted services and transportation expenditures.

Vocational Education Fund

Revenues: Significant variances in actual results versus budget were due to interest earned, resale programs, adult education & miscellaneous revenue.

Expenditures: Variances occurred primarily in reductions in instructional classroom expenditures and in resale due to only one construction trades house being sold prior to fiscal year end, MI Works Staffing one employee resigned, and reductions in support services. Youth Club expenditures increase due to participation in national competitions and adult education due to additional classes and supplies purchased.

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 6-30-06	Adjustments	Deductions	Principal Balance 6-30-07
Bonds Payable	\$2,021,151	\$207,212	\$195,000	\$2,033,363
Contracts Payable	46,897	0	19,077	27,820
Unpaid Sick & Vacation Payable	103,547	0	62,027	41,520
<u>Total Long-Term Obligations</u>	<u>\$2,171,595</u>	<u>\$207,212</u>	<u>\$276,104</u>	<u>\$2,102,703</u>

The District issued bonds on March 8, 2005 in the amount of \$425,000. The bonds mature serially through May 1, 2019, at varying principal amounts. Interest rates on the bonds range from 2.65% to 4.25% per annum. The balance of the bonds at June 30, 2007, was \$380,000.

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

B. Capital Assets

The district's net investment in capital assets increased by \$157,530 during the fiscal year. This can be summarized as follows:

	<u>Balance</u> <u>7-1-06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6-30-07</u>
Capital Assets	\$8,410,567	\$39,914	\$0	\$8,450,481
Less: Accumulated Depreciation	<u>(3,602,529)</u>	<u>(197,044)</u>	<u>0</u>	<u>(3,799,573)</u>
<u>Net Investment Capital Outlay</u>	<u>\$4,808,038</u>	<u>(\$157,130)</u>	<u>\$0</u>	<u>\$4,650,908</u>

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 Business Office, Sanilac Intermediate School District.

BASIC FINANCIAL STATEMENTS

SANILAC INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2007

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 1,488,320
Investments	260,616
Accounts receivable	66,475
Inventory	83,939
Due from other governmental units	682,722
Prepaid expenses	10,416
	<hr/>
TOTAL CURRENT ASSETS	2,592,488
NONCURRENT ASSETS:	
Capital assets	8,450,481
Less accumulated depreciation	(3,799,573)
	<hr/>
TOTAL NONCURRENT ASSETS	4,650,908
	<hr/>
TOTAL ASSETS	\$ 7,243,396
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 155,402
Salaries payable	440,512
Accrued expenses	153,868
Deferred revenue	168,792
Current portion of long term debt	224,418
	<hr/>
TOTAL CURRENT LIABILITIES	1,142,992
NONCURRENT LIABILITIES:	
Noncurrent portion of long term debt	1,878,285
	<hr/>
TOTAL LIABILITIES	3,021,277
NET ASSETS:	
Invested in capital assets, net of related debt	2,548,205
Restricted for debt service	327,050
Restricted for capital projects	241
Unrestricted	1,346,623
	<hr/>
TOTAL NET ASSETS	4,222,119
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 7,243,396
	<hr/> <hr/>

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

SANILAC INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		Governmental
		Charges for Services	Operating Grants	Activities
				Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 3,232,522		\$ 811,336	\$ (2,421,186)
Support services	4,006,644	\$ 542,794	1,893,116	(1,570,734)
Community services	213,649			(213,649)
Transfers to other governmental units	1,111,814			(1,111,814)
Interest on long-term debt	59,323		-	(59,323)
Unallocated depreciation	197,044			(197,044)
Total governmental activities	<u>\$ 8,820,996</u>	<u>\$ 542,794</u>	<u>\$ 2,704,452</u>	<u>(5,573,750)</u>
General revenues:				
Property taxes, levied for general purposes				3,652,608
State sources				1,862,036
Investment revenue				94,220
Transfers from other governmental units				546,137
Miscellaneous				150,326
Total general revenue				<u>6,305,327</u>
Change in net assets				731,577
Net assets, beginning of year				3,490,542
Net assets, end of year				<u>\$ 4,222,119</u>

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

SANILAC INTERMEDIATE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	<u>SPECIAL REVENUE</u>		
	<u>GENERAL FUND</u>	<u>SPECIAL EDUCATION</u>	<u>VOCATIONAL EDUCATION</u>
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 441,054	\$ 460,491	\$ 519,101
Investments	293	685	623
Accounts receivable	1,141	24,891	39,882
Interest receivable			
Inventory			83,939
Due from other governmental units	90,910	483,482	108,289
Due from other funds	-	-	-
Prepaid expenses	5,076	3,786	1,554
TOTAL ASSETS	<u>\$ 538,474</u>	<u>\$ 973,335</u>	<u>\$ 753,388</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES:			
Accounts payable	\$ 29,431	\$ 105,187	\$ 20,784
Due to other funds	-	-	-
Salaries payable	25,105	218,646	196,761
Accrued payroll liabilities	6,593	51,372	53,517
Deferred revenue	168,792	-	-
TOTAL LIABILITIES	<u>229,921</u>	<u>375,205</u>	<u>271,062</u>
FUND BALANCE:			
Unreserved:			
Designated for capital outlay			
Designated for debt retirement			
Designated for compensated absences	7,295	17,159	17,066
Undesignated	301,258	580,971	465,260
TOTAL FUND BALANCE	<u>308,553</u>	<u>598,130</u>	<u>482,326</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 538,474</u>	<u>\$ 973,335</u>	<u>\$ 753,388</u>

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

<u>QZAB Debt Retirement</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
\$ 1	\$ 67,673	\$ 1,488,320
259,015	-	260,616
	561	66,475
	-	-
		83,939
	41	682,722
		-
		10,416
<u>\$ 259,016</u>	<u>\$ 68,275</u>	<u>\$ 2,592,488</u>

	-	\$ 155,402
	-	-
		440,512
		111,482
		168,792
		876,188
		241
\$ 259,016	\$ 241	\$ 327,050
	68,034	41,520
		1,347,489
<u>259,016</u>	<u>68,275</u>	<u>1,716,300</u>
<u>\$ 259,016</u>	<u>\$ 68,275</u>	<u>\$ 2,592,488</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Balance Sheet to the
 Statement of Net Assets
 June 30, 2007

Total Fund Balances - Governmental Funds	\$ 1,716,300
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.	
Cost of capital assets	8,450,481
Accumulated depreciation	(3,799,573)
Accrued interest on long-term debt	(42,386)
Long term liabilities are not due and payable in the current period and are not reported in the funds	
Bonds payable:	(2,033,363)
Contracts payable	(27,820)
Sick and vacation pay	(41,520)
Net Assets of Governmental Activities	\$ 4,222,119

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

SANILAC INTERMEDIATE SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	<u>SPECIAL REVENUE</u>		
	<u>GENERAL FUND</u>	<u>SPECIAL EDUCATION</u>	<u>VOCATIONAL EDUCATION</u>
REVENUES:			
Local sources	\$ 321,787	\$ 1,433,240	\$ 2,468,184
State sources	485,698	915,827	459,813
Federal sources	24,858	2,030,290	649,304
TOTAL REVENUES	<u>832,343</u>	<u>4,379,357</u>	<u>3,577,301</u>
EXPENDITURES:			
Instruction	183,384	1,287,162	1,824,003
Student services		733,909	16,849
Instructional support	245,482	721,079	24,366
General administration	192,722	85,806	72,811
School administration		198,919	526,836
Business administration	119,412	51,673	65,124
Operation and maintenance	16,528	55,340	415,006
Transportation		318,155	
Other support services	88,234	26,665	86,416
Community services	38,191	601	174,857
Capital outlay			
Debt service			
TOTAL EXPENDITURES	<u>883,953</u>	<u>3,479,309</u>	<u>3,206,268</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(51,610)	900,048	371,033
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	20,312
Operating transfers out	(20,312)	(25,383)	(66,590)
Transfers from other governmental units	272,749	49,703	223,685
Transfers to other governmental units	(41,975)	(664,298)	(405,541)
Loan payments	-	-	(4,303)
Insurance reimbursements	1,241	15,795	-
Donated Items	-	-	2,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>211,703</u>	<u>(624,183)</u>	<u>(230,437)</u>
Net Change in Fund Balance	160,093	275,865	140,596
FUND BALANCE - BEGINNING OF YEAR	148,460	322,265	341,730
PRIOR PERIOD ADJUSTMENT			
FUND BALANCE - END OF YEAR	<u>\$ 308,553</u>	<u>\$ 598,130</u>	<u>\$ 482,326</u>

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

QZAB Debt Retirement	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 1	\$ 197,679 698	\$ 4,420,891 1,862,036 2,704,452
1	198,377	8,987,379
		3,294,549 750,758 990,927 351,339 725,755 236,209 486,874 318,155 201,315 213,649 -
	248,897	248,897
	248,897	7,818,427
1	(50,520)	1,168,952
51,803	40,395 (225)	112,510 (112,510) 546,137 (1,111,814) (4,303)
	24	17,060 2,000
51,803	40,194	(550,920)
51,804	(10,326)	618,032
	78,601	891,056
207,212		207,212
\$ 259,016	\$ 68,275	\$ 1,716,300

SANILAC INTERMEDIATE SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
June 30, 2007

Total net change in fund balances--governmental funds \$ 618,032

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their useful lives as depreciation:

Depreciation expense	(197,044)
Capital outlay	39,914

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	36,957
Accrued interest payable at the end of the year	(42,383)

Loan proceeds	-
Payments on Debt	214,074

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 at the beginning of the year	103,547
Accrued absences at the end of the year	(41,520)

Change in net assets of governmental activities	\$ 731,577
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The accompanying notes are an integral part of the financial statements.

**SANILAC INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2007**

**TRUST &
AGENCY**

ASSETS

Cash and Cash Equivalents

\$ 52,248

LIABILITIES AND FUND BALANCE

Liabilities:

 Due to Student Groups

\$ 52,248

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

SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic financial statements of the Sanilac Intermediate School District (the District) 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 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 GASB Statements #14 and #39, nor is the District a component unit of another entity.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has largely 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 utilizes restricted resources to finance their respective, qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. These 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.

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.

**SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued):

Governmental Funds:

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

The District reports the following **major** governmental funds:

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

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects). The District's **major** special revenue funds consist of the Special Education and Vocational Education funds.

The District reports the following **nonmajor** governmental funds:

The *Debt Service Funds* account for the servicing of general long-term debt.

The *Capital Projects Fund* accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects. The Capital Project Fund includes capital project activities funded by the sale of bonds.

Fiduciary 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 District reports the following **fiduciary** fund:

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).

SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

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

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 were 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.

Modified Accrual Method

Governmental funds are used to account for the District's general government activities. Governmental fund financial statements use 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 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 related to compensated absences and claims and judgments, are recorded 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 that provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007 the foundation allowance was based on the pupil membership counts taken in February and September of 2006.

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, 2006 to August, 2007. Thus, the unpaid portion at June 30th is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 Accounting for Property Taxes.

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, which are not expended by the close of the fiscal year, are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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*. 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 districts intend to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

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. 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. School District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year-end).

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

<u>FUND</u>	<u>MILLS</u>
General Fund	0.2026
Special Revenue Funds:	
Special Education Fund	0.7298
Vocational Eduaction Fund	1.6227
Debt Retirement Fund	0.1400

3. Prepaid items.

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

SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

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

ASSETS, LIABILITIES AND EQUITY, (Continued):

4. Receivables and 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 Governmental Funds Balance Sheet.

5. Capital Assets.

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

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

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

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

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

6. Compensated Absences.

The District reports compensated absences in accordance with the provisions of GASB #16, "Accounting for Compensated Absences." Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account "compensated absences payable" in the fund from which employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

7. 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. Premiums received on debt issuances are 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.

**SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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

ASSETS, LIABILITIES AND EQUITY, (Continued):

8. 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.

9. Use of Estimates.

The process of preparing basic 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 U. S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue and debt service 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 in the combined statement of revenues, expenditures and changes in fund balances - budget (GAAP basis) and actual - general, special revenue, debt service and capital project funds.
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, special revenue and debt service fund.

**SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY (Continued):

6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30.

NOTE 3 - DEPOSITS AND INVESTMENTS:

As of June 30, 2007, the District had the following investments.

Investment Type	Fair value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
Guaranteed Investment Contract (GIC)	\$ 259,016	4.45	A1+	96.37
MILAF External Investment pool – MICMS	1,600	.0027	AAAm	3.63
Total fair value	<u>\$ 260,616</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>4.45</u>		

1 day maturity equals 0.0027, one year equals 1.00

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 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).

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, 2007, \$1,798,318 of the District's bank balance of \$1,900,141 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 counter party, 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.

The District's Guaranteed Investment Contract is collateralized and invested for the purpose of paying off the QZAB Bonds as disclosed in Note 7.

SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS, (Continued):

The Investment Agreement, dated as of September 10, 2002, by and among LaSalle Bank, as the Depository on behalf of both the participating Michigan School District and the Michigan Municipal Bond Authority, and Wachovia Bank, as Provider.

The net proceeds from the sale of the School Improvement Bonds were loaned by the Authority to Michigan School Districts. Such Loans are to be repaid with annual set-a-side installments deposited with the Depository for investment under the Investment Agreement. Set-a-side installments are deposited under the Investment Agreement.

The Guaranteed Rate under this Investment Agreement (commonly referred to as guaranteed investment contract-GIC or collateralized investment agreement-CIA) is 2.0% (simple interest actual days elapsed over a 365-day year).

The Guarantor is Wachovia Bank, as guarantor of the Provider's obligations under this Investment Agreement.

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

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

Cash Agency Fund	\$ 52,248
Cash - District wide	1,488,320
Investments - District wide	<u>260,616</u>
	<u>\$ 1,801,184</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 4 – CAPITAL ASSETS:

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

	<u>BALANCE</u> <u>JULY 1, 2006</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2007</u>
Assets not being depreciated – land	\$ 62,155			\$ 62,155
Other capital assets:				
Building and Improvements	6,890,397	\$ 9,469		6,899,866
Land Improvements	17,246			17,246
Equipment and Furniture	1,124,146	30,445		1,154,591
Vehicles	<u>316,623</u>	<u>-</u>	<u>-</u>	<u>316,623</u>
Subtotal - Other	8,348,412	39,914	-	8,388,326
Accumulated depreciation:				
Building and Improvements	(2,334,969)	(156,349)		(2,491,318)
Land Improvements	(8,434)	(862)		(9,296)
Equipment and Furniture	(1,001,297)	(20,235)		(1,021,532)
Vehicles	<u>(257,829)</u>	<u>(19,598)</u>	<u>-</u>	<u>(277,427)</u>
Total accumulated depreciation	<u>(3,602,529)</u>	<u>(197,044)</u>	<u>-</u>	<u>(3,799,573)</u>
Net Other capital assets:	<u>4,745,883</u>	<u>(157,130)</u>	<u>-</u>	<u>4,588,753</u>
Net capital assets	<u>\$4,808,038</u>	<u>\$ (157,130)</u>	<u>\$ -</u>	<u>\$4,650,908</u>

Depreciation for the fiscal year ended June 30, 2007 amounted to \$197,044.

NOTE 5 – SELF INSURANCE POOL

The District participates in a public entity risk pool (self insurance pool) for its workers' compensation, property and casualty, and vehicle insurance. The pool is through the MASB/SET/SEG and is administered by Cannon Cochran Management Services, Inc. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years.

NOTE 6- RISK MANAGEMENT:

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In the past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

**SANILAC INTERMEDIATE SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 7-- LONG-TERM DEBT:

2001 General Obligation School Building and Site Bonds

The bonds were issued February 20, 2001 in the amount of \$1,655,000, for the purpose of erecting, furnishing and equipping a special education classroom addition to be located at Maple Valley Elementary School in Sandusky. The bonds mature serially through May 1, 2011, at varying principal amounts. Interest rates on the bonds are 4.0% per annum.

\$ 775,000

2001 School Building and Site Bonds (General Obligation - Limited Tax) Qualified Zone Academy Bonds

Sanilac Intermediate School District issued 2001 Qualified Zone Academy Bonds dated July 12, 2001, in the amount of \$673,450. The bonds are interest free and are repayable July 12, 2014. The District is required to set aside \$51,803 each year, the sum of which will be sufficient to repay the aggregate principal amount of the Bonds.

673,450

2005 School Building and Site Bonds (General Obligation - Limited Tax)

The bonds were issued March 8, 2005 in the amount of \$425,000. The bonds mature serially through May 1, 2019, at varying principal amounts. Interest rates on the bonds range from 2.90% to 4.25% per annum.

380,000

Total Bonds Payable

\$ 2,033,363

Contracts Payable

Contracts payable consisted of the following at June 30, 2007:

3.5% note to Tri-County Bank, \$388 payments monthly, including interest, collateralized by Dodge pickup, matures July 1, 2010.

\$ 12,665

2.45% note to Tri-County Bank, \$15,523 payments annually, plus interest, collateralized by 1 bus, matures June 25, 2008.

15,155

TOTAL

\$ 27,820

**SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 7- LONG-TERM DEBT (Continued):

Annual Principal Requirements

The annual principal requirements for all debts outstanding as of June 30, 2007 are as follows:

	Bonds Payable	Contracts Payable	Interest	Total
June 30, 2008	\$ 205,000	\$ 19,418	\$ 45,445	\$ 269,847
June 30, 2009	333,020	4,410	83,202	420,632
June 30, 2010	245,232	3,992	33,232	282,472
June 30, 2011	256,196	-	23,432	279,628
June 30, 2012	52,204	-	13,173	65,377
June 30, 2013-2017	861,711	-	38,522	900,233
June 30, 2017-2022	80,000	-	5,080	85,080
TOTAL	<u>\$ 2,033,363</u>	<u>\$ 27,820</u>	<u>\$ 242,086</u>	<u>\$ 2,303,269</u>

The payment dates for sick days payable is undeterminable. The interest expenditures on long-term obligations for the year were \$66,841.

Changes in General Long-Term Debt

<u>Governmental Activities:</u>	Balance July 1, 2006	Adjustments	Deductions	Balance June 30, 2007
General Obligation & Durant Bonds	\$ 2,021,151	\$ 207,212	\$ 195,000	\$ 2,033,363
Contracts Payable	46,897	-	19,077	27,820
Unpaid Sick & Vacation Payable	103,547	-	62,027	41,520
Total Governmental Activities	<u>\$ 2,171,595</u>	<u>\$ 207,212</u>	<u>\$ 276,104</u>	<u>\$ 2,102,703</u>

NOTE 8 – OPERATING LEASES

The District entered into a lease with the Sandusky Community Schools for the purpose of leasing a building under construction at the Sandusky Middle School. The lease dated June 16, 1993 began on July 1, 1993 with occupancy occurring on or about August 23, 1993 and extends for fifteen years. Lease payments totaling \$140,000 were paid at the inception of the lease. The purpose of the lease is to allow the consortium to provide special education services and other related services. The Sandusky Community Schools is responsible for all utilities and property and casualty insurance. Sanilac Intermediate School District is responsible for custodial services.

Sanilac Intermediate School District has entered into the following operating lease summarized below:

	Monthly Payment	Maturity Date
Chrysler Financial – Van	\$ 369	May, 2010
Future anticipated lease payments:	2007-08	\$ 4,425
	2008-09	4,425
	2009-10	<u>3,687</u>
Total	<u>\$ 12,537</u>	

**SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:

Plan Description – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan, 48909-7671 or by calling (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 of 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 MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2007 was 16.34% through September 2006 and 17.74% for October 1, 2006 through June 30, 2007. The contribution requirements of plan members and the district are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2007, 2006, and 2005 were approximately \$645,096, \$635,014, and \$578,792, respectively, and were equal to the required contribution for those years.

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 MPERS system, retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The MPERS 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 MPERS with the balance deducted from the monthly pension.

**SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 10 – TRANSFERS

	<u>Transfers To</u>	<u>Transfers From</u>
General Fund	\$ -	20,312
Special Education Fund	-	25,383
Career Technology Preparation	20,312	66,590
Capital Projects	-	-
Debt Retirement	<u>92,198</u>	<u>225</u>
Total	<u>\$ 112,510</u>	<u>\$ 112,510</u>

The transfer from the General Fund to the Vocational Education Fund is for the reimbursement of fire damage and custodial services. The transfers from the Special Education and Vocational Education Funds to the Debt Retirement Fund are for QZAB loan requirements. Other transfers to the Building and Site Fund were to provide additional funding to complete the project.

NOTE 11 – LITIGATION

The district has been named as a defendant in a lawsuit initiated by a former employee. The claim asserted is improper termination of employment. The case has gone through all pretrial procedures and is set for trial in late November 2007. The case is being vigorously defended on behalf of the School District. Because of the uncertainty involved no allowance for a potential loss has been recorded in the financial statements.

NOTE 12 – PRIOR PERIOD ADJUSTMENT

As part of the terms of the 2001 Qualified Zone Academy Bond program, the District is required to set aside \$51,803 each year for thirteen years. At the end of this period the entire amount of debt of \$673,450 will be retired. Prior audit reports had treated these set aside payments as debt reductions. The prior period adjustment properly reflects these past payments as additional fund balance.

Note 13 – SUBSEQUENT EVENT:

On September 21, 2007 the Board approved borrowing \$700,000 of Vocational Education tax anticipation notes. The notes were dated September 27, 2007, will bear interest of 4.15% and will mature April 1, 2008.

REQUIRED SUPPLEMENTARY INFORMATION

SANILAC INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>			VARIANCE- WITH FINAL BUDGET- FAVORABLE (UNFAVORABLE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUE:				
Local sources	\$ 313,068	\$ 314,923	\$ 321,787	\$ 6,864
State sources	484,673	496,084	485,698	(10,386)
Federal sources	23,468	29,858	24,858	(5,000)
TOTAL REVENUE	<u>821,209</u>	<u>840,865</u>	<u>832,343</u>	<u>(8,522)</u>
EXPENDITURES:				
Instruction	186,716	183,649	183,384	265
Supporting services:				
Instructional staff	340,994	269,492	245,482	24,010
General administration	192,931	190,683	192,722	(2,039)
Business administration	92,328	117,255	119,412	(2,157)
Operation and maintenance	37,782	17,728	16,528	1,200
Other support services	113,029	152,386	88,234	64,152
Community services	35,000	37,194	38,191	(997)
TOTAL EXPENDITURES	<u>998,780</u>	<u>968,387</u>	<u>883,953</u>	<u>84,434</u>
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(177,571)</u>	<u>(127,522)</u>	<u>(51,610)</u>	<u>75,912</u>
OTHER FINANCING SOURCES (USES):				
Transfers to other funds		(20,312)	(20,312)	-
Transfers to other governmental units	(41,294)	(59,167)	(41,975)	17,192
Transfers from other governmental units	228,842	261,361	272,749	11,388
Insurance reimbursements		1,242	1,241	(1)
TOTAL OTHER FINANCING SOURCES (USES)	<u>187,548</u>	<u>183,124</u>	<u>211,703</u>	<u>28,579</u>
Net Change in Fund Balance	9,977	55,602	160,093	104,491
FUND BALANCE - JULY 1	<u>148,460</u>	<u>148,460</u>	<u>148,460</u>	<u>-</u>
FUND BALANCE - JUNE 30	<u>\$ 158,437</u>	<u>\$ 204,062</u>	<u>\$ 308,553</u>	<u>\$ 104,491</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>			VARIANCE- WITH FINAL BUDGET- FAVORABLE (UNFAVORABLE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUE:				
Local sources	\$ 1,250,780	\$ 1,369,536	\$ 1,433,240	\$ 63,704
State sources	892,318	904,559	915,827	11,268
Federal sources	<u>1,873,425</u>	<u>2,091,967</u>	<u>2,030,290</u>	<u>(61,677)</u>
TOTAL REVENUE	<u>4,016,523</u>	<u>4,366,062</u>	<u>4,379,357</u>	<u>13,295</u>
EXPENDITURES:				
Instruction	1,315,747	1,332,177	1,287,162	45,015
Supporting services				
Student services	769,463	738,464	733,909	4,555
Instructional support	785,950	729,100	721,079	8,021
General administration	67,243	88,094	85,806	2,288
School administration	199,894	199,978	198,919	1,059
Business administration	44,023	51,676	51,673	3
Operation & maintenance	120,250	56,938	55,340	1,598
Transportation	398,150	321,120	318,155	2,965
Other support services	34,217	27,169	26,665	504
Community services	<u>5,700</u>	<u>2,335</u>	<u>601</u>	<u>1,734</u>
TOTAL EXPENDITURES	3,740,637	3,547,051	3,479,309	67,742
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	<u>275,886</u>	<u>819,011</u>	<u>900,048</u>	<u>81,037</u>
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	(25,383)	(25,383)	(25,383)	-
Transfers to other governmental units	(400,650)	(703,342)	(664,298)	39,044
Transfers from other governmental units	52,125	129,483	49,703	(79,780)
Loan Payments		-	-	-
Insurance reimbursements		<u>15,795</u>	<u>15,795</u>	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(373,908)</u>	<u>(583,447)</u>	<u>(624,183)</u>	<u>(40,736)</u>
Net Change in Fund Balance	(98,022)	235,564	275,865	40,301
FUND BALANCE - JULY 1	<u>322,265</u>	<u>322,265</u>	<u>322,265</u>	-
FUND BALANCE - JUNE 30	<u>\$ 224,243</u>	<u>\$ 557,829</u>	<u>\$ 598,130</u>	<u>\$ 40,301</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
VOCATIONAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>			VARIANCE- WITH FINAL BUDGET- FAVORABLE (UNFAVORABLE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUE:				
Local sources	\$ 2,723,164	\$ 2,523,105	\$ 2,468,184	\$ (54,921)
State sources	444,825	448,843	459,813	10,970
Federal sources	418,203	662,215	649,304	(12,911)
TOTAL REVENUE	<u>3,586,192</u>	<u>3,634,163</u>	<u>3,577,301</u>	<u>(56,862)</u>
EXPENDITURES:				
Instruction	2,270,168	1,928,852	1,824,003	104,849
Supporting services				
Student services	27,250	22,250	16,849	5,401
Instructional support	26,240	24,466	24,366	
General administration	67,243	73,289	72,811	478
School administration	524,399	529,354	526,836	2,518
Business administration	66,078	65,167	65,124	
Operation & maintenance	423,408	416,264	415,006	1,258
Other support services	106,155	85,509	86,416	(907)
Community services	177,706	177,571	174,857	2,714
TOTAL EXPENDITURES	<u>3,688,647</u>	<u>3,322,722</u>	<u>3,206,268</u>	<u>116,311</u>
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(102,455)</u>	<u>311,441</u>	<u>371,033</u>	<u>59,592</u>
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	(67,040)	(67,040)	(66,590)	450
Transfers from other funds	20,312	20,312	20,312	-
Transfers to other governmental units	(22,000)	(405,464)	(405,541)	(77)
Transfers from other governmental units	231,530	224,459	223,685	(774)
Payments on loans		(4,303)	(4,303)	-
Donated items	2,000	2,000	2,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>164,802</u>	<u>(230,036)</u>	<u>(230,437)</u>	<u>(401)</u>
Net Change in Fund Balance	62,347	81,405	140,596	59,191
FUND BALANCE - JULY 1	<u>341,730</u>	<u>341,730</u>	<u>341,730</u>	<u>-</u>
FUND BALANCE - JUNE 30	<u>\$ 404,077</u>	<u>\$ 423,135</u>	<u>\$ 482,326</u>	<u>\$ 59,191</u>

ADDITIONAL INFORMATION

**SANIALC INTERMEDIATE SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2007**

	2005 Capital Projects	Debt Retirement	Total
ASSETS			
Cash and cash equivalents	\$ 241	\$ 67,432	\$ 67,673
Investments		-	-
Accounts receivable		561	561
Interest receivable		-	-
Due from other governmental units		41	41
TOTAL ASSETS	<u>\$ 241</u>	<u>\$ 68,034</u>	<u>\$ 68,275</u>
LIABILITIES			
Accounts Payable	-	-	-
Due to other funds		-	-
FUND BALANCES			
Reserved for debt retirement		\$ 68,034	\$ 68,034
Reserved for capital projects	\$ 241		241
TOTAL FUND BALANCES	<u>241</u>	<u>68,034</u>	<u>68,275</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 241</u>	<u>\$ 68,034</u>	<u>\$ 68,275</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2007

	2005 <u>Capital Projects</u>	Debt <u>Retirement</u>	<u>Total</u>
REVENUES			
Local Sources			
Property taxes	\$ -	\$ 189,568	\$ 189,568
Taxes other than property	-	2,811	2,811
Earnings on investments and deposits	34	5,266	5,300
	<hr/>	<hr/>	<hr/>
Total Local Sources	34	197,645	197,679
State Sources	-	698	698
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	34	198,343	198,377
OTHER FINANCING SOURCES			
Insurance reimbursement	24		24
Transfers from other funds	-	40,395	40,395
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES AND OTHER FINANCING SOURCES	58	238,738	238,796
EXPENDITURES			
Debt Retirement			
Redemption of bond principal		-	-
Interest on bonded debt		52,745	52,745
Dues and fees		728	728
Taxes abated		424	424
Principal payment		195,000	195,000
Capital Outlay	-		-
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	-	248,897	248,897
OTHER FINANCING USES			
Transfers to other funds	225	-	225
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES AND OTHER FINANCING USES	225	248,897	249,122
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES			
	<hr/>	<hr/>	<hr/>
	(167)	(10,159)	(10,326)
FUND BALANCE - JULY 1			
	408	78,193	78,601
FUND BALANCE - JUNE 30			
	<hr/>	<hr/>	<hr/>
	\$ 241	\$ 68,034	\$ 68,275

**SANILAC INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF GENERAL FUND REVENUE
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Property tax levy	\$ 277,143	\$ 274,673	\$ (2,470)
Non-property taxes	2,550	4,077	1,527
Income on investments and deposits	12,600	20,140	7,540
Other local revenues	<u>22,630</u>	<u>22,897</u>	<u>267</u>
TOTAL REVENUE FROM LOCAL SOURCES	<u>314,923</u>	<u>321,787</u>	<u>6,597</u>
REVENUE FROM STATE SOURCES:			
State aid- sec 81	353,545	355,367	1,822
Math and science challenge grant- sec 99.1	66,527	66,527	-
Renaissance zone	1,128	1,015	(113)
Durant	34,704	34,704	-
Gifted and talented	-	-	-
Great parents- great start	40,180	24,758	(15,422)
Other state sources	<u>-</u>	<u>3,327</u>	<u>3,327</u>
TOTAL REVENUES FROM STATE SOURCES	<u>496,084</u>	<u>485,698</u>	<u>(10,386)</u>
REVENUE FROM FEDERAL SOURCES:			
Title VI	1,016	1,016	-
Small Rural Schools	-	-	-
Homeland Security	-	-	-
Adult education	<u>28,842</u>	<u>23,842</u>	<u>(5,000)</u>
TOTAL REVENUES FROM FEDERAL SOURCES	<u>29,858</u>	<u>24,858</u>	<u>(5,000)</u>
TOTAL REVENUES	<u>840,865</u>	<u>832,343</u>	<u>8,522</u>
OTHER FINANCING SOURCES			
Transfer from other governmental units	261,361	272,749	(11,388)
Insurance reimbursements	<u>1,242</u>	<u>1,241</u>	<u>1</u>
TOTAL OTHER FINANCING SOURCES	<u>262,603</u>	<u>273,990</u>	<u>(11,387)</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 1,103,468</u>	<u>\$ 1,106,333</u>	<u>\$ (2,865)</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION			
Salaries- professional	\$ 111,695	\$ 111,405	\$ 290
Salaries- non-professional	-	-	-
Insurances	32,515	32,662	(147)
Fica, retirement, and other benefits	28,439	28,366	73
Supplies and materials	11,000	10,951	49
TOTAL INSTRUCTION	<u>183,649</u>	<u>183,384</u>	<u>265</u>
SUPPORTING SERVICES:			
Instructional Support			
Salaries- professional	95,549	96,870	(1,321)
Salaries- non-professional	44,446	40,187	4,259
Insurances	27,418	27,396	22
Fica, retirement, and other benefits	25,367	24,737	630
Purchased services	54,969	44,820	10,149
Supplies and materials	17,444	7,174	10,270
Capital outlay	2,560	2,560	-
Other	1,739	1,738	1
Total Instructional Support	<u>269,492</u>	<u>245,482</u>	<u>24,009</u>
General Administration			
Salaries- professional	88,096	87,785	311
Salaries- non-professional	23,117	23,117	-
Insurances	16,043	15,897	146
Fica, retirement, and other benefits	20,020	24,356	(4,336)
Purchased services	31,651	30,060	1,591
Supplies and materials	3,950	3,475	475
Capital outlay	-	-	-
Other	7,806	8,032	(226)
Total General Administration	<u>190,683</u>	<u>192,722</u>	<u>(2,039)</u>
Business Administration			
Salaries- professional	48,103	48,103	-
Insurances	16,257	16,257	-
Fica, retirement, and other benefits	12,032	11,991	41
Supplies and materials	350	318	32
Purchased services	36,153	38,418	(2,265)
Other	4,360	4,325	35
Total Business Administration	<u>117,255</u>	<u>119,412</u>	<u>35</u>
Operation and Maintenance			
Purchased services	17,728	16,528	1,200
Capital outlay	-	-	-
Total Operation and Maintenance	<u>17,728</u>	<u>16,528</u>	<u>1,200</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Other Support Services			
Salaries- professional	\$ 13,649	\$ 13,649	\$ -
Salaries- non-professional	4,451	3,990	461
Insurances	4,650	4,649	1
Fica, retirement, and other benefits	4,409	4,422	(13)
Purchased services	97,359	34,470	62,889
Supplies and materials	7,950	7,504	446
Capital outlay	7,500	7,133	367
Other	12,418	12,417	1
Total Other Support Services	<u>152,386</u>	<u>88,234</u>	<u>64,152</u>
TOTAL SUPPORT SERVICES	747,544	662,378	85,166
COMMUNITY SERVICES			
Salaries- professional	-	-	-
Salaries- non-professional	-	-	-
Insurances	-	-	-
Fica, retirement, and other benefits	-	-	-
Purchased services	28,687	30,463	(1,776)
Supplies and materials	8,507	7,728	779
TOTAL COMMUNITY SERVICES	<u>37,194</u>	<u>38,191</u>	<u>(997)</u>
TOTAL EXPENDITURES	968,387	883,953	84,434
OTHER FINANCING USES			
Transfers to other funds	20,312	20,312	-
Transfers to other governmental units	59,167	41,975	17,192
TOTAL OTHER FINANCING USES	<u>79,479</u>	<u>62,287</u>	<u>17,192</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 1,047,866</u>	<u>\$ 946,240</u>	<u>\$ 101,626</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF SPECIAL EDUCATION FUND REVENUE
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Property tax levy	\$ 998,318	\$ 989,126	\$ (9,192)
Non-property taxes	9,118	14,682	5,564
Earnings on investments and deposits	23,300	33,795	10,495
Medicaid	328,000	383,101	55,101
Other local revenues	10,800	12,536	1,736
TOTAL REVENUE FROM LOCAL SOURCES	<u>1,369,536</u>	<u>1,433,240</u>	<u>63,704</u>
REVENUE FROM STATE SOURCES:			
Special education- sec 51 a	747,253	747,979	726
School for deaf/blind	9,950	9,681	(269)
Renaissance zone	4,059	3,655	(404)
Other state sources	143,297	154,512	11,215
TOTAL REVENUE FROM STATE SOURCES	<u>904,559</u>	<u>915,827</u>	<u>11,268</u>
REVENUE FROM FEDERAL SOURCES:			
IDEA flowthrough	1,741,120	1,700,064	(41,056)
IDEA preschool incentive	53,566	53,566	-
State initiated grants	110,000	110,000	-
Transition services	-	-	-
Medicaid Transportation	10,000	12,110	2,110
Medicaid Outreach	-	67,568	67,568
Early on	177,281	86,982	(90,299)
TOTAL REVENUE FROM FEDERAL SOURCES	<u>2,091,967</u>	<u>2,030,290</u>	<u>(61,677)</u>
TOTAL REVENUES	<u>4,366,062</u>	<u>4,379,357</u>	<u>13,295</u>
OTHER FINANCING SOURCES:			
Transfers from other governmental units	129,483	49,703	(79,780)
Insurance reimbursements	15,795	15,795	-
TOTAL OTHER FINANCING SOURCES	145,278	65,498	(79,780)
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 4,511,340</u>	<u>\$ 4,444,855</u>	<u>\$ (146,265)</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF SPECIAL EDUCATION FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
Salaries- professional	\$ 487,863	\$ 488,015	
Salaries- non-professional	290,530	285,629	\$ 4,901
Insurances	320,140	315,467	4,673
Fica, retirement, and other benefits	198,491	176,462	22,029
Purchased services	1,700	832	868
Supplies and materials	33,453	20,757	12,696
Other	-	-	-
TOTAL INSTRUCTION	<u>1,332,177</u>	<u>1,287,162</u>	<u>45,015</u>
SUPPORTING SERVICES			
Student Services			
Salaries- professional	482,978	482,659	319
Insurances	114,534	115,063	(529)
Fica, retirement, and other benefits	123,116	120,218	2,898
Purchased services	12,475	10,907	1,568
Supplies and materials	5,361	5,062	299
Total Student Services	<u>738,464</u>	<u>733,909</u>	<u>4,555</u>
Instructional Support			
Salaries- professional	273,328	272,354	974
Salaries- non-professional	49,119	49,101	18
Insurances	83,042	82,598	444
Fica, retirement, and other benefits	81,144	80,677	467
Purchased services	231,573	226,887	4,686
Supplies and materials	10,544	9,334	1,210
Other	350	128	222
Total Instructional Support	<u>729,100</u>	<u>721,079</u>	<u>8,021</u>
General Administration			
Salaries- professional	41,298	41,298	-
Salaries- non-professional	11,559	11,559	-
Insurances	7,829	7,948	(119)
Fica, retirement, and other benefits	10,008	10,030	(22)
Purchased Services	17,400	14,971	2,429
Total General Administration	<u>88,094</u>	<u>85,806</u>	<u>2,288</u>
School Administration			
Salaries- professional	88,148	88,147	1
Salaries- non-professional	45,923	45,924	(1)
Insurances	27,432	27,544	(112)
Fica, retirement, and other benefits	33,982	33,898	84
Purchased services	2,293	1,574	719
Supplies and materials	2,200	1,832	368
Total School Administration	<u>199,978</u>	<u>198,919</u>	<u>1,059</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF SPECIAL EDUCATION FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES (Continued)			
Business Administration			
Salaries- professional	\$ 24,052	\$ 24,052	\$ -
Insurances	8,129	8,129	-
Fica, retirement, and other benefits	6,071	6,051	20
Other	13,424	13,441	(17)
Total Business Administration	51,676	51,673	3
Operation and Maintenance			
Salaries- non-professional	4,000	3,667	333
Insurances	-	-	-
Fica, retirement, and other benefits	1,016	973	43
Purchased services	28,484	29,263	(779)
Supplies and materials	18,150	16,152	1,998
Capital outlay	5,288	5,285	3
Total Operation and Maintenance	56,938	55,340	1,598
Transportation			
Salaries- non-professional	73,209	73,085	124
Insurances	35,451	35,284	167
Fica, retirement, and other benefits	18,876	18,930	(54)
Purchased services	171,704	171,150	554
Supplies and materials	6,800	4,730	2,070
Capital outlay	14,780	14,774	6
Other	300	202	98
Total Transportation	321,120	318,155	2,965
Other Support Services			
Salaries- professional	13,649	13,649	-
Salaries- non-professional	4,450	3,990	460
Insurances	4,649	4,649	-
Fica, retirement, and other benefits	4,421	4,377	44
Purchased services	-	-	-
Supplies and materials	-	-	-
Total Other Support Services	27,169	26,665	504
TOTAL SUPPORT SERVICES	2,212,539	2,191,546	20,993
COMMUNITY SERVICES			
Purchased services	2,130	396	1,734
Supplies and materials	205	205	-
TOTAL COMMUNITY SERVICES	2,335	601	1,734
TOTAL EXPENDITURES	3,547,051	3,479,309	67,742
OTHER FINANCING USES			
Transfers to other governmental units	703,342	664,298	39,044
Transfers to other funds	25,383	25,383	-
Loan Payments	-	-	-
TOTAL OTHER FINANCING USES	728,725	689,681	39,044
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 4,275,776	\$ 4,168,990	\$ 106,786

SANILAC INTERMEDIATE SCHOOL DISTRICT
VOCATIONAL EDUCATION FUND
SCHEDULE OF REVENUE
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Property tax levy	\$ 2,219,747	\$ 2,199,241	\$ (20,506)
Taxes other than property	20,300	32,644	12,344
Earnings on investments and deposits	22,770	34,987	12,217
Tuition	59,355	92,627	33,272
Program sales	160,500	67,066	(93,434)
Other local revenues	40,433	41,619	1,186
TOTAL REVENUE FROM LOCAL SOURCES	2,523,105	2,468,184	(54,921)
REVENUE FROM STATE SOURCES:			
State aid- added cost sec 61 a.1	200,871	192,803	(8,068)
State aid- voc ed millage equalization sec 62	80,019	80,019	-
State aid- voc ed administration sec 61a.2	12,000	12,000	-
Renaissance zone	9,026	8,127	(899)
Michigan Works	-	10,148	10,148
Other state sources	146,927	156,716	9,789
TOTAL REVENUE FROM STATE SOURCES	448,843	459,813	10,970
REVENUE FROM FEDERAL SOURCES:			
MI works staffing grant	195,328	182,417	(12,911)
Tech prep grant	24,366	24,366	-
Summer school grant	20,000	20,000	-
Secondary regional allocation	422,521	422,521	-
TOTAL REVENUE FROM FEDERAL SOURCES	662,215	649,304	(12,911)
TOTAL REVENUES	3,634,163	3,577,301	(56,862)
OTHER FINANCING SOURCES:			
Transfers from other funds	20,312	20,312	-
Transfers from other governmental units	224,459	223,685	(774)
Donated items	2,000	2,000	-
TOTAL OTHER FINANCING SOURCES	246,771	245,997	(774)
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 3,880,934	\$ 3,823,298	\$ (57,636)

SANILAC INTERMEDIATE SCHOOL DISTRICT
VOCATIONAL EDUCATION FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION			
Salaries- professional	\$ 844,009	\$ 854,668	\$ (10,659)
Salaries- non-professional	135,799	137,171	(1,372)
Insurances	296,673	297,246	(573)
Fica, retirement, and other benefits	248,458	248,610	(152)
Purchased services	43,841	17,472	26,369
Supplies and materials	282,028	194,379	87,649
Capital outlay	66,862	65,488	1,374
Other	11,182	8,969	2,213
TOTAL INSTRUCTION	1,928,852	1,824,003	104,849
SUPPORTING SERVICES:			
Student Services			
Salaries- professional	5,520	4,075	1,445
Fica, retirement, and other benefits	1,139	1,034	105
Purchased services	14,041	10,196	3,845
Supplies and materials	1,150	1,193	(43)
Other	400	351	49
Total Student Services	22,250	16,849	5,401
Instructional Support			
Purchased services	15,777	15,677	100
Supplies and materials	8,589	8,689	(100)
Capital outlay	-	-	-
Other	100	-	100
Total Instructional Support	24,466	24,366	100
General Administration			
Salaries- professional	41,298	41,298	-
Salaries- non-professional	11,559	11,559	-
Insurances	7,923	7,948	(25)
Fica, retirement, and other benefits	10,009	10,006	3
Purchased services	2,500	2,000	500
Total General Administration	73,289	72,811	478
School Administration			
Salaries- professional	166,299	166,299	-
Salaries- non-professional	141,462	141,462	-
Insurances	80,316	80,333	(17)
Fica, retirement, and other benefits	80,373	79,966	407
Purchased services	47,250	46,009	1,241
Supplies and materials	10,254	9,191	1,063
Other	3,400	3,576	(176)
Total School Administration	529,354	526,836	2,518
Business Administration			
Salaries- professional	24,052	24,052	-
Insurances	8,129	8,129	-
Fica, retirement, and other benefits	6,071	6,051	20
Other	26,915	26,892	23
Total Business Administration	65,167	65,124	43

SANILAC INTERMEDIATE SCHOOL DISTRICT
VOCATIONAL EDUCATION FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Operation and Maintenance			
Salaries- non-professional	\$ 84,604	\$ 84,365	\$ 239
Insurances	41,163	40,495	668
Fica, retirement, and other benefits	21,167	20,972	195
Purchased services	90,518	81,131	9,387
Supplies and materials	176,950	185,818	(8,868)
Capital Outlay	1,862	2,225	(363)
Total Operation and Maintenance	416,264	415,006	1,258
Other Support Services			
Salaries- professional	-	-	-
Salaries- non-professional	54,298	53,795	503
Insurances	13,950	13,949	1
Fica, retirement, and other benefits	13,261	13,131	130
Purchased services	4,000	5,541	(1,541)
Supplies and materials	-	-	-
Capital outlay	-	-	-
Total Other Support Services	85,509	86,416	(907)
TOTAL SUPPORTING SERVICES	1,216,299	1,207,408	8,891
COMMUNITY SERVICES			
Salaries- professional	110,421	108,343	2,078
Insurances	36,692	36,692	-
Fica, retirement, and other benefits	30,458	29,822	636
TOTAL COMMUNITY SERVICES	177,571	174,857	2,714
TOTAL EXPENDITURES	3,322,722	3,206,268	116,454
OTHER FINANCING USES			
Transfers to other funds	67,040	66,590	450
Transfers to other governmental units	405,464	405,541	(77)
Payments on loans	4,303	4,303	-
TOTAL OTHER FINANCING USES	476,807	476,434	373
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 3,799,529	\$ 3,682,702	\$ 116,827

**SANIALC INTERMEDIATE SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 DEBT RETIREMENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2007**

	<u>1998 Durant Debt Retierment</u>	<u>2001 Debt Retirement Maple Valley</u>	<u>2005 Debt Retirement</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ 67,432	\$ -	\$ 67,432
Investments				-
Accounts receivable		561		561
Interest receivable				-
Due from other governmental units		41		41
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 68,034</u>	<u>\$ -</u>	<u>\$ 68,034</u>
LIABILITIES				
Accounts Payable	\$ -	-	\$ -	-
Due to other funds				-
FUND BALANCES				
Reserved for debt retirement	-	\$ 68,034	-	\$ 68,034
Reserved for capital projects				-
TOTAL FUND BALANCES	<u>-</u>	<u>68,034</u>	<u>-</u>	<u>68,034</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 68,034</u>	<u>\$ -</u>	<u>\$ 68,034</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DEBT RETIREMENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	1998 Durant Debt Retirement	2001 Debt Retirement Maple Valley	2005 Debt Retirement	Total
REVENUES				
Local Sources				
Property taxes	\$ -	\$ 189,568	-	\$ 189,568
Taxes other than property	-	2,811	-	2,811
Earnings on investments and deposits	-	5,266	-	5,266
Total Local Sources	-	197,645	-	197,645
State Sources	-	698	-	698
TOTAL REVENUES	-	198,343	-	198,343
OTHER FINANCING SOURCES				
Transfers from other funds	-	-	\$ 40,395	40,395
TOTAL REVENUES AND OTHER FINANCING SOURCES	-	198,343	40,395	238,738
EXPENDITURES				
Debt Retirement				
Redemption of bond principal				-
Interest on bonded debt	-	37,800	14,945	52,745
Dues and fees	-	278	450	728
Taxes abated	-	424	-	424
Principal payment	-	170,000	25,000	195,000
TOTAL EXPENDITURES	-	208,502	40,395	248,897
OTHER FINANCING USES				
Transfers to other funds	-	-	-	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	-	208,502	40,395	248,897
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	-	(10,159)	-	(10,159)
FUND BALANCE - JULY 1	-	78,193	-	78,193
FUND BALANCE - JUNE 30	<u>\$ -</u>	<u>\$ 68,034</u>	<u>\$ -</u>	<u>\$ 68,034</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS- STUDENT ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

	DUE TO (FROM) STUDENT ACTIVITIES & OTHER ORGANIZATIONS June 30, 2006	RECEIPTS	DISBURSEMENTS	DUE TO (FROM) STUDENT ACTIVITIES & OTHER ORGANIZATIONS June 30, 2007
Vocational Education				
ABC fieldtrip fund	\$ 1,562	\$ 1,651	\$ 1,429	\$ 1,784
Ast car	597	-	431	166
Ast fieldtrip	-			-
Auto service tools	227	25	-	252
Baja	2,071	6,069	5,160	2,980
Bank int/serv charges	3,037	374	150	3,261
BPA	-			-
Coke/ASV	38,548	35,917	46,229	28,236
DECA	2,621	19,358	18,720	3,259
Earth center	477	125	153	449
Electric cars	179	227	406	-
FCCLA	530	-	530	-
FFA	13,098	22,975	23,469	12,604
FFA scholarships	1,870	725	1,200	1,395
Flower fund	168	665	503	330
Food tips	398	27	425	-
General ed flowthrough	-			-
HOSA	306	13,555	11,836	2,025
Miscellaneous	-	3,524	3,278	246
NTHS	214	1,340	1,527	27
Peak	5,778	4,527	7,522	2,783
Preschool expo books	-			-
Safety glasses	221	-	-	221
Science symposium	-			-
Skills USA	20	8,272	16,062	(7,770)
TOTAL AGENCY FUND	\$ 71,922	\$ 119,356	\$ 139,030	\$ 52,248

**SANILAC INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF BONDED DEBT
FOR THE YEAR ENDED JUNE 30, 2007**

1998 DURANT RESOLUTION PACKAGE BONDS

\$347,037 Durant Bond issued November 24, 1998:

<u>PAYMENT DATE</u> <u>MAY 15</u>	<u>PRINCIPAL</u> <u>REQUIREMENT</u>	<u>INTEREST</u> <u>RATE</u>	<u>INTEREST</u> <u>REQUIREMENT</u>	<u>TOTAL</u>
2008	\$ -		\$ -	\$ -
2009	118,020	4.761353%	45,720	163,740
2010	20,232	4.761353%	4,137	24,369
2011	21,196	4.761353%	3,174	24,370
2012	22,204	4.761353%	2,165	24,369
2013	23,261	4.761353%	1,108	24,369
TOTAL	\$ 204,913		\$ 56,304	\$ 261,217

2001 GENERAL OBLIGATION SCHOOL BUILDING & SITE BONDS

\$1,655,000 Maple Valley Bond issued February 20, 2001

<u>DUE DATE</u>	<u>PRINCIPAL</u> <u>REQUIREMENT</u>	<u>INTEREST</u> <u>RATE</u>	<u>INTEREST</u> <u>PAYABLE</u>	<u>TOTAL</u>
11/01/07	-		15,500	15,500
05/01/08	180,000	4.000%	15,500	195,500
11/01/08	-		11,900	11,900
05/01/09	190,000	4.000%	11,900	201,900
11/01/09	-		8,100	8,100
05/01/10	200,000	4.000%	8,100	208,100
11/01/10	-		4,100	4,100
05/01/11	205,000	4.000%	4,100	209,100
TOTAL	\$ 775,000		\$ 79,200	\$ 854,200

**SANILAC INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF BONDED DEBT (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007**

2005 GENERAL OBLIGATION SCHOOL BUILDING & SITE BONDS

\$425,000 Bond issued on March 8, 2005

<u>DUE DATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>NOVEMBER INTEREST</u>	<u>MAY INTEREST</u>	<u>TOTAL</u>
2007-2008	\$ 25,000	3.05%	\$ 7,223	\$ 7,222	\$ 39,445
2008-2009	25,000	3.15%	6,841	6,841	38,682
2009-2010	25,000	3.35%	6,447	6,448	37,895
2010-2011	30,000	3.50%	6,029	6,029	42,058
2011-2012	30,000	3.65%	5,504	5,504	41,008
2012-2013	30,000	3.75%	4,956	4,956	39,912
2013-2014	30,000	3.85%	4,394	4,394	38,788
2014-2015	35,000	3.95%	3,816	3,816	42,632
2015-2016	35,000	4.05%	3,125	3,125	41,250
2016-2017	35,000	4.15%	2,416	2,416	39,832
2017-2018	40,000	4.20%	1,690	1,690	43,380
2018-2019	40,000	4.25%	850	850	41,700
TOTAL	\$ 380,000		\$ 53,291	\$ 53,291	\$ 486,582

SANILAC INTERMEDIATE SCHOOL DISTRICT

ADDITIONAL REPORTS REQUIRED
BY OMB CIRCULAR A-133

YEAR ENDED JUNE 30, 2007

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Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

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

September 27, 2007

To the Board of Education
Sanilac Intermediate School District
Peck, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sanilac Intermediate School District as of and for the year ended June 30, 2007, which collectively comprise Sanilac Intermediate School District's basic financial statements and have issued our report thereon dated September 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sanilac Intermediate School District's 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.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the 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 in 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 2007-1 and 2007-2 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

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

Board of Education
Sanilac Intermediate School District
September 27, 2007

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, the significant deficiencies described above as 2007-1 and 2007-2 we consider material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanilac Intermediate School District's financial statements are free of material misstatement, we performed test 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*.

We noted certain matters that we reported to management of Sanilac Intermediate School District in a separate letter dated September 27, 2007.

Sanilac Intermediate School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and response. We did not audit Sanilac Intermediate School District's 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, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

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



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

Robert L. Tuckey, CPA
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Jamie L. Peasley, CPA

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

September 27, 2007

To the Board of Education
Sanilac Intermediate School District
Peck, MI

COMPLIANCE

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

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

In our opinion, Sanilac Intermediate School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

INTERNAL CONTROL OVER COMPLIANCE

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

To the Board of Education
September 27, 2007

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

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

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Sanilac Intermediate School District as of and for the year ended June 30, 2007, and have issued our report thereon dated September 27, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Sanilac Intermediate School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

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

SANILAC INTERMEDIATE SCHOOL DISTRICT, PECK, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2006	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2007
U.S. DEPARTMENT OF EDUCATION:								
Passed through Michigan Dept. of Education:								
Adult Education - State Grant Program	84.002							
Basic Grant Programs								
ABE - Instruction		071130711117	\$ 21,700			\$ 21,700	\$ 21,700	-
ABE - State Leadership		071150730165	2,142			2,142	2,142	-
			23,842			23,842	23,842	-
Special Education - Grants to States	84.027 *							
IDEA Flowthrough (05-06)		060450-0506	1,493,686	\$ 532,953	\$ 1,351,953	674,686	141,733	-
IDEA Flowthrough (06-07)		070450	1,505,923			1,014,000	1,310,878	\$ 296,878
State Initiated - ECOSD (05-06)		070480-ECOSD	50,000			48,500	50,000	1,500
Transition Services (05-06)		070490-TS	60,000			57,000	60,000	3,000
			3,109,609	532,953	1,351,953	1,794,186	1,562,611	301,378
Vocational Education - Basic Grants to States	84.048							
Secondary Regional Allocation (05-06)		073520-701211	422,521			422,521	422,521	-
Special Education - Preschool Grants	84.173 *							
Preschool Incentive (05-06)		070460	53,566			47,000	53,566	6,566
Special Education - Grants for Infants & Families with Disabilities	84.181							
Formula Grant (05-06)		061340190	84,454	6,083	68,593	21,954	15,871	-
Formula Grant (04-05)		071340190	87,582			64,500	71,111	6,611
			172,036	6,083	68,593	86,454	86,982	6,611
Innovative Education Program Strategies	84.298							
Title V (05-06)		060250-0506	773			773	773	-
Improving Teacher Quality	84.367							
Title IIA (06-07)		060520-0506	243			243	243	-
			243			243	243	-

* = Cluster

(Continued)

SANILAC INTERMEDIATE SCHOOL DISTRICT, PECK, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2006	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2007
U.S. DEPARTMENT OF EDUCATION (CONTINUED): Passed through the Huron Intermediate School District: Tech Prep	84.243	7014-11	\$ 24,366			\$ 24,366	\$ 24,366	-
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 3,806,956	\$ 539,036	\$ 1,420,536	2,399,385	2,174,904	\$ 314,555
U.S. EMPLOYMENT & TRAINING ADMINISTRATION Passed through Thumb Area - Michigan Works: MI Works Staffing Grant Employment Service/Wagner Peysner WIA Adult WIA Youth Activities WIA Dislocated Workers WIA Youth - Staffing Grant	17.207 17.258 17.259 17.260 17.258 / 17.259 / 17.26	N/A N/A N/A N/A N/A	60,589 34,520 10,999 15,299 19,999	30,494 16,617		91,083 51,137 10,999 15,299 5,000	60,589 34,520 10,999 15,299 19,999	- \$ - -
TOTAL U.S. EMPLOYMENT & TRAINING ADMINISTRATION			141,406	47,111	-	173,518	141,406	14,999
U.S. DEPARTMENT OF AGRICULTURE Passed through Thumb Area - Michigan Works State Administrative Matching Grants for Food Stamp Program	10.561	N/A	13			13	13	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Passed through Thumb Area - Michigan Works Temporary Assistance for Needy Families	93.558	N/A	60,998			60,998	60,998	-
Passed through Michigan Department of Community Health Medicaid Administrative Outreach (06-07) School Based Services - Transportation	93.778	N/A N/A	67,568 12,110 79,678			67,568 12,110 79,678	67,568 12,110 79,678	- -
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			140,676	-	-	140,676	140,676	-
TOTAL FEDERAL AWARDS			\$ 4,089,051	\$ 566,147	\$ 1,420,536	\$ 2,713,592	\$ 2,456,999	\$ 329,554

**SANILAC INTERMEDIATE SCHOOL DISTRICT, PECK, MICHIGAN
FOR THE YEAR ENDED JUNE 30, 2007**

<u>PASS-THROUGH GRANTEE</u>	<u>CFDA NUMBER</u>	<u>STATE PASS-THROUGH NUMBER</u>	<u>CURRENT YEAR PASS-THROUGH</u>
<u>IDEA FLOWTHROUGH (05/06)</u>	84.027	060450/0506	
Carsonville-Port Sanilac			\$ 32,000
Deckerville			33,200
Sandusky			58,000
			<u>\$ 123,200</u>
 <u>IDEA FLOWTHROUGH (06/07)</u>	 84.027	 070450/0607	
Brown City			\$ 51,200
Croswell Lexington			112,000
Marlette			82,800
Peck			28,400
			<u>\$ 274,400</u>
 <u>PERKINS</u>	 84.048	 063520/601211	
Huron Intermediate			\$ 63,378
Lapeer Intermediate			147,882
Tuscola Intermediate			122,532
			<u>\$ 333,792</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Sanilac Intermediate School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. IDEA 94-142, CFDA #84.027 and Preschool Incentive, CFDA #84.173, were audited as major programs and represent 67% of expenditures.
2. The threshold for distinguishing Type A and B programs was \$300,000.
3. Expenditures on this schedule reconcile with amounts reported in the financial statements and financial reports submitted to the Michigan Department of Education.
4. Management has utilized the R7120, Grant Section Auditors' Report, in preparing the schedule of expenditures of federal awards.
5. The amounts reported on the Receipt Entitlement Balance Report agree with this schedule for USDA donated food commodities.

NOTE 3 – RECONCILIATION OF FEDERAL REVENUE

The current year expenditures on the Schedule of Expenditures of Federal Awards agrees to the federal revenue reported in the financial statements, as follows:

Federal revenue per financial statements	\$2,704,452
Minus: Prior year revenues recorded as deferred revenue- Didn't meet accrual criteria:	
IDEA Grant	<u>(247,453)</u>
Reconciled financial statement balance	<u>\$2,456,999</u>
Federal expenditures per Schedule of Federal Awards	<u>\$2,456,999</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT, PECK, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified: Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor’s report issued on compliance for major programs: *Unqualified*

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027 & 84.173 Cluster	IDEA & Preschool Incentive

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

Auditee qualified as low-risk auditee? Yes No

September 27, 2007

To the Board of Education
Sanilac Intermediate School District
Peck, Michigan

Schedule of Finding and Responses

Findings considered material weaknesses

Finding 2007-1

Criteria:

Effective for the year ended June 30, 2007, 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 footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Condition:

After considering the qualifications of the accounting personnel of Sanilac Intermediate School District, we believe that the personnel have the abilities to maintain the day-to-day bookkeeping of the School District, but they do not have the qualifications and abilities to generate financial statements, including required footnotes, in accordance with accounting principles generally accepted in the United States of America.

Cause:

The staff of the district does understand all information included in the annual financial statements; however, we assist in preparing the financial statements and related footnotes.

Effect:

We assist management with the external financial reporting responsibility to ensure their financial statements are accurate.

Recommendation:

We do not recommend any changes to this situation at this time and communicate this as required by professional standards. We believe this meets the definition of a material weakness as defined in Statement on Auditing Standards #112.

Client Response:

We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years

September 27, 2007

To the Board of Education
Sanilac Intermediate School District
Peck, Michigan

Schedule of Finding and Responses

Findings considered material weaknesses (continued)

Finding 2007-2

Criteria:

Material adjustments had to be made during the audit.

Condition:

Adjustments were not made to accurately reflect the transactions taking place at year end.

Context:

Failure to make material adjustments increases the risk that the financial statements will be materially misstated.

Cause:

Oversight by the staff and management to record journal entries that properly reflect the transactions that have occurred at year end.

Effect:

Inaccurate financial information may be used for management decisions and reporting.

Recommendation:

The District should review year end transactions and record journal entries for any transaction not recorded.

Client Response:

We will review and make any necessary journal entries to our financial statements as the transaction occurs.

**SANILAC INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2007**

NONE

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



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
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Janie L. Peasley, CPA

September 27, 2007

To the Board of Education
Sanilac Intermediate School District
Peck, Michigan

Dear Board Members:

In planning and performing our audit of the financial statements of Sanilac Intermediate School District as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the school district's internal control over financial reporting (internal control) 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 school district's internal control. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or 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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

The following comments relate to certain of the school district's accounting, financial and administrative policies and procedures that we observed during the course of our audit. These matters are not considered control deficiencies or material weaknesses as defined by professional standards.

Indirect Costs

During our review of the various Special Education cost reports, we noted that indirect costs were not being claimed. An indirect rate is computed each year by the state and it can be claimed as an expense on the final cost reports (DS 4044's) that are submitted to the state. Although the indirect rate does not impact the amount of federal funds received, it does indirectly impact the amount of reimbursement received for state aid.

We recommend that the Special Education federal project budgets be amended to claim the indirect rate. In addition, the budget for the Special Education Fund should be amended to reflect the additional costs previously budgeted as federal.

QZAB Debt Retirement Fund

In reviewing the language of the guaranteed contract that was set up for the retirement of the Qualified Zone Academy Bonds, we determined the agreement specifies that the District be paid a 2% return on the funds that are set aside. To this point, the District has not received any interest. We have contacted bond counsel and requested that he investigate why the interest has not been paid.

IRS 403(b) Final Regulations

Intent

The intent of the regulations is to consolidate guidance on §403(b) plans issued since 1964.

Effective Date

These regulations are generally effective for taxable years beginning after December 31, 2008. Plan documents should be in place December 31, 2008 to be implemented as of January 1, 2009.

Written Plan Document

The IRS is working on a model plan document and guidance for school districts. This should contain the provisions necessary for compliance with the new rules.

A plan may consist of several documents, or make reference to other documents, such as annuity contracts and custodial agreements. The employer must ensure that there are no conflicts or inconsistencies between the documents.

The document must contain eligibility rules, benefits available, limitations, allowable vendors, and time and form distributions.

The document must allocate administrative and compliance responsibilities to the employer and/or designated third parties. The plan may not allocate compliance responsibilities to the participants.

Other Provisions

- Exchange of investment products
- Universal availability
- Distributions
- Terminations

Suggestions

Set up a committee of benefit officials and participants to review the current plan and design the future plan.

Determine if you need a third party administrator (TPA) to administer the plan and create a request for proposal (RFP) for services.

Offer employee education. The IRS is developing this type of information as well as a model plan for school districts.

New Auditing Standards

Recently, 10 new auditing standards have been released and are effective, or will become effective for your June 30, 2008 year end. In reviewing the new standards, they will have an impact on our overall audit approach. The trend is to perform audit procedures utilizing more of a risk based approach. One area which will continue to be emphasized is your internal controls.

New Interpretation Of Deferred Compensation Rules Applicable To Teachers And Similar Employees

In August of 2007, the IRS issued new questions and answers related to deferred compensation which can effect teachers and similar employees.

When employees can elect to defer part of their compensation to a future year, they are generally subject to the rules applicable to deferred compensation under the Internal Revenue Code. These payments could be subject to an additional 20% tax if the specified procedures are not followed. For example, school employees who work 10 months but are paid over 12 months would be deferring compensation into a future year.

These rules are not applicable unless an election must be made. If a school district provides that all employees must spread their pay over 12 months, these rules do not apply.

In order to avoid imposition of extra taxes, the employees must give a written or electronic election to notify the employer that they want to spread out the compensation. This election must be provided before the start of the school year and must be irrevocable. The election must state how the compensation is going to be paid (for example, ratably over the 12 months starting with the beginning of the school year). This election does not need to be made for future years if the arrangement provides that the election will remain in place until the employee elects a change. These rules are effective January 1, 2008. Therefore, they are not applicable until the election for the 2008 – 2009 school year.

We appreciate the opportunity to be of service to the school district. The cooperation extended to us by your staff throughout the audit was greatly appreciated. We look forward each year to continuing our relationship with Sanilac Intermediate School District. Should you wish to discuss any item included in this letter further, we would be happy to do so.

This communication is intended solely for the information and use of management and others within the organization 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