

LAINGSBURG COMMUNITY SCHOOLS

LAINGSBURG, MICHIGAN

AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2007

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Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

October 2, 2007

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Laingsburg Community Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Laingsburg Community Schools, as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Laingsburg Community Schools' 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Laingsburg Community Schools as of June 30, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2007 on our consideration of the Laingsburg Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis information on pages II - VIII, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 Laingsburg Community Schools' basic financial statements. The additional information on pages 20 - 39, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

LEWIS & KNOPF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

LAINGSBURG COMMUNITY SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Laingsburg Community Schools' 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: District Wide Financial Statements and Fund 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 Food Service and Athletics 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.

LAINGSBURG COMMUNITY SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**District Wide Financial Statements:** (Continued)

These two statements report the Laingsburg Community Schools 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 decreased 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, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), 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 and its private purpose trust 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>2007</u>	<u>2006</u>
<b><u>NET ASSETS SUMMARY</u></b>		
<u>ASSETS</u>		
Current Assets	\$3,650,969	\$3,613,216
Non-Current Assets	<u>19,113,016</u>	<u>19,660,566</u>
<u>TOTAL ASSETS</u>	<u>\$22,763,985</u>	<u>\$23,273,782</u>
<u>LIABILITIES</u>		
Current Liabilities	\$5,055,944	\$4,590,322
Long-Term Liabilities	<u>21,666,480</u>	<u>22,388,492</u>
Total Liabilities	\$26,722,424	\$26,978,814
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	507,324	131,476
Restricted - Debt Service	407,673	444,809
Unrestricted (Deficit)	<u>(4,873,436)</u>	<u>(4,281,317)</u>
Total Net Assets (Deficit)	<u>(\$3,958,439)</u>	<u>(\$3,705,032)</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$22,763,985</u>	<u>\$23,273,782</u>

LAINGSBURG COMMUNITY SCHOOLS  
MANAGEMENT'S 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:

	<u>2007</u>	<u>2006</u>
<b><u>REVENUES</u></b>		
<b><u>General Revenues:</u></b>		
Property Taxes Levied for General Operations	\$324,837	\$322,744
Property Taxes Levied for Debt Service	1,513,888	1,406,346
State of Michigan Unrestricted Foundation Aid	8,821,568	8,477,363
Other General Revenues	<u>162,592</u>	<u>170,036</u>
Total General Revenues	\$10,822,885	\$10,376,489
<b><u>Operating Grants:</u></b>		
Federal	235,735	271,643
State of Michigan	258,564	250,466
Other Operating Grants	<u>97,572</u>	<u>90,441</u>
Total Operating Grants	\$591,871	\$612,550
<b><u>Charges for Services:</u></b>		
Food Service	212,859	182,051
Athletics	62,104	62,800
Other Charges for Services	<u>157,736</u>	<u>164,910</u>
Total Charges for Services	<u>\$432,699</u>	<u>\$409,761</u>
Total Revenues	\$11,847,455	\$11,398,800
<b><u>EXPENSES</u></b>		
Instruction & Instructional Support	6,260,258	6,242,938
Support Services	3,195,451	3,253,803
Community Services	193,882	188,410
Food Service	365,408	371,611
Athletics	271,486	243,344
Interest on Long-Term Debt	1,259,421	1,176,084
Bond Issuance Costs	0	49,099
Depreciation	<u>554,956</u>	<u>554,956</u>
Total Expenses	<u>\$12,100,862</u>	<u>\$12,080,245</u>
<b><u>(DECREASE) IN NET ASSETS</u></b>	(\$253,407)	(\$681,445)
<b><u>BEGINNING NET ASSETS (DEFICIT)</u></b>	<u>(3,705,032)</u>	<u>(3,023,587)</u>
<b><u>ENDING NET ASSETS (DEFICIT)</u></b>	<u><u>(\$3,958,439)</u></u>	<u><u>(\$3,705,032)</u></u>

LAINGSBURG COMMUNITY SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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**GOVERNMENT- WIDE FINANCIAL ANALYSIS**

Analysis of Financial Position:

During the year ended June 30, 2007, the District's Total Net Assets decreased by \$253,407 to a total of \$(3,958,439). The largest portion of the net assets are the District's investment in capital assets. Net assets invested in capital assets net of related debt increased by \$375,848 during the year due to purchases of new capital assets and principal payments on related debt exceeding depreciation. The deficit in unrestricted net assets is due in part to the loan balance in the Michigan School Bond Loan Fund. The District's unrestricted net assets decreased by \$592,119 during the year and the restricted portion of the net assets decreased by \$37,136. The restricted net assets consist of restricted debt retirement funds and may only be used to pay bonded debt. The unrestricted net assets may be used to fund the educational services provided to students.

Analysis of Results of Operations

The District's overall expenses exceeded its revenues for the year by \$253,407. The total revenues increased by \$448,655 over last years amounts. The major change in revenue was primarily due to an increase in property taxes and state aid. Expenses increased by \$20,617 over last year. The major change was due to increases in salaries and fringe benefits.

**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 governments 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 \$1,660 during the year with the increase coming primarily in cash. Revenues for the year increased by \$317,114 primarily from increases in state aid. Expenditures and other financing uses increased by \$231,831 due to increases in salaries and fringe benefits. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)  
The State of Michigan aid, unrestricted, is determined with the following variables:
  - a. State of Michigan State Aid Act per student foundation allowance
  - b. Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
  - c. The District's non-homestead tax levy.
2. Per Student, Foundation Allowance:  
Annually, the State of Michigan establishes the per student foundation allowance. The Laingsburg Community Schools foundation allowance was \$7,085 per student for the 2006-2007 school year.
3. Student Enrollment:  
The District's 2006-07 blended student enrollment for state aid purposes was 1,304 students. An increase of 6 students from the prior year.

LAINGSBURG COMMUNITY SCHOOLS  
MANAGEMENT'S 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 (Continued)

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

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2006-2007 fiscal year was \$348,456. An increase of \$20,940 from the prior year.

**GENERAL FUND BUDGET VS. ACTUAL**

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Original &amp; Final Budget %</u>	<u>Variance Actual &amp; Final Budget %</u>
Revenue	\$9,636,593	\$9,775,104	\$9,903,760	1.44%	1.32
Expenditures	9,850,933	9,871,394	9,902,100	0.21%	0.31
<b>TOTAL</b>	<b>(\$214,340)</b>	<b>(\$96,290)</b>	<b>\$1,660</b>		

**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, the District amends its budget during the school year. The June, 2007 budget amendment was the final budget for the fiscal year. There were no significant variations between the original and final budget or the final budget and the actual results for the fiscal year.

Actual Results vs. Final Budgets

The Laingsburg Community Schools had classroom teachers that were on disability/sick leave of absence from the district. This accounted for a significant reduction in teacher salaries for the 2006-2007 fiscal year.

The 2006-2007 budget contained a conservative estimate as to the amount and cost of diesel fuel for transportation as well as the amount and cost for natural gas and electricity for the operation of the buildings. The actual use/cost, due to weather and market, did not exceed the budgeted amount which led to a less than expected expenditure in the budget.

LAINGSBURG COMMUNITY SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**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 7-1-06	Increases 6-30-07	Principal Payments 6-30-07	Principal Balance 6-30-07
General Obligation Bonds	\$19,410,000	\$0	\$895,000	\$18,515,000
Durant Bonds	33,897	0	0	33,897
Capital Lease	85,193	0	28,398	56,795
Michigan School Bond Loan Fund	3,785,710	258,476	0	4,044,186
<u>Total Long-Term Debt</u>	<u>\$23,314,800</u>	<u>\$258,476</u>	<u>\$923,398</u>	<u>\$22,649,878</u>

Major debt activity for the year included:

Michigan School Bond Loan Fund

The School District has entered into a loan agreements with the Michigan School Bond Loan Fund to borrow monies over a period of years sufficient to extinguish the interest and principal requirements as they become due. The School is required to begin repaying the debt at the point where the School District's State Equalized Valuation times its levy will be in excess of its interest and principal requirements. The District borrowed an additional \$258,476 from the Michigan School Bond Loan Fund during the year.

B. Capital Assets

The District's net investment in capital assets decreased by \$526,979 during the fiscal year. This can be summarized as follows:

	Balance 7-1-06	Additions	Deductions	Balance 6-30-07
Capital Assets	\$25,945,268	\$166,187	\$0	\$26,111,455
Less: Accumulated Depreciation	<u>(6,305,273)</u>	<u>(693,166)</u>	<u>0</u>	<u>(6,998,439)</u>
<u>Net Investment Capital Outlay</u>	<u>\$19,639,995</u>	<u>(\$526,979)</u>	<u>\$0</u>	<u>\$19,113,016</u>

Significant addition was the purchase of a bus.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

\* Foundation Allowance

The Board of Education and Administration agreed to an estimate of a foundation allowance of \$7,085 per pupil for the 07-08 fiscal year based on information received from various educational organizations such as Michigan Association of School Business Officials, Michigan Association of School Administrators, and the Michigan Association of School Boards as well as discussions local state representatives. The political debate regarding the funding of public education, the current economic climate in the State of Michigan and the gubernatorial election will all affect this estimate before the final foundation allowance is known.

LAINGSBURG COMMUNITY SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET** (Continued)

\* Retirement Rates

The continuing cost of health insurance to current and potential retirees continues to drive the rate increases the Michigan School Personnel Retirement System recommends to the legislature for approval. The rate is anticipated to decrease to 16.52% in 07-08 from 17.74% in 06-07.

\* Enrollment

Anticipated enrollment for the 2007-2008 year is 1,285

\* The Laingsburg Community Schools 2007/2008 adopted budget is as follows:

<u>REVENUE</u>	\$9,805,141
<u>EXPENDITURES</u>	<u>10,028,169</u>
<u>NET (UNDER) BUDGET</u>	<u><u>(\$223,028)</u></u>

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT'S**

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, Laingsburg Community Schools.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2007

	Governmental Activities
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$1,953,498
Accounts Receivable	25,818
Due from Other Governmental Units	1,555,347
Inventory	5,540
Prepaid Expenses	110,766
Total Current Assets	\$3,650,969
<u>NON-CURRENT ASSETS</u>	
Capital Assets	26,111,455
Less: Accumulated Depreciation	(6,998,439)
Total Noncurrent Assets	\$19,113,016
<u>TOTAL ASSETS</u>	\$22,763,985
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	85,634
State Aid Note Payable	1,400,000
Salaries Payable	965,742
Accrued Expenses	1,612,240
Deferred Revenue	8,930
Current Portion of Long-Term Obligations	983,398
Total Current Liabilities	\$5,055,944
<u>NON-CURRENT LIABILITIES</u>	
Noncurrent Portion of Long-Term Obligations	21,666,480
<u>TOTAL LIABILITIES</u>	\$26,722,424
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	507,324
Restricted for:	
Debt Retirement	407,673
Unrestricted (Deficit)	(4,873,436)
<u>TOTAL NET ASSETS (DEFICIT)</u>	(\$3,958,439)

See accompanying notes to the basic financial statements.

LAINSBURG COMMUNITY SCHOOLS - LAINSBURG, MICHIGAN  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue &amp; Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$6,260,258	\$0	\$371,348	(\$5,888,910)
Support Services	3,195,451	40,068	103,313	(3,052,070)
Community Services	193,882	117,668	0	(76,214)
Food Service	365,408	212,859	117,210	(35,339)
Athletics	271,486	62,104	0	(209,382)
Interest - Long-Term Obligations	1,259,421	0	0	(1,259,421)
Depreciation - Unallocated	554,956	0	0	(554,956)
<u>TOTALS</u>	<u>\$12,100,862</u>	<u>\$432,699</u>	<u>\$591,871</u>	<u>(\$11,076,292)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				1,838,725
State Aid				8,821,568
Investment Earnings				56,755
Miscellaneous				105,837
Total General Revenues and Transfers				<u>\$10,822,885</u>
Change in Net Assets				<u>(\$253,407)</u>
Net Assets - Beginning (Deficit)				<u>(3,705,032)</u>
<u>Net Assets - Ending (Deficit)</u>				<u>(\$3,958,439)</u>

See accompanying notes to the basic financial statements.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2007

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$1,545,825	\$407,673	\$1,953,498
Accounts Receivable	25,818	0	25,818
Due from Other Governmental Units	1,552,138	3,209	1,555,347
Inventory	0	5,540	5,540
Prepaid Expenses	110,766	0	110,766
<u>TOTAL ASSETS</u>	<u>\$3,234,547</u>	<u>\$416,422</u>	<u>\$3,650,969</u>
<u>LIABILITIES</u>			
Accounts Payable	\$78,579	\$7,055	\$85,634
State Aid Note Payable	1,400,000	0	1,400,000
Salaries Payable	965,742	0	965,742
Accrued Expenses	77,890	1,694	79,584
Deferred Revenue	8,930	0	8,930
Total Liabilities	\$2,531,141	\$8,749	\$2,539,890
<u>FUND BALANCES</u>			
Reserved For:			
Debt Retirement	0	407,673	407,673
Unreserved:			
Undesignated, Reported In:			
General Fund	703,406	0	703,406
Total Fund Balances	\$703,406	\$407,673	\$1,111,079
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$3,234,547</u>	<u>\$416,422</u>	<u>\$3,650,969</u>

See accompanying notes to the basic financial statements.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
AS OF JUNE 30, 2007

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Total Governmental Fund Balances:	\$1,111,079
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 therefore are not reported as assets in governmental funds. The cost of the assets is \$26,111,455 and the accumulated depreciation is \$6,998,439	
	19,113,016
Accrued Interest on Long-Term Deb	(1,532,656)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Bonds Payable	18,548,897
Capital Lease	56,795
Michigan School Bond Loan	4,044,186
Total Long-Term Liabilities	<u>(22,649,878)</u>
<u>TOTAL NET ASSETS -</u>	
<u>GOVERNMENTAL ACTIVITIES</u>	<u>(\$3,958,439)</u>

LAINSBURG COMMUNITY SCHOOLS - LAINSBURG, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>			
Local Sources	\$596,677	\$1,829,596	\$2,426,273
State Sources	9,062,206	17,926	9,080,132
Federal Sources	136,451	99,284	235,735
Total Revenues	<u>\$9,795,334</u>	<u>\$1,946,806</u>	<u>\$11,742,140</u>
<u>EXPENDITURES</u>			
Current:			
Instruction	6,206,031	0	6,206,031
Student Services	285,060	0	285,060
Instructional Support	164,528	0	164,528
General Administration	243,657	0	243,657
School Administration	626,390	0	626,390
Business Administration	354,439	0	354,439
Operation & Maintenance	1,157,287	0	1,157,287
Transportation	473,479	0	473,479
Other Support Services	5,037	0	5,037
Community Services	193,882	0	193,882
Food Service and Athletics	0	607,947	607,947
Debt Retirement	0	1,819,118	1,819,118
Total Expenditures	<u>\$9,709,790</u>	<u>\$2,427,065</u>	<u>\$12,136,855</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$85,544	(\$480,259)	(\$394,715)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from (to) Other Funds	(184,647)	184,647	0
Bond and Loan Proceeds	0	258,476	258,476
Other Transfers	100,763	0	100,763
Total Other Financing Sources (Uses)	<u>(\$83,884)</u>	<u>\$443,123</u>	<u>\$359,239</u>
Net Change in Fund Balance	\$1,660	(\$37,136)	(\$35,476)
<u>FUND BALANCE - BEGINNING</u>	<u>701,746</u>	<u>444,809</u>	<u>1,146,555</u>
<u>FUND BALANCE - ENDING</u>	<u>\$703,406</u>	<u>\$407,673</u>	<u>\$1,111,079</u>

See accompanying notes to the basic financial statements.

LAINSBURG COMMUNITY SCHOOLS - LAINSBURG, MICHIGAN  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007

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Total net change in fund balances - governmental funds	(\$35,476)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	(\$47,550)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	923,398
Loan Proceeds	(258,476)
Change in accrued interest on long-term liabilities	<u>(335,303)</u>
<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u><u>(\$253,407)</u></u>

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
AS OF JUNE 30, 2007

	Agency Funds	Private Purpose Trusts	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$124,357	\$43,917	\$168,274
<u>LIABILITIES</u>			
Due to Student Groups	124,357	0	124,357
<u>NET ASSETS - HELD IN TRUST FOR OTHERS</u>	<u>\$0</u>	<u>\$43,917</u>	<u>\$43,917</u>

See accompanying notes to the basic financial statements.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2007

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	<u>Private Purpose Trusts</u>
<u>REVENUE</u>	
Interest	\$1,970
Donations	<u>1,700</u>
Total Revenue	\$3,670
<u>EXPENDITURES</u>	
Scholarships	<u>1,500</u>
<u>CHANGE IN NET ASSETS</u>	\$2,170
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>41,747</u>
<u>NET ASSETS - END OF YEAR</u>	<u><u>\$43,917</u></u>

See accompanying notes to the basic financial statements.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$547,179	\$545,339	\$596,677	\$51,338
State Sources	8,913,750	9,067,066	9,062,206	(4,860)
Federal Sources	175,664	162,699	136,451	(26,248)
Total Revenues	<u>\$9,636,593</u>	<u>\$9,775,104</u>	<u>\$9,795,334</u>	<u>\$20,230</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	6,376,986	6,267,361	6,206,031	61,330
Student Services	287,034	285,839	285,060	779
Instructional Support	185,429	212,321	164,528	47,793
General Administration	237,618	240,784	243,657	(2,873)
School Administration	606,040	605,698	626,390	(20,692)
Business Administration	302,939	311,793	354,439	(42,646)
Operation & Maintenance	1,065,153	1,107,990	1,157,287	(49,297)
Transportation	482,156	503,763	473,479	30,284
Other Support Services	4,000	8,593	5,037	3,556
Community Services	187,957	185,647	193,882	(8,235)
Total Expenditures	<u>\$9,735,312</u>	<u>\$9,729,789</u>	<u>\$9,709,790</u>	<u>\$19,999</u>
Excess of Revenues Over (Under) Expenditures	(\$98,719)	\$45,315	\$85,544	\$40,229
<u>OTHER FINANCING SOURCES (USES)</u>				
Net Change in Fund Balance	<u>(115,621)</u>	<u>(141,605)</u>	<u>(83,884)</u>	<u>57,721</u>
<u>FUND BALANCE - BEGINNING</u>			<u>701,746</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$703,406</u>	

See accompanying notes to the basic financial statements.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

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1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Laingsburg Community Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). 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. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

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

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major facilities by the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

Expendable Trust Funds – The expendable trust funds consists of the following funds:

Margaret Scoutten Scholarship Fund – This fund is used to account for funds entrusted to the School District for scholarship awards.

Raymond O. Nash Memorial Fund – This fund is used to account for funds entrusted to the School District for scholarship awards.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

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

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

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 no 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.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u> <u>Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

Accumulated unpaid sick pay and personal days are not accrued by the School District. Substantially all District employees are allowed to accumulate a limited number of sick days; however, these days do not vest to the employee and are not payable upon termination.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

1968 PA 2 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2007, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2007, the District had no investments.

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

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2007, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

**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. More than 5% of the District's investments are in pooled investment accounts which represents 100% of the District's total investments.

**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, \$1,978,990 of the District's bank balance of \$2,586,664 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.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

4) DEPOSITS AND INVESTMENTS (Continued)

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

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

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

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$168,274	\$ 2,121,772
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The above amounts are reported in the financial statements as follows:

Cash – Agency Fund	\$ 168,274
Cash – District Wide	<u>1,953,498</u>
 <u>TOTAL</u>	 <u>\$ 2,121,772</u>

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2007, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 1,535,705
Federal Grants	18,439
Other Grants	<u>1,203</u>
 <u>TOTAL</u>	 <u>\$ 1,555,347</u>

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2007, the District had no estimated claims payable in conjunction with the program.

LAINGSBURG COMMUNITY SCHOOLS – LAINGSBURG, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

8) SHORT-TERM DEBT

The District borrowed \$1,400,000 at 3.68% interest per annum on August 18, 2006, from Chase Bank on a State Aid Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The note matures August 20, 2007.

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
State Aid Note Payable	\$1,450,000	\$1,400,000	\$1,450,000	\$1,400,000

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$21,799,308	\$0	\$0	\$21,799,308
Land Improvements	1,923,700	5,995	0	1,929,695
Equipment and Furniture	1,408,397	91,237	0	1,499,634
Vehicles	813,863	68,955	0	882,818
Totals at Historical Cost	\$25,945,268	\$166,187	\$0	\$26,111,455
Less: Accumulated Depreciation				
Buildings and Improvements	(3,944,217)	(452,806)	0	(4,397,023)
Land Improvements	(785,885)	(96,185)	0	(882,070)
Equipment and Furniture	(846,338)	(105,150)	0	(951,488)
Vehicles	(728,833)	(39,025)	0	(767,858)
Total Accumulated Depreciation	(\$6,305,273)	(\$693,166)	\$0	(\$6,998,439)
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	\$19,639,995	(\$526,979)	\$0	\$19,113,016

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as “unallocated”. Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 54,227
Support Services	55,036
Food Service	7,323
Athletics	21,624
Unallocated	554,956
<u>TOTAL DEPRECIATION EXPENSE</u>	\$ 693,166

10) SELF INSURANCE POOL

The school district participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, and boiler insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. 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 school 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. Premiums for the year ended June 30, 2007 were \$39,614 and the school district received a dividend refund of \$4,262.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

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11) GENERAL LONG-TERM DEBT

A) 1996 Refunding Bonds

Laingsburg Community Schools issued the 1991 General Obligation Bonds to provide funds for the acquisition, construction and improvement of major capital facilities. In 1996, a refunding bond was issued to be used to redeem the bonds and interest due on the 1991 bond issue from the years 2002 through 2008. The balance at June 30, 2007 was \$170,000.

B) 1998 Durant Resolution Package Bonds

Laingsburg Community Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$57,409 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The bonds are scheduled to mature in 2013. The balance at June 30, 2007 was \$33,897.

C) 2001 School Building and Site Bonds

Laingsburg Community Schools issued 2001 School Building and Site Bonds dated August 1, 2001, in the amount of \$14,600,000, bearing interest at rates varying from 2.85% to 4.45% per annum and mature in 2011. The District issued these bonds to remodel, refurbish, and re-equip schools; as well as erect, furnish and equip a new middle school. The balance of the bonds as of June 30, 2007 was \$1,825,000.

D) 2005 Refunding Bonds

On July 19, 2005, the District issued \$8,375,000 of General Obligation – Unlimited Tax Bonds, Series 2005 Refunding Bonds with an average interest of 3.82%. The bonds consist of serial bonds bearing various interest rates ranging from 3.0% to 4.25% with annual maturities from November 2005 through November 2026. The balance of the bonds as of June 30, 2007 was \$8,255,000.

E) 2006 Refunding Bonds

On February 15, 2006, the District issued \$8,265,000 of General Obligation – Unlimited Tax Bonds, Series 2006 Refunding Bonds with an average interest of 4.37%. The bonds consist of serial bonds bearing various interest rates ranging from 4.0% to 5.0% with annual maturities from November 2006 through November 2031. The balance of the bonds as of June 30, 2007 was \$8,265,000.

As of June 30, 2007, \$8,210,000 of the defeased debt remained outstanding in the custody of the escrow agent.

F) Michigan School Bond Loan Fund

The School District has entered into a loan agreement with the Michigan School Bond Loan Fund to borrow monies over a period of years sufficient to extinguish the interest and principal requirements as they become due. The School is required to begin repaying the debt at the point where the School District's State Equalized Valuation times its levy will be in excess of its interest and principal requirements. The loan shall bear interest at the average interest rate computed to the nearest one-eighth of one percent, paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1983. Interest of \$185,351 has been assessed for the year ended June 30, 2007, and is included in the amount owing the State at that date. The principal balance as of June 30, 2007 was \$4,044,186.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

11) GENERAL LONG-TERM DEBT (Continued)

G) Capital Lease

The District entered into a capital lease with Apple Computer on July 25, 2005. The lease calls for annual payments of \$28,398 including interest at 6.7% per annum for a period of four years. The balance at June 30, 2007 was \$56,795.

H) Annual Principal Requirements

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

	<u>Bonds Payable</u>	<u>Capital Lease</u>	<u>MI School Bond Loan</u>	<u>Interest</u>	<u>Total</u>
June 30, 2008	\$955,000	\$28,398	\$0	\$1,358,186	\$2,341,584
June 30, 2009	928,195	28,397	0	1,317,849	2,274,441
June 30, 2010	949,675	0	0	1,284,166	2,233,841
June 30, 2011	958,506	0	0	1,238,630	2,197,136
June 30, 2012	488,673	0	0	628,113	1,116,786
June 30, 2013-2017	4,898,848	0	0	2,590,833	7,489,681
June 30, 2018-2022	4,485,000	0	0	1,555,275	6,040,275
June 30, 2023-2027	2,785,000	0	0	801,532	3,586,532
June 30, 2028-2031	2,100,000	0	0	227,718	2,327,718
Thereafter	0	0	4,044,186	227,718	4,271,904
<b><u>TOTAL</u></b>	<b><u>\$18,548,897</u></b>	<b><u>\$56,795</u></b>	<b><u>\$4,044,186</u></b>	<b><u>\$11,230,020</u></b>	<b><u>\$33,879,898</u></b>

The interest expenditures on long-term obligations for the year were \$929,268.

I) Changes in General Long-Term Debt

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>	<u>Amount Due in One Year</u>
<u>Governmental Activities:</u>					
General Obligation Bonds	\$19,410,000	\$0	\$895,000	\$18,515,000	\$955,000
Durant Bonds	33,897	0	0	33,897	0
Capital Lease	85,193	0	28,398	56,795	28,398
MI School Bond Loan Fund	3,785,710	258,476	0	4,044,186	0
<b><u>Total Governmental Activities</u></b>	<b><u>\$23,314,800</u></b>	<b><u>\$258,476</u></b>	<b><u>\$923,398</u></b>	<b><u>\$22,649,878</u></b>	<b><u>\$983,398</u></b>

12) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2007, consisted of the following:

<u>Transfers To</u>	<u>Transfers From</u>		
	<u>General Fund</u>	<u>Food Service</u>	<u>Total</u>
General Fund	\$0	\$3,111	\$3,111
Athletics	187,758	0	187,758
<b><u>TOTAL</u></b>	<b><u>\$187,758</u></b>	<b><u>\$3,111</u></b>	<b><u>\$190,869</u></b>

These transfers were made to subsidize the cost of services for athletics and food service.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

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14) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPSERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPSERS. That report may be obtained by writing to the MPSERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPSERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 16.34 percent for the period July 1, 2006 through September 30, 2006 and 17.74 percent for the period October 1, 2006 through June 30, 2007 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS pension plan for the years ended June 30, 2007, 2006 and 2005 were \$1,030,165, \$915,063 and \$856,251, respectively.

Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPSERS pension plan discussed above.

15) 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 worker'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 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.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

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16) CONTINGENCIES AND COMMITMENTS

Federal Programs

The District participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantor agencies. These programs are subject to program compliance audits. The audits of these programs for and including the year ended June 30, 2007, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

17) SUBSEQUENT EVENTS

On August 20, 2007, the District borrowed \$1,500,000 at 3.68% per annum from Wells Fargo Bank on a State Aid Anticipation Note. The note proceeds will be used to meet cash flow needs for the 2007-2008 fiscal year.

The District entered into a five lease with Apple Computer for computer equipment. The lease is schedule to commence on September 1, 2007 with annual payments of \$55,316 including interest at 4.83%.

OTHER SUPPLEMENTAL  
INFORMATION

LAINSBURG COMMUNITY SCHOOLS - LAINSBURG, MICHIGAN  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2007

	School Service Funds	Debt Retirement Funds	Total Other Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$0	\$407,673	\$407,673
Due from Other Governmental Units	3,209	0	3,209
Inventory	5,540	0	5,540
<u>TOTAL ASSETS</u>	<u>\$8,749</u>	<u>\$407,673</u>	<u>\$416,422</u>
<u>LIABILITIES</u>			
Accounts Payable	\$7,055	\$0	\$7,055
Accrued Expenses	1,694	0	1,694
Total Liabilities	\$8,749	\$0	\$8,749
<u>FUND BALANCES</u>			
Reserved For:			
Debt Retirement	0	407,673	407,673
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$8,749</u>	<u>\$407,673</u>	<u>\$416,422</u>

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007

	School Service Funds	Debt Retirement Funds	Total Other Governmental Funds
<u>REVENUES</u>			
Local Sources	\$306,090	\$1,523,506	\$1,829,596
State Sources	17,926	0	17,926
Federal Sources	99,284	0	99,284
Total Revenues	<u>\$423,300</u>	<u>\$1,523,506</u>	<u>\$1,946,806</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from Other Funds	184,647	0	184,647
Bond Proceeds	0	258,476	258,476
Total Other Financing Sources	<u>\$184,647</u>	<u>\$258,476</u>	<u>\$443,123</u>
Total Revenues & Other Financing Sources	<u>\$607,947</u>	<u>\$1,781,982</u>	<u>\$2,389,929</u>
<u>EXPENDITURES</u>			
Food Service and Athletics	607,947	0	607,947
Debt Retirement	0	1,819,118	1,819,118
Total Expenditures	<u>\$607,947</u>	<u>\$1,819,118</u>	<u>\$2,427,065</u>
Net Change in Fund Balance	\$0	(\$37,136)	(\$37,136)
<u>NET ASSETS - BEGINNING</u>	<u>0</u>	<u>444,809</u>	<u>444,809</u>
<u>NET ASSETS - ENDING</u>	<u>\$0</u>	<u>\$407,673</u>	<u>\$407,673</u>

LAINSBURG COMMUNITY SCHOOLS - LAINSBURG, MICHIGAN  
COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS  
AS OF JUNE 30, 2007

	Food Service	Athletic Activities	Total
<u>ASSETS</u>			
Due from Other Governmental Units	\$3,209	\$0	\$3,209
Inventory	5,540	0	5,540
<u>TOTAL ASSETS</u>	<u>\$8,749</u>	<u>\$0</u>	<u>\$8,749</u>
<u>LIABILITIES</u>			
Accounts Payable	\$7,055	\$0	\$7,055
Accrued Expenses	1,694	0	1,694
<u>TOTAL LIABILITIES</u>	<u>\$8,749</u>	<u>\$0</u>	<u>\$8,749</u>

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007

	Food Service	Athletic Activities	Total
<u>REVENUES</u>			
<u>Local Sources</u>			
Cafeteria Sales	\$212,859	\$0	\$212,859
Athletic Activities	0	62,104	62,104
Other Local Sources	31,127	0	31,127
Total Local Sources	<u>\$243,986</u>	<u>\$62,104</u>	<u>\$306,090</u>
<u>State Sources</u>			
State Reimbursements	17,926	0	17,926
<u>Federal Sources</u>			
Federal Reimbursements	70,680	0	70,680
Commodities	28,604	0	28,604
Total Federal Sources	<u>\$99,284</u>	<u>\$0</u>	<u>\$99,284</u>
Total Revenues	<u>\$361,196</u>	<u>\$62,104</u>	<u>\$423,300</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from General Fund	0	187,758	187,758
Total Revenues and Other Financing Sources	<u>\$361,196</u>	<u>\$249,862</u>	<u>\$611,058</u>
<u>EXPENDITURES</u>			
Salaries - Non-Professional	129,804	123,924	253,728
Insurances	15,385	0	15,385
Fica, Retirement, Etc.	30,696	31,299	61,995
Purchased Services	0	68,863	68,863
Supplies and Materials	181,940	18,878	200,818
Capital Outlay	0	0	0
Other	260	6,898	7,158
Total Expenditures	<u>\$358,085</u>	<u>\$249,862</u>	<u>\$607,947</u>
<u>OTHER FINANCING USES</u>			
Transfers to Other Funds	3,111	0	3,111
Total Expenditures and Other Financing Uses	<u>\$361,196</u>	<u>\$249,862</u>	<u>\$611,058</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN  
COMBINING BALANCE SHEET  
DEBT RETIREMENT FUNDS  
AS OF JUNE 30, 2007

	<u>1996</u> <u>Debt</u>	<u>2001</u> <u>Debt</u>	<u>2005</u> <u>Debt</u>	<u>2006</u> <u>Debt</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	<u>\$72,434</u>	<u>\$55,229</u>	<u>\$143,210</u>	<u>\$136,800</u>	<u>\$407,673</u>
<u>TOTAL ASSETS</u>	<u>\$72,434</u>	<u>\$55,229</u>	<u>\$143,210</u>	<u>\$136,800</u>	<u>\$407,673</u>
<u>FUND EQUITY</u>					
Reserved for Debt Retirement	<u>\$72,434</u>	<u>\$55,229</u>	<u>\$143,210</u>	<u>\$136,800</u>	<u>\$407,673</u>
<u>TOTAL FUND EQUITY</u>	<u>\$72,434</u>	<u>\$55,229</u>	<u>\$143,210</u>	<u>\$136,800</u>	<u>\$407,673</u>

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
DEBT RETIREMENT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007

	<u>1996</u> <u>Debt</u>	<u>2001</u> <u>Debt</u>	<u>2005</u> <u>Debt</u>	<u>2006</u> <u>Debt</u>	<u>Total After</u> <u>Interfund</u> <u>Eliminations</u>
<u>REVENUES</u>					
<u>Local Sources</u>					
Property Taxes	\$309,182	\$538,424	\$347,415	\$318,867	\$1,513,888
Earnings Investments & Deposits	4,877	2,703	1,323	715	9,618
Total Local Sources	<u>\$314,059</u>	<u>\$541,127</u>	<u>\$348,738</u>	<u>\$319,582</u>	<u>\$1,523,506</u>
<u>OTHER FINANCING SOURCES</u>					
Transfer from Other Debt Funds	12,643	0	0	0	0
Bond and Loan Proceeds	0	38,114	0	220,362	258,476
Total Other Financing Sources	<u>\$12,643</u>	<u>\$38,114</u>	<u>\$0</u>	<u>\$220,362</u>	<u>\$258,476</u>
Total Revenues and Other Financing Sources	\$326,702	\$579,241	\$348,738	\$539,944	\$1,781,982
<u>EXPENDITURES</u>					
Redemption of Bonds	410,000	425,000	60,000	0	895,000
Interest Expense	28,590	120,113	339,230	434,940	922,873
Agent and Other Fees	421	289	241	294	1,245
Total Expenditures	<u>\$439,011</u>	<u>\$545,402</u>	<u>\$399,471</u>	<u>\$435,234</u>	<u>\$1,819,118</u>
<u>OTHER FINANCING USES</u>					
Transfer to Other Debt Funds	0	21	12,622	0	0
Total Expenditures and Other Financing Uses	<u>\$439,011</u>	<u>\$545,423</u>	<u>\$412,093</u>	<u>\$435,234</u>	<u>\$1,819,118</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>					
	<u>(\$112,309)</u>	<u>\$33,818</u>	<u>(\$63,355)</u>	<u>\$104,710</u>	<u>(\$37,136)</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>					
	<u>\$184,743</u>	<u>\$21,411</u>	<u>\$206,565</u>	<u>\$32,090</u>	<u>\$444,809</u>
<u>FUND BALANCE - END OF YEAR</u>					
	<u>\$72,434</u>	<u>\$55,229</u>	<u>\$143,210</u>	<u>\$136,800</u>	<u>\$407,673</u>

INDIVIDUAL FUND SCHEDULES OF  
REVENUES, EXPENDITURES AND  
OTHER FINANCING USES

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
FOR THE YEAR ENDED JUNE 30, 2007

REVENUES FROMLocal Sources

Property Tax Levy	\$324,837
Earnings on Investments and Deposits	47,137
Tuition	27,476
Drivers Ed Fees	5,375
Childcare Fees	117,668
Donations	35,266
Other Local Revenues	38,918
Total Revenues from Local Sources	<u>\$596,677</u>

State Sources

State Aid	8,821,568
At Risk	54,768
Special Education	127,066
Durant	5,741
Vocational Education	7,434
Michigan School Readiness	16,500
Other State Grants	29,129
Total Revenues from State Sources	<u>\$9,062,206</u>

Federal Sources

Title I	92,804
Improving Teacher Quality	36,457
Medicaid	3,764
Other Grants from ISD	3,426
Total Revenues from Federal Sources	<u>\$136,451</u>
Total Revenues	<u>\$9,795,334</u>

OTHER FINANCING SOURCES

Transfers from Other Funds	3,111
County Special Education Tax	97,572
Other Transactions	7,743
Total Other Financing Sources	<u>\$108,426</u>

TOTAL REVENUES AND OTHER FINANCING SOURCES

\$9,903,760

LAINSBURG COMMUNITY SCHOOLS - LAINSBURG, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2007

INSTRUCTIONBASIC PROGRAMSElementary

Salaries - Professional	\$1,450,794
Salaries - Non-Professional	147,024
Insurances	337,520
Fica, Retirement, Etc.	402,907
Purchased Services	10,354
Supplies and Materials	31,543
Capital Outlay	1,860
Other	1,120
Total Elementary	<u>\$2,383,122</u>

Middle School

Salaries - Professional	724,458
Salaries - Non-Professional	104,641
Insurances	200,316
Fica, Retirement, Etc.	210,244
Purchased Services	6,629
Supplies and Materials	38,301
Capital Outlay	13,334
Other	1,275
Total Middle School	<u>\$1,299,198</u>

High School

Salaries - Professional	1,031,120
Salaries - Non-Professional	94,257
Insurances	246,972
Fica, Retirement, Etc.	282,404
Purchased Services	54,716
Supplies and Materials	74,604
Capital Outlay	33,993
Other	1,541
Total High School	<u>\$1,819,607</u>

Preschool

Salaries - Non-Professional	47,911
Fica, Retirement, Etc.	12,106
Purchased Services	785
Supplies and Materials	1,593
Total Preschool	<u>\$62,395</u>

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2007

INSTRUCTION (Continued)

BASIC PROGRAMS (Continued)

Drivers Ed - High School

Salaries - Professional	\$15,277
Fica, Retirement, Etc.	1,688
Purchased Services	3,761
Supplies and Materials	1,471
Total Drivers Ed - High School	\$22,197

Total Basic Programs \$5,586,519

ADDED NEEDS

SPECIAL EDUCATION

Salaries - Professional	240,977
Salaries - Non-Professional	31,754
Insurances	68,488
Fica, Retirement, Etc.	68,946
Supplies and Materials	531
Total Special Education	\$410,696

COMPENSATORY EDUCATION

Salaries - Professional	109,684
Salaries - Non-Professional	28,302
Insurances	27,618
Fica, Retirement, Etc.	33,097
Supplies and Materials	1,152
Total Compensatory Educator	\$199,853

Vocational Education - High School

Purchased Services	7,215
Supplies and Materials	1,748
Total Vocational Education	\$8,963

Total Added Needs \$619,512

Total Instruction \$6,206,031

SUPPORT SERVICES

STUDENT SERVICES

Salaries - Professional	181,713
Salaries - Non-Professional	16,478
Insurances	29,324
Fica, Retirement, Etc.	49,809
Purchased Services	5,455
Supplies and Materials	325
Capital Outlay	1,956
Total Student Services	\$285,060

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2007

SUPPORT SERVICES (Continued)

INSTRUCTIONAL STAFF

Salaries - Professional	\$64,817
Salaries - Non-Professional	23,775
Insurances	13,809
Fica, Retirement, Etc.	22,164
Purchased Services	14,816
Supplies and Materials	19,399
Other	5,748
Total Instructional Staff	\$164,528

GENERAL ADMINISTRATION

Board of Education

Purchased Services	28,243
Other	6,654
Total Board of Education	\$34,897

Executive Administrator

Salaries - Professional	100,463
Salaries - Non-Professional	41,462
Insurances	19,651
Fica, Retirement, Etc.	24,891
Purchased Services	3,789
Supplies and Materials	641
Other	17,863
Total Executive Administrator	\$208,760

Total General Administration

\$243,657

SCHOOL ADMINISTRATION

Salaries - Professional	288,209
Salaries - Non-Professional	109,284
Insurances	108,451
Fica, Retirement, Etc.	108,469
Purchased Services	7,082
Supplies and Materials	4,895
Total School Administration	\$626,390

BUSINESS OFFICE

Salaries - Professional	68,730
Salaries - Non-Professional	38,935
Insurances	48,728
Fica, Retirement, Etc.	24,622
Purchased Services	106,278
Supplies and Materials	17,003
Other	50,143
Total Business Office	\$354,439

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2007

SUPPORT SERVICES (Continued)

OPERATION AND MAINTENANCE

Salaries - Professional	\$54,479
Salaries - Non-Professional	311,043
Insurances	116,091
Fica, Retirement, Etc.	90,742
Purchased Services	499,495
Supplies and Materials	65,051
Capital Outlay	20,225
Other	161
Total Operation and Maintenance	\$1,157,287

TRANSPORTATION

Salaries - Professional	29,984
Salaries - Non-Professional	211,083
Insurances	14,205
Fica, Retirement, Etc.	59,955
Purchased Services	31,047
Supplies and Materials	57,443
Other	69,762
Total Transportation	\$473,479

OTHER SUPPORT SERVICES

Purchased Services	1,244
Other	3,793
Total Other Support Services	\$5,037

Total Support Services

\$3,309,877

COMMUNITY SERVICES

Salaries - Professional	54,327
Salaries - Non-Professional	75,105
Insurances	16,276
Fica, Retirement, Etc.	31,584
Purchased Services	2,254
Supplies and Materials	14,157
Other	179
Total Community Services	\$193,882

TOTAL EXPENDITURES

\$9,709,790

OTHER FINANCING USES

Other Transfers	4,552
Transfer to Other Funds	187,758
Total Other Financing Uses	\$192,310

TOTAL EXPENDITURES AND OTHER FINANCING USES

\$9,902,100

LAINSBURG COMMUNITY SCHOOLS - LAINSBURG, MICHIGAN  
TRUST AND AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS -  
STUDENT ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007

Student Activities	Due to (From) Student Groups July 1, 2006	Receipts	Disbursements	Due to (From) Student Groups June 30, 2007
High School Activities:				
AP Eng/Media	\$229	\$3,366	\$3,255	\$340
Art Fund	295	0	0	295
Class of 2000	622	0	0	622
Class of 2001	222	0	222	0
Class of 2002	169	0	169	0
Class of 2003	1,339	0	0	1,339
Class of 2004	5,379	64	5,443	0
Class of 2005	2,612	0	133	2,479
Class of 2006	1,161	0	1,161	0
Class of 2007	5,231	4,164	6,994	2,401
Class of 2008	2,633	9,428	5,244	6,817
Class of 2009	908	3,936	3,221	1,623
Class of 2010	0	1,198	1,023	175
Cross Country	0	4,673	4,311	362
Debate	337	568	0	905
Dining w/Young Artists	132	1,795	1,910	17
Drama Club	2,454	361	1,559	1,256
Environmental Science	2,465	0	65	2,400
Foods	14	0	0	14
Football	383	9,677	9,667	393
Foreign Exchange	1,069	52,700	52,777	992
Future Farmers	1,045	17,373	15,734	2,684
Girls Basketball	8,507	4,400	6,040	6,867
Golf	249	0	0	249
HS Technology	580	14,660	14,327	913
Interest	2,247	895	184	2,958
LAPA	3,854	1,240	499	4,595
Leadership Council	0	2,225	2,026	199
Library Fines	117	13	0	130
Miscellaneous	2,359	2,774	2,836	2,297
National Honor Society	394	425	785	34
Parenthood	764	1,998	1,637	1,125
Patio	3,699	1,902	0	5,601
Pepsi	1,436	30,979	29,887	2,528
Plan/PSAT/ACT	9	750	721	38
Post Prom	176	3,301	2,708	769
Publications	7,747	33,280	32,703	8,324
Scholarship	256	1,500	1,500	256
Science Olympiad	0	568	0	568
Soccer	506	335	324	517
Special Education	9	1,015	1,000	24

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN  
TRUST AND AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS -  
STUDENT ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007

Student Activities	Due to (From) Student Groups July 1, 2006	Receipts	Disbursements	Due to (From) Student Groups June 30, 2007
<b>High School Activities (Continued):</b>				
Stanford Trip	\$282	\$0	\$0	\$282
Student Council	2,844	2,327	2,057	3,114
Student Incentives	768	10	248	530
Track	1,017	569	576	1,010
Varsity Baseball	2,733	10,444	9,396	3,781
Varsity Cheerleaders	3,214	8,033	6,333	4,914
Varsity Club	350	0	0	350
Varsity Softball	966	14,965	14,488	1,443
Vocal Music	430	928	1,227	131
Volleyball	4,099	6,933	10,627	405
Wolfpack Basketball	236	7,322	6,707	851
Total High School	\$78,547	\$263,094	\$261,724	\$79,917
<b>Middle School Activities:</b>				
6th Grade Plays	1,863	604	1,050	1,417
8th Grade Trip	926	13,766	12,298	2,394
Administrative	466	131	145	452
Athletics	342	0	342	0
Box Tops	142	262	289	115
Calculators	132	0	0	132
Donations	1,370	963	0	2,333
Horticulture Club	186	0	0	186
Jr. FFA	779	0	56	723
Jr. Wolves	0	2,127	1,899	228
Library	186	3,044	2,824	406
Science Olympiad	682	4,309	3,305	1,686
Student Council	3,244	7,096	7,305	3,035
Summer Math Pkts	157	481	494	144
Talent Show	355	0	0	355
TALK/PALS	1,300	2,939	3,097	1,142
Technology	0	45	0	45
Yearbook	0	100	0	100
Total Middle School	\$12,130	\$35,867	\$33,104	\$14,893

LAINSBURG COMMUNITY SCHOOLS - LAINSBURG, MICHIGAN  
TRUST AND AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS -  
STUDENT ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007

Student Activities	Due to (From) Student Groups July 1, 2006	Receipts	Disbursements	Due to (From) Student Groups June 30, 2007
Elementary Activities:				
After School Enrichment	\$1,248	\$0	\$0	\$1,248
Balance Account	0			0
Bank Fees	87	132	48	171
Blank Book Money	100	5	0	105
Box Tops	3,144	821	1,386	2,579
Chess	0			0
Donation to Library	535	293	0	828
ECEC Account	1,071	2,890	3,070	891
EDRU Rollerskating	0			0
Fifth Grade Field Trip	44	3,598	3,586	56
First Grade	42	1,573	1,607	8
Fourth Grade	177	3,040	2,950	267
Human I Tees	42	0	0	42
Juice Machine	2,145	3,895	2,444	3,596
Library Fund Raiser	2,504	6,648	4,447	4,705
Maxies Book Club	2,475	11,690	8,942	5,223
Meijer	671	1,152	819	1,004
Pegs	1,003	0	1,003	0
Pencil Fund	805	989	812	982
Popcorn	1,994	954	1,034	1,914
Second Grade Fund Raiser	50	1,346	1,396	0
Student Scholarship	78	5,082	3,995	1,165
Target	1,937	382	225	2,094
Third Grade	72	2,203	2,094	181
Toner	234	0	0	234
Verizon	217	93	0	310
Yearbook	1,247	854	193	1,908
Yo Yo	77	0	41	36
Total Elementary	<u>\$21,999</u>	<u>\$47,640</u>	<u>\$40,092</u>	<u>\$29,547</u>
<u>TOTALS</u>	<u>\$112,676</u>	<u>\$346,601</u>	<u>\$334,920</u>	<u>\$124,357</u>

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN  
TRUST AND AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS -  
SCHOLARSHIP FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007

<u>MARGARET SCOUTTEN SCHOLARSHIP FUND</u>		
<u>BALANCE - JULY 1, 2006</u>		\$24,259
<u>REVENUE</u>		
Interest		1,130
Donations		1,700
Total Revenue		<u>\$2,830</u>
<u>EXPENDITURES</u>		
Scholarship Awards		<u>1,500</u>
<u>BALANCE - JUNE 30, 2007</u>		<u>\$25,589</u>
<u>RAYMOND O. NASH MEMORIAL FUND</u>		
<u>BALANCE - JULY 1, 2006</u>		\$17,488
<u>REVENUE</u>		
Interest		<u>840</u>
<u>BALANCE - JUNE 30, 2007</u>		<u>\$18,328</u>
<u>ALL SCHOLARSHIP FUNDS</u>		
<u>BALANCE - JUNE 30, 2007</u>		<u>\$43,917</u>

LAINSBURG COMMUNITY SCHOOLS - LAINSBURG, MICHIGAN  
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS  
AS OF JUNE 30, 2007

<u>1996 REFUNDING BONDS</u>					
<u>DUE DATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>INTEREST PAYMENTS DUE</u>		<u>TOTAL</u>
			<u>NOVEMBER 1</u>	<u>MAY 1</u>	
2007-2008	<u>\$170,000</u>	5.000%	<u>\$4,250</u>	<u>\$4,250</u>	<u>\$178,500</u>

<u>1998 DURANT RESOLUTION PACKAGE BONDS</u>					
<u>PAYMENT DATE - MAY 15TH</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL</u>	
2008	\$0	4.761353%	\$0	\$0	\$0
2009	3,195	4.761353%	837	837	4,032
2010	19,675	4.761353%	7,411	7,411	27,086
2011	3,506	4.761353%	525	525	4,031
2012	3,673	4.761353%	358	358	4,031
2013	<u>3,848</u>	4.761353%	<u>183</u>	<u>183</u>	<u>4,031</u>
<u>TOTAL</u>	<u>\$33,897</u>		<u>\$9,314</u>	<u>\$9,314</u>	<u>\$43,211</u>

<u>2001 SCHOOL BUILDING &amp; SITE BONDS</u>					
<u>DUE DATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>INTEREST PAYMENTS DUE</u>		<u>TOTAL</u>
			<u>NOVEMBER 1</u>	<u>MAY 1</u>	
2007-2008	\$450,000	4.150%	\$324,663	\$324,663	\$1,099,326
2008-2009	450,000	4.300%	315,325	315,325	1,080,650
2009-2010	450,000	4.400%	305,650	305,650	1,061,300
2010-2011	<u>475,000</u>	4.450%	<u>295,750</u>	<u>295,750</u>	<u>1,066,500</u>
<u>TOTAL</u>	<u>\$1,825,000</u>		<u>\$1,241,388</u>	<u>\$1,241,388</u>	<u>\$4,307,776</u>

LAINSBURG COMMUNITY SCHOOLS - LAINSBURG, MICHIGAN  
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS  
AS OF JUNE 30, 2007

2005 REFUNDING BONDS

<u>DUE DATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>INTEREST PAYMENTS DUE</u>		<u>TOTAL</u>
			<u>NOVEMBER 1</u>	<u>MAY 1</u>	
2007-2008	\$65,000	3.000%	\$168,715	\$168,715	\$402,430
2008-2009	65,000	3.000%	167,740	167,740	400,480
2009-2010	70,000	3.500%	166,765	166,765	403,530
2010-2011	70,000	3.500%	165,540	165,540	401,080
2011-2012	75,000	3.500%	164,315	164,315	403,630
2012-2013	565,000	4.000%	163,003	163,002	891,005
2013-2014	565,000	4.000%	151,702	151,703	868,405
2014-2015	565,000	4.000%	140,403	140,402	845,805
2015-2016	565,000	4.000%	129,102	129,103	823,205
2016-2017	565,000	4.000%	117,803	117,802	800,605
2017-2018	565,000	4.250%	106,502	106,503	778,005
2018-2019	565,000	4.250%	94,496	94,496	753,992
2019-2020	565,000	4.250%	82,490	82,490	729,980
2020-2021	565,000	4.250%	70,484	70,484	705,968
2021-2022	565,000	4.000%	58,478	58,477	681,955
2022-2023	565,000	4.125%	47,177	47,178	659,355
2023-2024	565,000	4.125%	35,524	35,524	636,048
2024-2025	565,000	4.200%	23,871	23,871	612,742
2025-2026	565,000	4.250%	12,006	12,006	589,012
<u>TOTAL</u>	<u>\$8,255,000</u>		<u>\$2,066,116</u>	<u>\$2,066,116</u>	<u>\$12,387,232</u>

LAINSBURG COMMUNITY SCHOOLS - LAINSBURG, MICHIGAN  
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS  
AS OF JUNE 30, 2007

2006 REFUNDING BONDS

<u>DUE DATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>INTEREST PAYMENTS DUE</u>		<u>TOTAL</u>
			<u>NOVEMBER 1</u>	<u>MAY 1</u>	
2007-2008	\$270,000	4.000%	\$179,562	\$179,563	\$629,125
2008-2009	410,000	4.000%	174,163	174,162	758,325
2009-2010	410,000	4.000%	165,962	165,963	741,925
2010-2011	410,000	4.000%	157,763	157,762	725,525
2011-2012	410,000	5.000%	149,562	149,563	709,125
2012-2013	410,000	5.000%	139,313	139,312	688,625
2013-2014	415,000	5.000%	129,062	129,063	673,125
2014-2015	415,000	5.000%	118,688	118,687	652,375
2015-2016	415,000	5.000%	108,312	108,313	631,625
2016-2017	415,000	4.000%	97,938	97,937	610,875
2017-2018	415,000	4.000%	89,637	89,638	594,275
2018-2019	415,000	4.000%	81,338	81,337	577,675
2019-2020	415,000	4.000%	73,037	73,038	561,075
2020-2021	415,000	4.000%	64,738	64,737	544,475
2021-2022	0	0.000%	56,437	56,438	112,875
2022-2023	0	0.000%	56,438	56,437	112,875
2023-2024	0	0.000%	56,437	56,438	112,875
2024-2025	0	0.000%	56,438	56,437	112,875
2025-2026	0	0.000%	56,437	56,438	112,875
2026-2027	525,000	4.250%	56,438	56,437	637,875
2027-2028	525,000	4.250%	45,281	45,281	615,562
2028-2029	525,000	4.250%	34,125	34,125	593,250
2029-2030	525,000	4.375%	22,969	22,969	570,938
2030-2031	525,000	4.375%	11,484	11,484	547,968
<u>TOTAL</u>	<u>\$8,265,000</u>		<u>\$2,181,559</u>	<u>\$2,181,559</u>	<u>\$12,628,118</u>



October 2, 2007

**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***

To the Board of Education of  
Laingsburg Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Laingsburg Community Schools, as of and for the year ended June 30, 2007, which collectively comprise the Laingsburg Community Schools' basic financial statements and have issued our report thereon dated October 2, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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



Laingsburg Community Schools  
Page 2  
October 2, 2007

This report is intended solely for the information and use of management, the finance committee, Board of Education, 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.

*Lewis & Knopf, P.C.*

LEWIS & KNOPF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS