

Byron Center Charter School

Byron Center, Michigan

Audited Financial Statements

June 30, 2007

CROSKEY, LANNI & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Byron Center Charter School

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Byron Center Charter School, as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements listed in the table of contents. These financial statements are the responsibility of Byron Center Charter School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

The management's discussion and analysis and budgetary comparison information on pages iii through viii and 18, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the 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 Byron Center Charter School's basic financial statements. The introductory section, combining and individual non major fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2007 on our consideration of Byron Center Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.


Croskey, Lanni & Company, P.C.

July 24, 2007
Rochester, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Byron Center Charter School's, "BCC", annual financial report presents our discussion and analysis of the school's financial performance during the fiscal year that ended on June 30, 2007. Please read it in conjunction with the school's financial statements, which immediately follow this section.

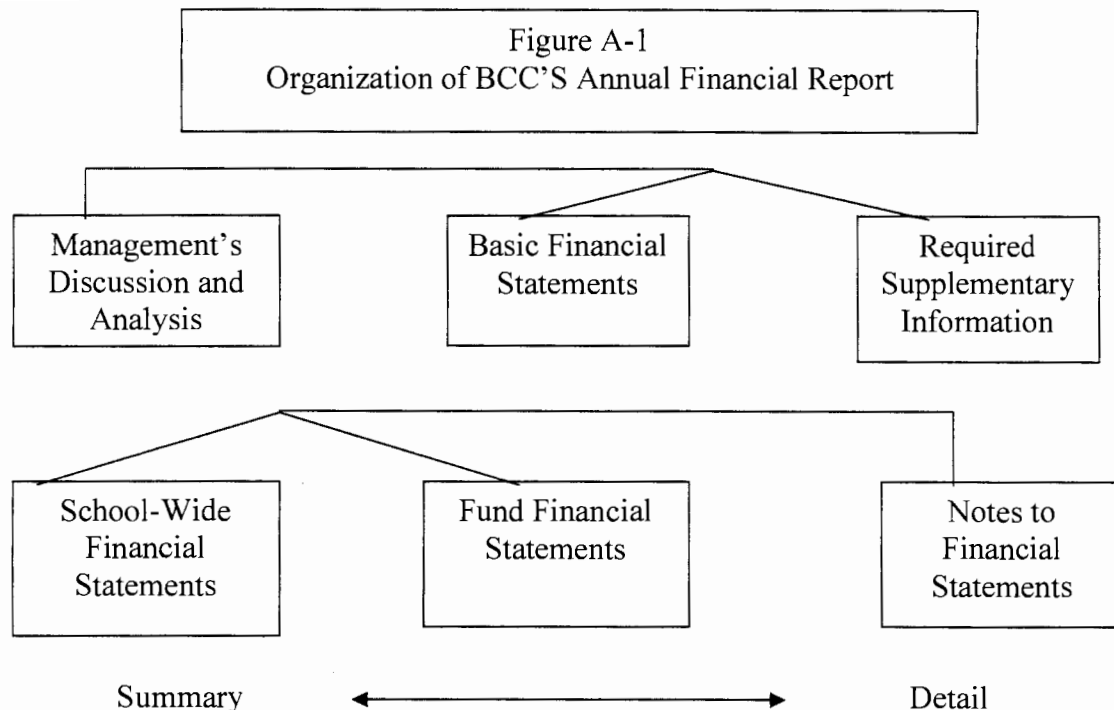
FINANCIAL HIGHLIGHTS

- ❖ The school's financial status remains very stable, and continues to improve.
 - The total cost of basic programs was \$832,971, an increase similar to the increase in enrollment.
- ❖ Revenues were at \$1,570,957 while expenses were \$1,430,239
 - Blended enrollment used for state aid purposes was 188.86 compared to 169.42 last year.
- ❖ The school refinanced its outstanding long-term debt, which is primarily certificates of participation debt. This refinancing, and facility enhancement, helps the school save approximately \$250,000.
- ❖ The school has a positive fund balance in both the General and Debt Service Fund of \$306,362 and \$272,500 respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements which include two kinds of statements that present different views of the school:

- The first two statements are school wide financial statements that provide both short-term and long-term information about the school's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the school, reporting the schools operations in more detail.
- The governmental fund statements tell how basic services like regular and special education were financed.
- Fiduciary funds statements provide information about the financial relationships in which the school acts solely as a trustee or agent for the benefit of others. These consist of student activity funds held by the school on behalf of the student group.



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the school's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2
Major Features of School-Wide and Fund Financial

Fund Financial Statements

	School-Wide Statements	Government Funds	Fiduciary Funds
Scope	Entire school (except fiduciary funds)	The activities of the school that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the school administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required Financial Statements	*Statement of net assets *Statement of activities	*Balance sheet *Statement of revenues, expenditures and changes in fund balances	*Statement of fiduciary net assets *Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the school's financial statements, including the portion of the schools activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

SCHOOL-WIDE STATEMENTS

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

The two school wide statements report the school's net assets and how they have changed. Net assets – the difference between the school's assets and liabilities – are one way to measure the school's financial health or position.

- ❖ Over time, increase or decreases in the school's assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- ❖ To assess the overall health of the school, you need to consider additional non-financial factors such as changes in the school's enrollment and the condition of school buildings and other facilities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the school's funds, focusing on its most significant or "major" funds – not the school as a whole. Funds are accounting devices the school uses to keep track of specific sources of funding and spending on particular programs:

- ❖ *Governmental activities* – Most of the school's basic services are included in the general fund, such as regular and special education and administration. State foundation aid finances most of these activities.
- ❖ The school establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues.

The school has two kinds of funds:

- ❖ *Governmental funds* – Most of the school's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the school's programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information with governmental funds statements that explains the relationship (or differences) between them.
- ❖ *Fiduciary funds* – The school is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the school-wide financial statements because the school cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

The comparison of current year to prior year financial information is on the following pages. See tables A-3, A-4, and A-5.

The school's financial position is the product of many factors. The asset depreciation schedule was implemented four years ago as required by GASB 34. As a result of a rural school grant, the school continues to be able to make technology advancements.

School Governmental

The stability of the school's finances is a result of the following measures:

- ❖ A strong fund balance has been and continues to be accumulated over the years
- ❖ Classroom text books, supplies, and technology are mostly furnished with curriculum grants
- ❖ Staff salaries and benefits were kept in line with the combination of a percentage increase in state aid, and the schools fund balance and overall financial status.

General Fund Budgetary Analysis

Over the course of the year, the school reviewed the annual operating budget several times. All invoices were paid in a timely matter.

- ❖ Other than the facility mortgage, the school has no outstanding debt

Financial Outlook

Byron Center Charter School's financial forecast continues to be very optimistic heading into the 2007/2008 school year. This is despite state aid revenue being very uncertain at the time school budgets are due.

- ❖ Current enrollment is 5% higher than the amount budgeted.
- ❖ BCC will continue to receive local special education money for 07/08, similar to the amount received for the 06/07 school year
- ❖ The school's authorizer has reissued a grant to assist in curriculum enhancement
- ❖ The school refinanced its long term facility debt at a lower rate of interest, decreasing its total outstanding debt close to \$250,000
- ❖ BCC will once again receive the rural, small school grant

Appendix A

Table A-3
BCC's Net Assets

	2007	2006
Current and other assets	\$ 1,394,756	\$ 566,946
Capital assets	1,398,760	1,458,942
Total assets	2,793,516	2,025,888
Long-term debt outstanding	3,098,960	2,168,500
Other liabilities	177,936	170,380
Total liabilities	3,276,896	2,338,880
Net assets:		
Restricted	1,002,500	279,671
Unrestricted	266,696	161,895
Total net assets	<u>\$ 1,269,196</u>	<u>\$ 441,566</u>

Table A-4
Changes in BCC's Net Assets

	2007	2006
Revenues:		
Program revenues:		
Charges for services	\$ 36,568	\$ 9,665
Federal and state operating grants	160,833	173,282
General revenues:		
State aid - unrestricted	1,373,456	1,190,222
Miscellaneous	(22,476)	12,660
Total revenues	1,548,381	1,385,829
Expenses:		
Instruction	832,971	748,664
Support services	661,737	351,497
Interest on long-term debt	170,124	171,311
Unallocated depreciation	53,937	49,652
Total expenses	1,718,769	1,321,124
Decrease in net assets	<u>\$ (170,388)</u>	<u>\$ 64,705</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2007, the school had invested \$ 1,732,543 in capital assets, including computers and software. See table A-5 below for a listing of capital assets, and the accumulated depreciation.

	Balance July 1, 2006	Additions	Disposals	Balance June 30, 2007
Land	\$ 60,000	\$ -	\$ -	\$ 60,000
Building and Improvements	1,572,561	-	(35,866)	1,536,695
Furniture and Fixtures	32,295	-	-	32,295
Computers and Equipment	89,286	16,332	(2,065)	103,553
Subtotal	1,754,142	16,332	(37,931)	1,732,543
Accumulated Depreciation	295,201	53,937	(15,355)	333,783
Net Book Value of Assets	<u>\$ 1,458,941</u>	<u>\$ (37,605)</u>	<u>\$ (22,576)</u>	<u>\$ 1,398,760</u>

Long-Term Debt

At year end the school had debt of \$3,151,336 as described in Note 8 to the financial statements.

FACTORS BEARING ON THE SCHOOL'S FUTURE

- Continuation of positive enrollment trends
- State aid foundation grant

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, parents and creditors with a general overview of the school's finances and to demonstrate the school's accountability for the money it receives. If you have questions about this report or need additional information, contact the school's office at:

Byron Center Charter School, 9930 Burlingame Ave. SW, Byron Center, MI 49315

BYRON CENTER CHARTER SCHOOL

STATEMENT OF NET ASSETS JUNE 30, 2007

ASSETS

Current Assets

Cash and cash equivalents	\$ 132,391
Investments	1,002,500
Due from other governmental units	257,035
Prepaid expenses	<u>2,830</u>
Total current assets	1,394,756

Facilities, Furniture and Equipment

At cost less accumulated depreciation of \$ 333,783	<u>1,398,760</u>
Total assets	<u><u>\$ 2,793,516</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Other accrued expenses	\$ 125,560
Long-term debt and capital lease - current portion	<u>52,376</u>
Total current liabilities	177,936

Long-Term Debt and Capital Lease - Long-Term Portion 3,098,960

Net Assets

Invested in capital assets, net of related debt	(1,752,576)
Restricted for debt service	1,002,500
Unrestricted	<u>266,696</u>
Total net assets	<u>(483,380)</u>
Total liabilities and net assets	<u><u>\$ 2,793,516</u></u>

See accompanying notes to financial statements



BYRON CENTER CHARTER SCHOOL

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Functions	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants	Revenues and Changes in Net Assets
				Government Type Activities
Elementary school	\$ 403,081	\$ -	\$ 57,523	\$ (345,558)
Middle school	146,944	-	11,854	(135,090)
High school	170,990	-	9,144	(161,846)
Special education	69,380	-	69,380	-
Support services	42,576	-	12,932	(29,644)
General administration	12,992	-	-	(12,992)
Executive administration	73,176	-	-	(73,176)
Building administration	187,759	-	-	(187,759)
Business support services	303,228	-	-	(303,228)
Operations and maintenance	84,582	-	-	(84,582)
Unallocated depreciation	53,937	-	-	(53,937)
Unallocated interest	170,124	36,568	-	(133,556)
	<u>\$ 1,718,769</u>	<u>\$ 36,568</u>	<u>\$ 160,833</u>	<u>(1,521,368)</u>
General Purpose Revenues:				
State school aid - unrestricted				1,373,456
Loss on disposal of assets				(22,576)
Miscellaneous				100
				<u>1,350,980</u>
Excess of expenses over revenues				(170,388)
Net assets - July 1, 2006				<u>(312,992)</u>
Net assets - June 30, 2007				<u>\$ (483,380)</u>

See accompanying notes to financial statements



BYRON CENTER CHARTER SCHOOL

COMBINED BALANCE SHEET - ALL FUND TYPES
JUNE 30, 2007

ASSETS

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Cash and cash equivalents	\$ 132,391	\$ -	\$ -
Investments	-	272,500	730,000
Due from other governmental units	257,035	-	-
Prepaid expenses	2,830	-	-
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 392,256</u>	<u>\$ 272,500</u>	<u>\$ 730,000</u>

LIABILITIES AND FUND BALANCES

Liabilities

Other accrued expenses	\$ 85,894	\$ -	\$ -
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Fund Balances

Designated for debt service	-	272,500	-
Designated for capital projects	-	-	730,000
Unreserved:			
Undesignated	306,362	-	-
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Total liabilities and fund balances	<u>\$ 392,256</u>	<u>\$ 272,500</u>	<u>\$ 730,000</u>
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See accompanying notes to financial statements



BYRON CENTER CHARTER SCHOOL

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS
OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007

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

Total Governmental Fund Balances	\$ 1,308,862
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$ 1,732,543 and the accumulated depreciation is \$ 333,783.	1,398,760
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(39,666)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(3,151,336)</u>
Net Assets of Governmental Activities	<u><u>\$ (483,380)</u></u>

See accompanying notes to financial statements



BYRON CENTER CHARTER SCHOOL

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED JUNE 30, 2007

	General	Debt Service	Capital Projects
Revenues			
Local sources	\$ 69,069	\$ 36,568	\$ -
State sources	1,405,951	-	-
Federal sources	59,369	-	-
	1,534,389	36,568	-
Total governmental fund revenue			
Expenditures			
Elementary school	403,081	-	-
Middle school	146,944	-	-
High school	170,990	-	-
Special education	69,380	-	-
Support services	42,576	-	-
General administration	12,992	-	-
Executive administration	73,176	-	-
Building administration	187,759	-	-
Business support services	19,827	283,401	-
Operations and maintenance	84,582	-	-
Capital outlay	16,332	-	-
Debt principal and interest	3,013	2,374,925	-
	1,230,652	2,658,326	-
Total governmental fund expenditures			
Excess (deficiency) of revenues over expenditures	303,737	(2,621,758)	-
Other Financing Sources (Uses)			
Proceeds from long term debt	7,128	2,415,000	730,000
Operating transfers in	-	199,587	-
Operating transfers out	(199,587)	-	-
	(192,459)	2,614,587	730,000
Total other financing sources (uses)			
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	111,278	(7,171)	730,000
Fund balance - July 1, 2006	195,084	279,671	-
Fund balance - June 30, 2007	\$ 306,362	\$ 272,500	\$ 730,000

See accompanying notes to financial statements



BYRON CENTER CHARTER SCHOOL

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

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

Net Change in Fund Balances - Total Governmental Funds \$ 834,107

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 16,332	
Loss on disposal of assets	(22,576)	
Depreciation expense	<u>(53,937)</u>	(60,181)

The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Proceeds from issuance of long-term debt	\$ (3,152,128)	
Repayment of loan principal	2,214,292	
Interest expense	<u>(6,478)</u>	<u>(944,314)</u>

Change in Net Assets of Governmental Activities \$ (170,388)

See accompanying notes to financial statements



BYRON CENTER CHARTER SCHOOL

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2007**

ASSETS

	<u>Agency</u>
Cash and cash equivalents	\$ 2,581
Total assets	<u>\$ 2,581</u>

LIABILITIES

Due to student groups	\$ 2,581
Total liabilities	<u>\$ 2,581</u>

See accompanying notes to financial statements



BYRON CENTER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - Summary of Significant Accounting Policies

The accounting policies of Byron Center Charter School (the "Academy") conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

Reporting Entity

Byron Center Charter School, formerly known as The Learning Center Academy, was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on June 5, 1996, and began operation in July 1996.

In May 1996, the Academy entered into a five-year contract with Grand Valley State University's Board of Trustees to charter a public school academy. The contract was renewed for an additional seven years in May 2001. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University's Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays Grand Valley State University's Board of Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2007 were approximately \$41,200.

On July 1, 2005 the Academy entered into a two-year agreement with The Woodbridge Group - "WG", a Michigan based, not-for-profit management firm. Under the terms of this agreement, WG is to provide a variety of services including management curriculums, educational programs and teacher training. Additionally, the Academy leases all of its employees from WG. The Academy is obligated to pay WG an annual fee equal to \$27,500 for the first year and \$27,800 for the second year. The total paid for the year ended June 30, 2007 was \$27,750.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operation of financial relationships with the public school academy. Based on application of criteria, the entity does not contain component units.

Fund Financial Statements

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The Academy has elected to specify all of its funds as major.

BYRON CENTER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - Summary of Significant Accounting Policies - Continued

Basis of Presentation - Fund Accounting

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on 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 combined financial statements in this report, into generic fund types in two broad fund categories.

Governmental Fund

A governmental fund is a fund through which most academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

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

Debt Service Fund - The debt service fund is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

Capital Projects Fund - The capital projects fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

Fiduciary Fund - The fiduciary fund is used to account for assets held by the Academy in a trustee capacity or as an agent. The agency fund is custodial in nature and does not involve the measurement of results of operations.

Activity (Agency) Fund - The Academy presently maintains an activity fund to record the transactions of a student group for school and school-related purposes. The fund is segregated and held in trust for the students.

Governmental and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.

BYRON CENTER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - Summary of Significant Accounting Policies - Continued

- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

Government Wide Financial Statements

The government-wide financial statements (i.e. the statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses, and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self financing or draws from the general revenues of the Academy.

Net assets should be reported as restricted when constraints placed on net asset use are either externally, imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government - wide financial statements.

BYRON CENTER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - Summary of Significant Accounting Policies - Continued

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit 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 Academy intends to hold the investment until maturity. The Academy held investments in mutual funds that invest solely in U.S. Treasury obligations. The funds are held in trust for debt service and capital projects. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and 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 Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy 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.

Receivables

Receivables at June 30, 2007 consist primarily of state school aid due from the State of Michigan. All receivables are expected to be fully collected in July and August of 2007 and are considered current for the purposes of these basic financial statements.

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 is reported in the year in which services are consumed.

Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Academy defines capital assets as those with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. The Academy does not possess any infrastructure assets.

BYRON CENTER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - Summary of Significant Accounting Policies - Continued

Capital Assets and Depreciation

All reported capital assets, with the exception of land, 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:

Building and improvements	10 - 50 years
Furniture and equipment	3 - 15 years
Computers and software	3 - 10 years

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, the non-current portion of capital leases 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. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

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 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 Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance of amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

BYRON CENTER CHARTER SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - Summary of Significant Accounting Policies - Continued

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

NOTE 2 - Stewardship, Compliance and Accountability

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt general and special revenue fund budgets. The Academy originally adopted only a general fund budget, which includes traditional debt service fund revenues and expenditures. For the financial statement presentation these amounts are shown as a separate debt service fund. During the year ended June 30, 2007 the budget was amended in a legally permissible manner.

The budget statement (budgetary comparison schedule - all governmental funds) is presented on the combined statement of revenue, expenditures, and fund balances. Budget overruns are as follows:

General Fund	Budget	Actual
Middle school	\$ 145,563	\$ 146,944
Support services	41,524	42,576
Operations and maintenance	77,739	84,582

NOTE 3 - Deposits and Investments

The Academy maintains cash balances at various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000 per financial institution. The Academy's uninsured and uncollateralized cash balance as of June 30, 2007 amounted to \$33,448. The Academy's investments at June 30, 2007 were comprised of fund shares that had a carrying amount and market value of \$1,002,500. These investments are held by a trustee for debt service on the Certificates of Participation as described in Note 8. The investments are in mutual funds that invest solely in US Treasury obligations.

BYRON CENTER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 4 - Due From Other Governmental Units

Amounts owed from governmental units consist of the following:

State aid	\$ 250,325
At risk	1,527
Special education	<u>5,183</u>
Total	<u>\$ 257,035</u>

NOTE 5 - Capital Assets

Capital asset activity of the Academy's governmental activities was as follows:

	Balance July 1, 2006	Additions	Disposals	Balance June 30, 2007
Land (non depreciable)	\$ 60,000	\$ -	\$ -	\$ 60,000
Furniture and fixtures	29,763	-	-	29,763
Computers	53,881	-	(1,000)	52,881
Classrooms	71,734	-	-	71,734
Custodial equipment	2,532	-	-	2,532
Improvements	6,392	-	-	6,392
Machinery and equipment	35,405	16,332	(1,065)	50,672
Buildout of facilities	<u>1,494,435</u>	<u>-</u>	<u>(35,866)</u>	<u>1,458,569</u>
Subtotal	1,754,142	16,332	(37,931)	1,732,543
Accumulated depreciation	<u>295,201</u>	<u>53,937</u>	<u>(15,355)</u>	<u>333,783</u>
Net book value of assets	<u>\$ 1,458,941</u>	<u>\$ (37,605)</u>	<u>\$ (22,576)</u>	<u>\$ 1,398,760</u>

Depreciation expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

BYRON CENTER CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

NOTE 6 - Note Payable

The Academy obtained a \$90,000 line of credit from a financial institution. The line was issued to provide the Academy with operating funds at the beginning of the school year. The Academy drew \$80,000 on this line during the year ended June 30, 2007. Interest is calculated at two percent below the bank's prime rate. Security for the loan is provided through future state school aid payments. The State of Michigan Department of Treasury requires that the full principal balance be repaid as of July 31, 2007. The line of credit was fully repaid in March 2007.

NOTE 7 - Accrued Expenses

Accrued expenses may be summarized by fund type as follows:

	<u>Net Assets</u>	<u>Funds</u>
GVSU oversight fee	\$ 7,495	\$ 7,495
Purchased services - payroll	59,302	59,302
Purchased services - payroll taxes	4,444	4,444
Purchased services - benefits	14,653	14,653
Interest	39,666	-
	<u>\$ 125,560</u>	<u>\$ 85,894</u>
Total accrued expenses	<u>\$ 125,560</u>	<u>\$ 85,894</u>

NOTE 8 - Long-Term Obligations Payable

The following is a summary of long-term obligations for the Academy for the year ended June 30, 2007:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Retirements & Payments</u>	<u>Balance June 30, 2007</u>	<u>Due Within One Year</u>
Certificates of participation - original	\$ 2,213,500	\$ -	\$ 2,213,500	\$ -	\$ -
Certificates of participation - 2007	-	3,145,000	-	3,145,000	50,000
Copier lease	-	7,128	792	6,336	2,376
	<u>\$ 2,213,500</u>	<u>\$ 3,152,128</u>	<u>\$ 2,214,292</u>	<u>\$ 3,151,336</u>	<u>\$ 52,376</u>
Total	<u>\$ 2,213,500</u>	<u>\$ 3,152,128</u>	<u>\$ 2,214,292</u>	<u>\$ 3,151,336</u>	<u>\$ 52,376</u>

BYRON CENTER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 8 - Long-Term Obligations Payable - Continued

The Academy has issued Certificates of Participation bearing interest at a rate of 7.30%. The obligations require semi-annual interest payments due on September 1st and March 1st and an annual payment of principal due on March 1st beginning in March, 2008. The certificates are collateralized by the Academy's facility as well as a pledge for 20% of future state school aid payments and funds held in trust for debt service. These funds are fully backed by U.S. Treasury obligations.

The following are maturities of long-term obligations for each of the next five years and in total:

	<u>Principal</u>	<u>Interest</u>
2008	\$ 52,376	\$ 164,333
2009	47,376	167,625
2010	46,584	165,488
2011	50,000	163,350
2012	50,000	160,975
2013 - 2017	300,000	765,903
2018 - 2022	380,000	682,150
2023 - 2027	500,000	565,000
2028 - 2032	650,000	412,100
2033 - 2037	1,075,000	210,802

The Academy is the lessee of office equipment held under a capital lease agreement. The lease is payable \$198 monthly, and is secured by the equipment. The lease is due March, 2010.

Minimum future lease payments under the capital lease as of June 30, 2007 for each of the next three years:

2008	\$ 2,376
2009	2,376
2010	<u>1,584</u>
Present value of minimum lease payments	<u><u>\$ 6,336</u></u>

NOTE 9 - Retirement Plan

All leased employees of the Academy are eligible to participate in a retirement plan established by WG which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. The Academy will contribute 4% of salaries regardless of the amount the employee contributes. Eligible employees may contribute up to 15% of their salaries under the terms of this plan. The Academy's contributions to the plan for the year ended June 30, 2007 amounted to approximately \$26,400.

BYRON CENTER CHARTER SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2007

NOTE 10 - Interfund Transfers

During the normal course of the school year the Academy transferred amounts between its two major funds as follows:

	<u>General</u>	<u>Debt Service</u>
Transfers In	\$ -	\$ 199,587
Transfers Out	199,587	-

As stipulated by the Academy's Certificates of Participation as described in Note 8, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion needed for debt service and returns the remainder to the Academy. This accounts for the major activity in the Academy's interfund transfer accounts.

NOTE 11 - Risk Management


The Academy is exposed to various risks or loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

David M. Croskey, CPA
Thomas B. Lanni, CPA
Carolyn A. Jones, CPA
Clifton F. Powell Jr., CPA

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors of Byron Center Charter School

We have audited the accompanying basic financial statements of Byron Center Charter School for the year ended June 30, 2007. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Byron Center Charter School. This information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.


Croskey, Lanni & Company, P.C.

July 24, 2007
Rochester, Michigan

BYRON CENTER CHARTER SCHOOL

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL BUDGETARY BASIS
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2007

	General Fund		
	Original Budget	Final Budget	Actual
Revenues			
Local sources	\$ 78,776	\$ 70,780	\$ 69,069
State sources	1,301,070	1,406,056	1,405,951
Federal sources	56,428	59,275	59,369
Total governmental fund revenue	<u>1,436,274</u>	<u>1,536,111</u>	<u>1,534,389</u>
Expenditures			
Elementary school	395,398	399,718	403,081
Middle school	141,368	145,563	146,944
High school	162,417	171,250	170,990
Special education	55,919	69,380	69,380
Support services	41,524	41,524	42,576
General administration	11,050	13,050	12,992
Executive administration	70,494	73,404	73,176
Building administration	185,204	188,105	187,759
Business support services	19,827	19,827	19,827
Operations and maintenance	94,200	77,739	84,582
Capital outlay	-	16,332	16,332
Debt principal and interest	3,013	3,013	3,013
Total governmental fund expenditures	<u>1,180,414</u>	<u>1,218,905</u>	<u>1,230,652</u>
Excess (deficiency) of revenues over expenditures	255,860	317,206	303,737
Other Financing Sources (Uses)			
Proceeds from long-term debt	-	-	7,128
Operating transfers in	-	-	-
Operating transfers out	(217,710)	(199,320)	(199,587)
Total other financing sources (uses)	<u>(217,710)</u>	<u>(199,320)</u>	<u>(192,459)</u>
Excess of revenues and other financing sources over expenditures and other uses	38,150	117,886	111,278
Fund balance - July 1, 2006	<u>195,084</u>	<u>195,084</u>	<u>195,084</u>
Fund balance - June 30, 2007	<u>\$ 233,234</u>	<u>\$ 312,970</u>	<u>\$ 306,362</u>

Debt Service Fund			Capital Projects Fund		
Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
\$ -	\$ -	\$ 36,568	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	36,568	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	283,401	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
217,710	199,320	2,374,925	-	-	-
217,710	199,320	2,658,326	-	-	-
(217,710)	(199,320)	(2,621,758)	-	-	-
-	-	2,415,000	-	-	730,000
217,710	199,320	199,587	-	-	-
-	-	-	-	-	-
217,710	199,320	2,614,587	-	-	730,000
-	-	(7,171)	-	-	730,000
279,671	279,671	279,671	-	-	-
\$ 279,671	\$ 279,671	\$ 272,500	\$ -	\$ -	\$ 730,000

BYRON CENTER CHARTER SCHOOL

**SCHEDULE OF REVENUES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>General</u>	<u>Debt Service</u>
Local Sources		
GVSU mini grant	\$ 6,760	\$ -
Miscellaneous	100	-
Special education	62,209	-
Interest	-	36,568
	<hr/>	<hr/>
Total local sources	69,069	36,568
State Sources		
At risk	8,360	-
Middle school math	2,710	-
Special education	21,425	-
State aid	1,373,456	-
	<hr/>	<hr/>
Total state sources	1,405,951	-
Federal Sources		
REAP grant	27,432	-
Safe and drug free schools	342	-
Special education	27,365	-
Title IIA	4,196	-
Title V	34	-
	<hr/>	<hr/>
Total federal sources	59,369	-
	<hr/>	<hr/>
Total governmental fund revenue	<u>\$ 1,534,389</u>	<u>\$ 36,568</u>

See independent auditor's report on supplemental information



BYRON CENTER CHARTER SCHOOL

SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Debt Service</u>
Elementary School		
Purchased services - salaries	\$ 290,976	\$ -
Purchased services - benefits	68,650	-
Purchased services - payroll taxes	21,479	-
Equipment maintenance	7,389	-
Teaching supplies	8,124	-
Textbooks and materials	3,434	-
Capital outlay - nondepreciable	2,678	-
Miscellaneous	351	-
	<hr/>	<hr/>
Total elementary school	403,081	-
Middle School		
Purchased services - payroll	113,836	-
Purchased services - benefits	14,113	-
Purchased services - payroll taxes	8,504	-
Equipment maintenance	2,976	-
Teaching supplies	1,247	-
Textbooks and materials	5,024	-
Capital outlay - nondepreciable	902	-
Miscellaneous	342	-
	<hr/>	<hr/>
Total middle school	146,944	-
High School		
Purchased services - payroll	105,904	-
Purchased services - benefits	28,225	-
Purchased services - payroll taxes	7,859	-
Dual enrollment	9,944	-
Equipment maintenance	2,976	-
Teaching supplies	1,267	-
Textbooks and materials	11,843	-
Capital outlay non-depreciable	2,882	-
Miscellaneous	90	-
	<hr/>	<hr/>
Total high school	170,990	-

See independent auditor's report on supplemental information



BYRON CENTER CHARTER SCHOOL

SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUND TYPES - Continued
FOR THE YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Debt Service</u>
Special Education		
Purchased services - payroll	56,967	-
Purchased services - benefits	6,132	-
Purchased services - payroll taxes	4,280	-
Equipment maintenance	744	-
Textbooks and materials	1,257	-
	<hr/>	<hr/>
Total special education	69,380	-
 Support Services		
Occupational therapist	11,659	-
Psychologist	2,116	-
Social worker	10,217	-
Speech therapist	11,712	-
Teacher consultant	5,397	-
Curriculum coordinator	1,475	-
	<hr/>	<hr/>
Total support services	42,576	-
 General Administration		
Professional services	11,804	-
Marketing and recruitment	1,188	-
	<hr/>	<hr/>
Total general administration	12,992	-
 Executive Administration		
GVSU oversight fees	41,204	-
Management fees	31,972	-
	<hr/>	<hr/>
Total executive administration	73,176	-
 Building Administration		
Purchased services - payroll	136,012	-
Purchased services - benefits	33,599	-
Purchased services - payroll taxes	9,634	-
Dues and memberships	1,234	-
Office supplies and other	4,878	-
Repairs and maintenance	744	-
Miscellaneous	1,658	-
	<hr/>	<hr/>
Total building administration	187,759	-

See independent auditor's report on supplemental information



BYRON CENTER CHARTER SCHOOL

SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUND TYPES - Continued
FOR THE YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Debt Service</u>
Business Support Services		
Bank fees	7,434	-
Bond issuance fees	-	283,401
Insurance	12,393	-
	<hr/>	<hr/>
Total business support services	19,827	283,401
 Operations and Maintenance		
Maintenance	8,417	-
Subcontracted services	34,406	-
Supplies	3,934	-
Telephone	2,187	-
Utilities	29,042	-
Capital outlay - nondepreciable	1,070	-
Miscellaneous	5,526	-
	<hr/>	<hr/>
Total operations and maintenance	84,582	-
 Capital Outlay		
Elementary school	5,307	-
High school	1,089	-
Operations and maintenance	9,936	-
	<hr/>	<hr/>
Total capital outlay	16,332	-
 Debt Principal and Interest		
	3,013	2,374,925
	<hr/>	<hr/>
Total governmental fund expenditures	<u>\$ 1,230,652</u>	<u>\$ 2,658,326</u>

See independent auditor's report on supplemental information

David M. Croskey, CPA
Thomas B. Lanni, CPA
Carolyn A. Jones, CPA
Clifton F. Powell Jr., CPA

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

**To the Board of Directors
of Byron Center Charter School**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Byron Center Charter School as of and for the year ended June 30, 2007, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated July 24, 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 Byron Center Charter School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Byron Center Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Byron Center Charter School's 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 entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

This report is intended solely for the information and use of management, the board of directors, the Michigan Department of Education, and others within the entity and is not intended to be and should not be used by anyone other than those specified parties.


Croskey, Lanni & Company, P.C.

July 24, 2007
Rochester, Michigan

