

**BOYNE CITY PUBLIC SCHOOLS**

**BOYNE CITY, MICHIGAN**

**JUNE 30, 2007**

*Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

[www.bcbcpa.com](http://www.bcbcpa.com)

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2007

TABLE OF CONTENTS

	<u>PAGES</u>
<b>Independent Auditors' Report</b>	i-ii
<b>Management's Discussion and Analysis</b>	iii-viii
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet – Governmental Funds	3
Reconciliation of the Balance Sheet of Governmental Funds to Net Assets	
Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Fiduciary Funds	
Statement of Fiduciary Net Assets	7
Notes to Financial Statements	8 – 22
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule – General Fund	23
<b>Combining and Individual Fund Financial Statements</b>	
Nonmajor Governmental Fund Types	
Combining Balance Sheet	24
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	25
Financial Statements of Individual Funds	
General Fund	
Comparative Schedule of Revenues and Other Financing Sources	26
Comparative Schedule of Expenditures and Other Financing Uses	27 – 28

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2007

	<u>PAGES</u>
Agency Fund	
Statement of Changes in Deposits Held for Others	35-37
Schedules of Bonded Indebtedness	38-40
<b>OTHER INFORMATION</b>	
Report on Compliance with Requirements Applicable to Each Major Program and On Internal Control Over Compliance in Accordance with OMB Circular A-133	41-42
Schedule of Expenditures of Federal Awards	43-44
Notes to Schedule of Expenditures of Federal Awards	45-46
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	47-48
Summary Schedule of Prior Audit Findings	49
Schedule of Findings and Questioned Costs	50

# *Baird, Cotter and Bishop, P.C.*

## CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
www.bcbcpa.com

August 16, 2007

### INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Boyne City Public Schools  
Boyne City, Michigan 49712

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Boyne City Public Schools, Boyne City, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Boyne City Public 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 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 basic 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 Boyne City Public Schools, Boyne City, Michigan, 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 August 16, 2007, on our consideration of Boyne City Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Boyne City Public Schools, Boyne City, Michigan basic financial statements. The combining and individual fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and supplementary information for the year ended June 30, 2007, 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.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

## BOYNE CITY PUBLIC SCHOOLS

### MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

The Management discussion and analysis, a requirement of GASB 34, is intended to be the Boyne City Public School District ("the District") Management's discussion and analysis of the financial results for the year ended June 30, 2007. The intent of this discussion and analysis is to provide a look at the district's performance and current position. Readers should also review the notes to the financial statements and financial statements to enhance their understanding of the district's financial performance.

#### **FINANCIAL HIGHLIGHTS**

The overall financial condition of the district remains strong. All goals related to financial activities have been met in the past year. If current revenue and expenditure patterns can be maintained, the resources for the following year will be available.

The assets of the Boyne City Public School District exceeded its liabilities at the close of the most recent fiscal year by \$13,863,126 (net assets).

The district's total net assets increased by \$613,088 in the 2006-2007 school year.

At the end of the current fiscal year, the fund balance for the District's General Fund is \$3,621,665.

#### **USING THIS ANNUAL REPORT**

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

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole (government-wide statements), and then proceed to provide an increasingly detailed look at specific financial statements (fund financial statements). Also included are various notes to the financial statements. The annual report also contains supplemental information in addition to the basic financial statements.

#### **Reporting the District as a Whole**

##### *The Statement of Net Assets and Statement of Activities*

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the district as a whole and about its activities in a manner to help address this question. These statements include all assets and liabilities of the District using the accrual basis of accounting similar to the accounting used by the private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

BOYNE CITY PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2007

The two statements report the District's net assets and any changes in them. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, political conditions on a State level, student enrollment growth, quality of local service, and facility improvements prior to arriving at any conclusion regarding the overall health of the District.

Reporting the District's Most Significant Funds

*Fund Financial Statements*

The fund financial statements provide detailed information about the most significant funds, not the district as a whole. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". The two types of funds: governmental funds and fiduciary funds use different accounting approaches as further discussed in the notes to the financial statements.

*Governmental Funds*

Most of the District's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

*Fiduciary Funds*

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

BOYNE CITY PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2007

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Table 1 provides a summary of the District's net assets as of June 30, 2007 and a comparison to June 30, 2006.

TABLE 1

	<u>Governmental Activities</u>	
<b>Assets</b>	<u>2007</u>	<u>2006</u>
Current Assets	\$ 6,334,519	\$ 5,883,924
Non Current Assets	<u>22,313,305</u>	<u>23,009,849</u>
Total Assets	<u>\$ 28,647,824</u>	<u>\$28,893,773</u>
<b>Liabilities</b>		
Current Liabilities	\$ 2,775,569	\$ 2,583,848
Non Current Liabilities	<u>12,009,129</u>	<u>13,059,887</u>
Total Liabilities	<u>\$ 14,784,698</u>	<u>\$15,643,735</u>
<b>Net Assets</b>		
Invested in Capital Assets Net of Related Debt	\$ 9,208,688	\$ 8,890,333
Restricted		
Restricted for Debt Service	745,508	668,199
Unrestricted	<u>3,908,930</u>	<u>3,691,506</u>
Total Net Assets	<u>\$ 13,863,126</u>	<u>\$13,250,038</u>

The district currently reports positive balances in each category of net assets.

The results of this year's operations for the District as a whole are represented in the statement of activities (Table 2), which shows the changes in net assets for the fiscal years ended June 30, 2007 and 2006.

BOYNE CITY PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2007

TABLE 2

<u>Governmental Activities</u>		
	2007	2006
	Amount	Amount
<b>Revenue</b>		
Program Revenues		
Charges for Services	\$ 552,473	\$ 533,732
Operating Grants	1,932,525	1,413,918
General Revenues		
Property Taxes	6,996,793	6,583,893
State School Aid	4,097,547	4,202,935
Investment Earnings	222,601	157,112
Other	249,072	799,926
	<u>\$ 14,051,011</u>	<u>\$ 13,691,516</u>
<b>Functions/Program Expenses</b>		
Instruction	\$ 7,292,268	\$ 7,115,811
Supporting Services	3,651,650	3,758,824
Community Services	208,651	163,696
Food Service	470,236	453,294
Athletics	296,022	278,080
Interest on Long Term Debt	648,691	708,195
Amortization - Bond Refunding Costs	75,101	75,101
Depreciaiton	795,304	813,255
	<u>\$ 13,437,923</u>	<u>\$ 13,366,256</u>
<b>Increase in Net Assets</b>	<u>\$ 613,088</u>	<u>\$ 325,260</u>

As reported in the statement of activities the cost of all our *governmental activities* this year was \$13,437,923. While \$6,996,793 in revenue was generated directly from local taxpayers, another \$552,473 was generated through “charges for actual services” to local districts, or individuals that benefited directly from our services. State, federal, other regional grants and programs brought \$1,932,525 to the district. The district received \$4,097,547 in state education funding, \$222,601 in interest earnings and \$249,072 in other miscellaneous sources. Net Assets for the year ended June 30, 2007 increased by \$613,088.

BOYNE CITY PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

**MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS**

The District's budgets are prepared in accordance to Michigan Law. The most significant budgeted fund is the General Fund.

During the fiscal year of 2006-2007, the District amended the budgets to the general fund twice. The normal business practice of the district is to amend the budget one to two times per year.

Due to the timing of grant awards and pupil counts, the general fund budget will change significantly from the beginning to the end of the year.

**General Fund**

The General Fund revenues were lower than expenditures in the past year of operations by \$258,775. The district continues to reduce staff through attrition but did also receive additional funding from the ISD in 2006-2007. In anticipation of the state education budget crisis, projected student enrollment decreases, and increasing utility costs the district continues to make cuts in all operational areas.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The District's investment in capital assets as of June 30, 2007 amounted to \$31,461,855. These assets have accumulated \$9,148,550 of depreciation. Our capitalized assets include our buildings, land, equipment, and transportation fleet. A categorized listing of the assets is below:

Boyne City Public Schools  
Capital Assets - Net of Depreciation

	<u>2007</u>	<u>2006</u>
Land	\$ 57,911	\$ 49,870
Land Improvements	1,465,270	1,540,488
Buildings	19,545,653	20,072,360
Buses	170,421	209,321
Furniture and Equipment	<u>1,074,050</u>	<u>1,138,810</u>
Total Capital Assets	<u>\$ 22,313,305</u>	<u>\$ 23,010,849</u>

BOYNE CITY PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2007

**Long-Term Debt**

The District currently holds \$100,626 of the Durant Resolution School Improvement Bonds. The bonds are a legal obligation of the district, but the only repayment source is a State of Michigan appropriation equal to the annual payment of the bonds and interest. If the legislature fails to make such an appropriation for the payment, the district is under no obligation for payment.

The District also holds \$13,755,000 in school improvement bonds. The school improvement bonds are repaid through a voted millage over the next 10 years. A portion of the 1999 bonds were refinanced in the year ended June 30, 2005 reducing the debt payment to taxpayers by \$593,612.

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

Although the State of Michigan's economic recovery continues to be slow, school districts received a \$210 per pupil increase in State Aid in 2006-07 and avoided a year end state aid revenue reduction. In addition, Boyne City Public Schools experienced a very small enrollment decrease. Both of these financial factors helped the district avoid a large budget deficit for the fiscal year.

The State Aid Revenue projection for 2007-08 is an increase of \$100 per pupil. The district enrollment projection remains constant. New costs for the school year include a 3% increase in salaries plus incremental increases of 2.42%. A decrease in retirement costs from 17.74% to 16.72% and a change in health care coverage will lower the benefit costs for the 2007-08 fiscal year.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Boyne City Public School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Business Office  
Boyne City Public  
321 S. Park Street  
Boyne City, MI

BOYNE CITY PUBLIC SCHOOLS

BOYNE CITY, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2007

ASSETS

CURRENT ASSETS

Cash and Investments	\$ 5,416,712
Accounts Receivable	6,043
Taxes Receivable	17,609
Due from External Parties (Fiduciary Funds)	24,867
Due from Other Governments	827,655
Inventory	25,827
Prepaid Expenditures	6,737
Construction in Progress - Building Trades	9,069
Total Current Assets	<u>6,334,519</u>

NON CURRENT ASSETS

Capital Assets	31,461,855
Less Accumulated Depreciation	<u>(9,148,550)</u>
Total Non Current Assets	<u>22,313,305</u>

TOTAL ASSETS

\$ 28,647,824

LIABILITIES AND NET ASSETS

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 49,512
Accrued Salaries and Fringes	940,265
Accrued Interest	102,923
Deferred Revenue	462,869
Bonds Payable - Due within One Year	1,145,000
Compensated Absences and Severance Plan - Due within One Year	75,000
Total Current Liabilities	<u>2,775,569</u>

NON CURRENT LIABILITIES

Bonds Payable	11,959,617
Compensated Absences and Severance Plan	49,512

Total Non Current Liabilities

12,009,129

Total Liabilities

14,784,698

NET ASSETS

Invested in Capital Assets Net of Related Debt	9,208,688
Restricted for Debt Service	745,508
Unrestricted	3,908,930

Total Net Assets

13,863,126

TOTAL LIABILITIES AND NET ASSETS

\$ 28,647,824

The notes to the financial statements are an integral part of this statement.

BOYNE CITY PUBLIC SCHOOLS

BOYNE CITY, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>GOVERNMENTAL</u>
		<u>CHARGES FOR</u>	<u>OPERATING</u>	<u>ACTIVITIES</u>
		<u>SERVICES</u>	<u>GRANTS</u>	<u>NET (EXPENSES)</u>
				<u>REVENUES AND</u>
				<u>CHANGE IN</u>
				<u>NET ASSETS</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction	\$ 7,292,268	\$ 225,497	\$ 1,630,614	\$ (5,436,157)
Supporting Services	3,651,650	62,143	7,493	(3,582,014)
Community Services	208,651	0	0	(208,651)
Food Service	470,236	206,551	294,418	30,733
Athletic Activities	296,022	58,282	0	(237,740)
Interest on Long Term Debt	648,691	0	0	(648,691)
Amortization - Bond Refunding Costs	75,101	0	0	(75,101)
Unallocated Depreciation	795,304	0	0	(795,304)
Total Governmental Activities	<u>\$ 13,437,923</u>	<u>\$ 552,473</u>	<u>\$ 1,932,525</u>	<u>(10,952,925)</u>
<u>GENERAL REVENUES</u>				
Property Taxes - General Purposes				5,106,229
Property Taxes - Debt Service				1,890,564
State of Michigan Aid - Unrestricted				4,097,547
Investment Earnings				222,601
Other				249,072
Total General Revenues				<u>11,566,013</u>
Change in Net Assets				613,088
NET ASSETS - Beginning of Year				<u>13,250,038</u>
NET ASSETS - End of Year				<u>\$ 13,863,126</u>

The notes to the financial statements are an integral part of this statement.

BOYNE CITY PUBLIC SCHOOLS

BOYNE CITY, MICHIGAN

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2007

	GENERAL FUND	1999 DEBT SERVICE	2004 DEBT SERVICE	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>					
Cash and Investments	\$ 4,480,016	\$ 473,440	\$ 363,563	\$ 99,693	\$ 5,416,712
Accounts Receivable	3,966	0	0	2,077	6,043
Taxes Receivable	14,498	2,281	830	0	17,609
Due from Other Governmental Units	792,407	0	0	35,248	827,655
Due from Other Funds	122,038	0	21,026	378,723	521,787
Inventory	24,398	0	0	1,429	25,827
Prepaid Expenditures	6,737	0	0	0	6,737
Construction in Progress - Building Trades	9,069	0	0	0	9,069
<b>TOTAL ASSETS</b>	<b>\$ 5,453,129</b>	<b>\$ 475,721</b>	<b>\$ 385,419</b>	<b>\$ 517,170</b>	<b>\$ 6,831,439</b>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ 48,096	\$ 0	\$ 0	\$ 1,416	\$ 49,512
Accrued Salaries and Fringes	934,687	0	0	5,578	940,265
Deferred Revenue	458,920	0	0	3,949	462,869
Due to Other Funds	389,761	12,709	0	94,450	496,920
<b>Total Liabilities</b>	<b>1,831,464</b>	<b>12,709</b>	<b>0</b>	<b>105,393</b>	<b>1,949,566</b>
<u>FUND BALANCES</u>					
Reserved for Debt Retirement	0	463,012	385,419	0	848,431
Reserved for Construction in Progress	9,069	0	0	0	9,069
Reserved for Inventory	24,398	0	0	1,429	25,827
Reserved for Prepaid Expenditures	6,737	0	0	0	6,737
Unreserved, Designated for, Reported in:					
Capital Project Funds	0	0	0	375,000	375,000
Special Revenue Funds	0	0	0	35,348	35,348
Unreserved, Undesignated Reported in:					
General	3,581,460	0	0	0	3,581,460
<b>Total Fund Balances</b>	<b>3,621,664</b>	<b>463,012</b>	<b>385,419</b>	<b>411,777</b>	<b>4,881,872</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,453,128</b>	<b>\$ 475,721</b>	<b>\$ 385,419</b>	<b>\$ 517,170</b>	<b>\$ 6,831,438</b>

The notes to the financial statements are an integral part of this statement.

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

JUNE 30, 2007

Total Governmental Fund Balances		\$ 4,881,872
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources are not reported in the funds		
The cost of the capital assets is	\$ 31,461,855	
Accumulated depreciation is	<u>(9,148,550)</u>	22,313,305
Long term liabilities are not due and payable in the current period and are not reported in the funds		
Bonds Payable		(13,104,617)
Compensated absences		(124,512)
Accrued interest is not included as a liability in government funds; it is when paid		<u>(102,923)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 13,863,125</u></u>

The notes to the financial statements are an integral part of this statement.

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2007

	GENERAL FUND	1999 DEBT SERVICE	2004 DEBT SERVICE	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b><u>REVENUES</u></b>					
Local Sources	\$ 5,617,531	\$ 1,417,906	\$ 523,283	\$ 264,833	\$ 7,823,553
State Sources	4,744,448	0	0	38,930	4,783,378
Federal Sources	516,385	0	0	255,488	771,873
Interdistrict Sources	672,207	0	0	0	672,207
Total Revenues	11,550,571	1,417,906	523,283	559,251	14,051,011
<b><u>EXPENDITURES</u></b>					
Current:					
Instructional Staff	7,284,303	0	0	0	7,284,303
Support Services	3,695,611	0	0	766,258	4,461,869
Community Services	208,651	0	0	0	208,651
Debt Service	0	1,328,708	432,249	0	1,760,957
Capital Outlay	8,041	0	0	0	8,041
Total Expenditures	11,196,606	1,328,708	432,249	766,258	13,723,821
Excess (Deficiency) of Revenues Over Expenditures	353,965	89,198	91,034	(207,007)	327,190
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Transfers In	0	0	0	612,740	612,740
Transfers Out	(612,740)	0	0	0	(612,740)
Total Other Financing Sources (Uses)	(612,740)	0	0	612,740	0
Net Change in Fund Balance	(258,775)	89,198	91,034	405,733	327,190
<b><u>FUND BALANCE</u></b> - Beginning of Year	3,880,440	373,814	294,385	6,044	4,554,683
<b><u>FUND BALANCE</u></b> - End of Year	\$ 3,621,665	\$ 463,012	\$ 385,419	\$ 411,777	\$ 4,881,873

The notes to the financial statements are an integral part of this statement.

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

Net change in Fund Balances Total Governmental Funds	\$ 327,190
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlay as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(795,304)
Capital Outlay	98,760
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued Interest Payable - Beginning of Year	125,189
Accrued Interest Payable - End of Year	(102,923)
Repayments of bond principal is an expenditure in the governmental funds, but not in the activities (where it is a reduction of long-term debt)	1,090,000
Employees Compensated Absences and Severance are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Compensated Absence and Severance - Beginning of Year	69,789
Compensated Absence and Severance - End of Year	(124,512)
Bond issuance costs are expensed when paid in the governmental funds but deferred and amortized over the life of the bonds in the government wide statements	<u>(75,101)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 613,088</u></u>

The notes to the financial statements are an integral part of this statement.

BOYNE CITY PUBLIC SCHOOLS  
BONE CITY, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

JUNE 30, 2007

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ 202,916
Due from Other Funds	<u>7,600</u>
Total Assets	<u><u>\$ 210,516</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Due to Groups and Organizations	\$ 178,049
Due to Other Funds	<u>32,467</u>
Total Liabilities	210,516
<u>NET ASSETS</u>	<u>0</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 210,516</u></u>

The notes to the financial statements are an integral part of this statement.

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

Boyne City Public Schools (the "District") is located in Antrim and Charlevoix Counties with its administrative offices located in Boyne City, Michigan. The District is governed by the Boyne City Public Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District provides services to its 1,272 students in elementary, middle school, high school, special education instruction, guidance, health, transportation, food service and athletics. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

**B. Government-wide and Fund Financial Statements**

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

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

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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

The District first utilizes restricted resources to finance qualifying activities.

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

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

The District does not allocate indirect costs.

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

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

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

The District reports the following major governmental funds:

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

The 1999 debt service fund is used to record tax, interest and other revenue for payment of principle, interest and other expenditures of the 1999 bond issue.

The 2004 debt service fund is used to record tax, interest and other revenue for payment of principle, interest and other expenditures of the 2004 bond issue.

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

**Other Non-major Funds**

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

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital project fund* accounts for the acquisition of fixed assets on construction of major capital projects.

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

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

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

**Accrual Method**

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

**Modified Accrual Method**

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

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

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

**State Revenue**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007, the foundation allowance was based on pupil membership counts taken in February and September of 2006. For fiscal year ended June 30, 2007, the per pupil foundation allowance was \$7,412 for Boyne City Public Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2006 to August 2007. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**D. Other Accounting Policies**

1. Cash and Investments

Cash includes amounts in demand deposits.

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

The Board policy on investment of funds authorizes the School District to invest as follows:

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States Government.

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

- (b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States.

The School's deposits and investments are held separately by several of the School District's funds.

2. Short-Term Interfund Receivables/Payables

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

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed as of January 1 and are billed and due December 1. Unpaid taxes become delinquent as of February 14th and are subject to penalties and interest after that date. Uncollected taxes at year-end are not material.

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

<u>Fund</u>	<u>Mills</u>
General Fund - Non-homestead	18.00
Debt Service Fund - Homestead and Non-homestead	3.75

4. Inventories and Prepaid Expenditures

Inventories are valued at cost. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

5. Capital Assets

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

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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

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

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

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

6. Compensated Absences

The liability for compensated absences reported in the government-wide statements consist of unpaid, accumulated sick pay balances computed according to the terms of the negotiated contracts.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The District has opted to apply the provisions of GASB 34 paragraph 146 which allows the amortization of premiums, discounts and bond issuance costs to be applied prospectively for all bonds issued after July 1, 2002.

8. Fund Balance

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Reservations of fund balance are for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

9. Use of Estimates

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

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

The District maintains a formalized encumbrance system. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any are noted in the required supplementary information section.
4. The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

5. During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
6. Budgeted amounts are as originally adopted on June 19, 2006, or as amended by the School Board of Education on December 11, 2006, and June 11, 2007.

**B. Excess of Expenditures Over Appropriations**

Excess of expenditures over appropriations occurred as follows:

General Fund – Pupil expenditures of \$584,962 exceeded appropriations of \$579,559 by \$5,403, School Administration expenditures of \$577,121 exceeded appropriations of \$575,833 by \$1,288, Pupil Transportation expenditures of \$433,428 exceeded appropriations of \$433,223 by \$205.

**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments - Credit Risk**

The District's deposits and investments are all on deposit with Citizens Bank, JP Morgan Chase, and Michigan School District Liquid Asset Fund Plus.

*Investment rate risk.* 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 investing pools and limiting the average maturity in accordance with the District's cash requirement.

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

*Credit risk.* 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 listed in the District's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the District will do business in accordance with the District's investment policy.

*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.

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. As of June 30, 2007, \$4,307,268 of the government’s bank balance of \$4,974,664 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government 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’s investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or securities held by the District or the District’s agent in the District’s name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty’s trust department or its agent in the District’s name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District’s name. At year end all of the District’s investments were uncategorized as to risk.

At year-end, the only investments were investment trust funds.

Investments not subject to categorization:

Investment Trust Funds	\$ <u>828,128</u>
------------------------	-------------------

The District invests certain excess funds in the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of “qualified” investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports that as of June 30, 2007, the fair value of the District’s investments is the same as the value of the pool shares.

Balance sheet classifications:

	Governmental Activities	Fiduciary Assets	Total
Cash and Investments	\$ 5,416,712	\$ 202,916	\$ 5,619,628

The breakdown between deposits and investments for the District is as follows:

Deposits	\$ 4,791,500
Investments (Michigan Liquid Asset Fund)	828,128
	\$ 5,619,628

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**B. Receivables**

Receivables as of year end for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate; including the applicable allowances for uncollectible accounts, are as follows:

	General	1999 Debt	2004 Debt	Nonmajor and Other Funds	Total
Receivables					
Taxes	\$ 14,498	\$ 2,281	\$ 830	\$ 0	\$ 17,609
Accounts	3,966	0	0	2,077	6,043
Due from Other Governments	792,407	0	0	35,248	827,655
<b>Total Receivables</b>	<b>\$ 810,871</b>	<b>\$ 2,281</b>	<b>\$ 830</b>	<b>\$ 37,325</b>	<b>\$ 851,307</b>

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent Property Taxes Receivable (General Fund)	\$ 0	\$ 0
Delinquent Property Taxes Receivable (Debt Service Funds)	0	0
Grants Receipts Received, But Not Yet Utilized	0	462,869
<b>Total Deferred/Unearned Revenue for Governmental Funds</b>	<b>\$ 0</b>	<b>\$ 462,869</b>

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**C. Capital Assets**

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

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Capital assets not being depreciated				
Land	\$ 49,870	\$ 8,041	\$ 0	\$ 57,911
Capital assets being depreciated				
Land Improvements	2,083,627	30,223	0	2,113,850
Buildings and Improvements	24,888,492	0	0	24,888,492
Buses	859,977	0	0	859,977
Furniture and Equipment	3,481,129	60,496	0	3,541,625
Subtotal	31,313,225	90,719	0	31,403,944
Less accumulated depreciation for:				
Land Improvements	543,139	105,441	0	648,580
Buildings and Improvements	4,816,132	526,707	0	5,342,839
Buses	650,656	38,900	0	689,556
Furniture and Equipment	2,343,319	124,256	0	2,467,575
Accumulated depreciation	8,353,246	795,304	0	9,148,550
Net Capital assets being depreciated	22,959,979	(704,585)	0	22,255,394
Total Capital assets net of depreciation	\$ 23,009,849	\$ (696,544)	\$ 0	\$22,313,305

Depreciation for the fiscal year ended June 30, 2007 amounted to \$795,304. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**D. Long-Term Debt**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

The following is a summary of the long-term debt transactions for the School District for the year ended June 30, 2007:

	Severance and Compensated Absences	1998 Bond Issue	1999 Bond Issue	2004 Bond Issue	TOTAL
Balance, July 1, 2006	\$ 69,789	\$ 100,626	\$ 5,710,000	\$ 9,135,000	\$15,015,415
Additions	75,000	0	0	0	75,000
Deletions	(20,277)	0	(1,025,000)	(65,000)	(1,110,277)
Balance, June 30, 2007	\$ 124,512	\$ 100,626	\$ 4,685,000	\$ 9,070,000	\$13,980,138
Less current portion	(75,000)	0	(1,080,000)	(65,000)	(1,220,000)
Total due after one year	\$ 49,512	\$ 100,626	\$ 3,605,000	\$ 9,005,000	\$12,760,138

Bonds payable at June 30, 2007 are comprised of the following issues:

1999 serial bonds due in annual installments of \$1,080,000 to \$1,265,000 through May 1, 2011 with interest at 5.10% to 5.35%	\$ 4,685,000
2004 Refunding Bonds due in annual installments of \$65,000 to \$1,520,000 through May 1, 2017, with interest at 3.00% to 4.15%.	<u>9,070,000</u>
Total general obligation debt	\$ 13,755,000
1998 Limited obligation bonds (Durant bonds) due in annual installments of \$11,967 to \$80,406 through May 2013.	<u>100,626</u>
	13,855,626
Less deferred charges on refunding	<u>(751,009)</u>
	<u>\$ 13,104,617</u>

The Durant bonds, including interest, were issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

The annual requirements to amortize all debt outstanding as of June 30, 2007, including interest payments of \$3,367,517 are as follows:

YEAR ENDING JUNE 30,	Principal	Interest	Amounts Payable
2008	\$ 1,145,000	\$ 612,570	\$ 1,757,570
2009	1,219,484	558,021	1,777,505
2010	1,328,406	512,740	1,841,146
2011	1,350,409	427,024	1,777,433
2012	1,410,904	356,302	1,767,206
2013-2017	7,401,423	900,860	8,302,283
	<u>13,855,626</u>	<u>3,367,517</u>	<u>17,223,143</u>
Compensated absences and severance plan	124,512	0	124,512
	<u>\$13,980,138</u>	<u>\$ 3,367,517</u>	<u>\$17,347,655</u>

The annual requirements to amortize the accrued sick leave and School Bond Loan Fund is uncertain because it is unknown when the repayments will be made.

**E. Interfund Receivables, Payables, and Transfers**

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2007, were:

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 122,038	\$ 389,761
School Service Fund - Food Service	3,723	50,628
School Service Fund - Athletic	0	43,822
Agency Funds	7,600	32,467
Capital Projects Fund	375,000	0
Debt Retirement Fund - 1999	0	12,709
Debt Retirement Fund - 2004	21,026	0
	<u>\$ 529,387</u>	<u>\$ 529,387</u>

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

Interfund transfers are as shown in the individual fund financial statements at June 30, 2007, were:

	TRANSFERS IN	TRANSFERS OUT
General Fund	\$ 0	\$ 612,740
Capital Projects Fund	375,000	0
School Service Fund - Athletics	237,740	0
	\$ 612,740	\$ 612,740

**OTHER INFORMATION**

**A. Employee Retirement System**

Plan Description. The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the nine member board of MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909 or by calling (517) 322-5103.

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

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

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2007, were 16.34% of payroll through September 30, 2006, and 17.74% effective October 1, 2006. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2007, 2006, and 2005 were \$1,168,354, \$1,075,809, and \$962,351 respectively, and were equal to the required contribution for those years.

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

Other Post Employment Benefits Funding Policy

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage.

**B. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2007 or any of the prior three years.

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

YEAR ENDED JUNE 30, 2007

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources	\$ 5,670,026	\$ 5,604,315	\$ 5,617,531
State Sources	4,542,464	4,705,360	4,744,448
Federal Sources	556,121	512,853	516,385
Interdistrict Sources	739,292	695,264	672,207
Total Revenues	<u>11,507,903</u>	<u>11,517,792</u>	<u>11,550,571</u>
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	5,579,247	5,514,854	5,496,579
Added Needs	2,087,919	1,812,782	1,787,724
Supporting Services			
Pupil	584,672	579,559	584,962
Instructional Staff	347,002	283,657	274,363
General Administration	312,406	296,244	285,213
School Administration	604,851	575,833	577,121
Business	126,530	150,999	150,491
Operation and Maintenance	1,373,264	1,313,794	1,300,118
Pupil Transportation Services	434,432	433,223	433,428
Other	89,642	91,550	89,915
Community Services	157,312	223,329	208,651
Facility Acquisition	0	58,050	8,041
Total Expenditures	<u>11,697,277</u>	<u>11,333,874</u>	<u>11,196,606</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(189,374)</u>	<u>183,918</u>	<u>353,965</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	<u>(242,616)</u>	<u>(626,386)</u>	<u>(612,740)</u>
Net Change in Fund Balance	(431,990)	(442,468)	(258,775)
<u>FUND BALANCE</u> - Beginning of Year	<u>3,880,440</u>	<u>3,880,440</u>	<u>3,880,440</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 3,448,450</u>	<u>\$ 3,437,972</u>	<u>\$ 3,621,665</u>

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN  
COMBINING BALANCE SHEET  
NON MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2007

	<u>SPECIAL</u>		<u>DEBT</u>	<u>CAPITAL</u>	<u>TOTAL</u>			
	<u>REVENUE FUNDS</u>					<u>SERVICE FUND</u>	<u>PROJECTS</u>	<u>GOVERNMENTAL</u>
	<u>FOOD</u>	<u>ATHLETIC</u>				<u>1998</u>	<u>FUND</u>	<u>FUNDS</u>
<u>ASSETS</u>	<u>SERVICE</u>	<u>ISSUE</u>	<u>FUND</u>	<u>FUNDS</u>				
Cash	\$ 50,377	\$ 49,316	\$ 0	\$ 0	\$ 99,693			
Accounts Receivable	577	1,500	0	0	2,077			
Due from Other Governmental Units	35,248	0	0	0	35,248			
Due from Other Funds	3,723	0	0	375,000	378,723			
Inventory	1,429	0	0	0	1,429			
<b>TOTAL ASSETS</b>	<b>\$ 91,354</b>	<b>\$ 50,816</b>	<b>\$ 0</b>	<b>\$ 375,000</b>	<b>\$ 517,170</b>			
<u>LIABILITIES AND FUND BALANCE</u>								
<u>LIABILITIES</u>								
Accounts Payable	\$ 0	\$ 1,416	\$ 0	\$ 0	\$ 1,416			
Accrued Salaries	0	5,578	0	0	5,578			
Due to Other Funds	50,628	43,822	0	0	94,450			
Deferred Revenue	3,949	0	0	0	3,949			
<b>Total Liabilities</b>	<b>54,577</b>	<b>50,816</b>	<b>0</b>	<b>0</b>	<b>105,393</b>			
<u>FUND BALANCE</u>								
Reserved for Inventory	1,429	0	0	0	1,429			
Unreserved								
Designated for:								
Capital Improvements	0	0	0	375,000	375,000			
Food Service	35,348	0	0	0	35,348			
<b>Total Fund Balance</b>	<b>36,777</b>	<b>0</b>	<b>0</b>	<b>375,000</b>	<b>411,777</b>			
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 91,354</b>	<b>\$ 50,816</b>	<b>\$ 0</b>	<b>\$ 375,000</b>	<b>\$ 517,170</b>			

BOYNE CITY PUBLIC SCHOOLS

BOYNE CITY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

NON MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2007

	<u>SPECIAL REVENUE FUNDS</u>			<u>DEBT</u>	<u>CAPITAL</u>	<u>TOTAL</u>
	<u>FOOD</u>	<u>ATHLETIC</u>	<u>TOTAL</u>	<u>SERVICE FUND</u>	<u>PROJECTS</u>	<u>GOVERNMENTAL</u>
	<u>SERVICE</u>			<u>1998</u>	<u>FUND</u>	<u>FUNDS</u>
				<u>ISSUE</u>		
<u>REVENUES</u>						
Local Sources						
Food Sales	\$ 199,353	\$ 0	\$ 199,353	\$ 0	\$ 0	\$ 199,353
Athletic Activities	0	58,282	58,282	0	0	58,282
Interest	0	0	0	0	0	0
Other	7,198	0	7,198	0	0	7,198
State Sources	38,930	0	38,930	0	0	38,930
Federal Sources	255,488	0	255,488	0	0	255,488
Total Revenues	500,969	58,282	559,251	0	0	559,251
<u>EXPENDITURES</u>						
Salaries	158,728	186,172	344,900	0	0	344,900
Employee Benefits	79,713	53,142	132,855	0	0	132,855
Purchased Services	12,394	22,194	34,588	0	0	34,588
Supplies and Materials	216,737	15,834	232,571	0	0	232,571
Other Expenditures	2,428	14,279	16,707	0	0	16,707
Capital Outlay	236	4,401	4,637	0	0	4,637
Total Expenditures	470,236	296,022	766,258	0	0	766,258
Excess (Deficiency) of Revenues Over Expenditures	30,733	(237,740)	(207,007)	0	0	(207,007)
<u>OTHER FINANCING SOURCES</u>						
Operating Transfers In General Fund	0	237,740	237,740	0	375,000	612,740
Net Change in Fund Balance	30,733	0	30,733	0	375,000	405,733
<u>FUND BALANCE</u> - Beginning of Year	6,044	0	6,044	0	0	6,044
<u>FUND BALANCE</u> - End of Year	\$ 36,777	\$ 0	\$ 36,777	\$ 0	\$ 375,000	\$ 411,777

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

GENERAL FUND  
COMPARATIVE SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES

YEAR ENDED JUNE 30,

	2007	2006
<u>REVENUES</u>		
Local Sources		
Property Taxes	\$ 5,106,229	\$ 4,716,008
Tuition	1,215	2,160
Penalties and Interest on Taxes	4,173	3,061
Earnings on Investments	171,976	123,892
Other Local Revenue	333,938	305,716
	5,617,531	5,150,837
State Sources		
Grants - Unrestricted:		
State Aid	4,097,547	4,202,935
Grants - Restricted		
At Risk	253,042	253,498
Special Education	309,006	309,700
Adult Education	0	(42)
Non-Plaintiff Durant	17,042	17,042
Other Grants	13,747	0
Received through ISD		
Other Grants	54,064	58,813
	4,744,448	4,841,946
Federal Sources		
Grants - Restricted		
Received Direct		
Title VII	65,158	63,881
Received through State		
Title I	358,675	366,028
Title II	77,505	81,199
Title V	1,229	4,575
Other Grants	2,000	7,465
Received through ISD		
Medicaid/Administration Outreach	5,493	940
Other Grants	6,325	2,484
	516,385	526,572

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

GENERAL FUND  
COMPARATIVE SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
Interdistrict Sources		
Tuition	51,834	55,456
Other	620,373	703,746
Total Interdistrict Sources	<u>672,207</u>	<u>759,202</u>
 TOTAL REVENUES	 <u>\$ 11,550,571</u>	 <u>\$ 11,278,557</u>

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

GENERAL FUND  
COMPARATIVE SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>INSTRUCTION</u>		
<u>Basic Programs</u>		
<u>Elementary</u>		
Salaries	\$ 1,285,417	\$ 1,265,858
Employee Benefits	640,434	555,284
Purchased Service	36,668	85,001
Supplies and Materials	41,461	15,212
Other Expenses	0	1,397
Capital Outlay	31,165	0
Total Elementary	2,035,145	1,922,752
 <u>Middle School</u>		
Salaries	1,090,506	1,125,354
Employee Benefits	504,047	457,174
Purchased Services	23,491	57,847
Supplies and Materials	46,996	16,939
Other Expenses	199	875
Total Middle School	1,665,239	1,658,189
 <u>High School</u>		
Salaries	1,117,222	1,123,249
Employee Benefits	534,812	484,671
Purchased Services	94,295	47,438
Supplies and Materials	27,863	20,760
Other Expense	216	1,326
Capital Outlay	927	0
Total High School	1,775,335	1,677,444
 <u>Summer School</u>		
Salaries	16,313	14,038
Employee Benefits	3,923	3,116
Supplies and Materials	624	1,153
Total Summer School	20,860	18,307
TOTAL BASIC PROGRAMS	5,496,579	5,276,692

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

GENERAL FUND  
COMPARATIVE SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>Added Needs</u>		
<u>Special Education</u>		
Salaries	691,715	664,069
Employee Benefits	299,392	260,499
Purchased Services	8,173	5,065
Supplies and Materials	769	1,610
Other Expenses	63	0
Total Special Education	1,000,112	931,243
<u>Compensatory Education - Title I</u>		
Salaries	203,222	211,402
Employee Benefits	85,760	89,318
Purchased Services	1,297	3,138
Supplies and Materials	13,336	39,249
Other Expenses	0	4,095
Total Compensatory Education - Title I	303,615	347,202
<u>Vocational Education</u>		
Salaries	254,434	266,414
Employee Benefits	105,481	97,410
Purchased Services	9,740	28,772
Supplies and Materials	85,117	162,797
Other Expenses	1,917	1,660
Capital Outlay	27,308	0
Total Vocational Education	483,997	557,053
TOTAL ADDED NEEDS	1,787,724	1,835,498
TOTAL INSTRUCTION	7,284,303	7,112,190
<u>SUPPORTING SERVICES</u>		
<u>Pupil Services</u>		
<u>Attendance</u>		
Salaries	11,541	3,240
Employee Benefits	2,833	775
Total Attendance	14,374	4,015

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

GENERAL FUND  
COMPARATIVE SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	2007	2006
<u>Guidance</u>		
Salaries	238,218	232,675
Employee Benefits	103,559	98,846
Purchased Services	777	1,132
Supplies and Materials	4,887	9,504
Other Expenses	9,452	9,673
Capital Outlay	9,311	0
Total Guidance	366,204	351,830
 <u>Health Services</u>		
Salaries	36,356	36,297
Employee Benefits	13,352	15,591
Purchased Services	457	189
Supplies and Materials	1,121	2,855
Other Expenses	160	140
Capital Outlay	294	0
Total Health Services	51,740	55,072
 <u>Social Workers</u>		
Salaries	41,187	40,379
Employee Benefits	23,949	22,158
Purchased Services	165	0
Supplies and Materials	991	1,544
Total Social Workers	66,292	64,081
 <u>Other Pupil Services</u>		
Salaries	38,021	35,288
Employee Benefits	9,010	8,146
Purchased Services	4,505	6,380
Supplies and Materials	6,793	4,218
Other Expenses	28,023	22,515
Total Other Pupil Services	86,352	76,547
TOTAL PUPIL SERVICES	584,962	551,545

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

GENERAL FUND  
COMPARATIVE SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>Instructional Staff</u>		
<u>Improvement of Instruction</u>		
Purchased Services	16,969	25,277
Supplies and Materials	2,443	1,742
Total Improvement of Instruction	<u>19,412</u>	<u>27,019</u>
<u>Library</u>		
Salaries	70,452	68,570
Employee Benefits	59,588	51,554
Purchased Services	105	202
Supplies and Materials	6,896	7,724
Other Expenses	4,276	4,175
Total Library	<u>141,317</u>	<u>132,225</u>
<u>Other Instructional Staff</u>		
Salaries	76,317	133,576
Employee Benefits	27,586	60,036
Purchased Services	1,230	838
Supplies and Materials	8,381	7,988
Other Expenses	120	68
Total Other Instructional Staff	<u>113,634</u>	<u>202,506</u>
TOTAL INSTRUCTIONAL STAFF	<u>274,363</u>	<u>361,750</u>
<u>General Administrative Services</u>		
<u>Board of Education</u>		
Salaries	4,587	4,915
Purchased Services	39,712	25,743
Other Expenses	4,622	6,898
Total Board of Education	<u>48,921</u>	<u>37,556</u>

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

GENERAL FUND  
COMPARATIVE SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>Executive Administration</u>		
Salaries	135,766	162,922
Employee Benefits	62,997	50,198
Purchased Services	29,262	21,504
Supplies and Materials	2,895	2,941
Other Expenses	5,372	2,446
Total Executive Administration	236,292	240,011
TOTAL GENERAL ADMINISTRATION	285,213	277,567
<u>School Administrative</u>		
<u>Office of the Principal</u>		
Salaries	380,424	414,052
Employee Benefits	175,662	176,624
Purchased Services	10,803	9,635
Supplies and Materials	2,763	0
Other Expenses	2,494	2,053
Total Office of the Principal	572,146	602,364
Other School Administration		
Other Expenses	4,975	6,331
Total Other School Administration	4,975	6,331
TOTAL SCHOOL ADMINISTRATION	577,121	608,695
<u>Business</u>		
<u>Fiscal Services</u>		
Purchased Services	88,244	79,549
Supplies and Materials	1,073	914
Other Expenses	3,062	3,895
Total Fiscal Services	92,379	84,358
<u>Other Business Services</u>		
Purchased Services	14,754	15,030
Other Expense	43,358	24,510
Total Other Business Services	58,112	39,540
TOTAL BUSINESS	150,491	123,898

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

GENERAL FUND  
COMPARATIVE SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>Operation and Maintenance</u>		
Salaries	435,116	471,527
Employee Benefits	251,694	233,917
Purchased Services	235,014	208,208
Supplies and Materials	372,021	416,314
Other Expenses	715	144
Capital Outlay	5,558	8,000
Total Operation and Maintenance	<u>1,300,118</u>	<u>1,338,110</u>
 <u>Transportation</u>		
Salaries	199,437	198,119
Employee Benefits	135,781	122,211
Purchased Services	14,052	23,145
Supplies and Materials	72,937	73,925
Other Expenses	5,402	2,203
Capital Outlay	5,819	7,450
Total Transportation	<u>433,428</u>	<u>427,053</u>
 <u>Other Supporting Services</u>		
Salaries	0	52,331
Employee Benefits	0	17,345
Purchased Services	43,691	1,490
Supplies and Materials	5,482	12,246
Capital Outlay	40,742	0
Total Other Supporting Services	<u>89,915</u>	<u>83,412</u>
 TOTAL SUPPORTING SERVICES	 <u>3,695,611</u>	 <u>3,772,030</u>

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

GENERAL FUND  
COMPARATIVE SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>Community Services</u>		
Salaries	119,130	99,384
Employee Benefits	27,571	21,350
Purchased Services	48,452	33,923
Supplies and Materials	12,806	8,774
Other Expense	692	0
Capital Outlay	0	265
Total Community Services	<u>208,651</u>	<u>163,696</u>
<u>Facility Acquisition</u>		
Capital Outlay	<u>8,041</u>	<u>0</u>
TOTAL OPERATING EXPENDITURES	<u>11,196,606</u>	<u>11,047,916</u>
<u>OTHER FINANCING USES</u>		
Transfers Out	<u>612,740</u>	<u>220,192</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u><u>\$ 11,809,346</u></u>	<u><u>\$ 11,268,108</u></u>

BOYNE CITY PUBLIC SCHOOLS

BOYNE, MICHIGAN

AGENCY FUND

STATEMENT OF CHANGES IN DEPOSITS HELD FOR OTHERS

YEAR ENDED JUNE 30, 2007

	BALANCE				BALANCE
	7/01/06	REVENUES	EXPENDITURES		6/30/07
<u>ELEMENTARY</u>					
Elementary Improvement	\$ 29,222	\$ 11,159	\$ 20,707	\$	19,674
Library	1,364	5,824	5,084		2,104
4th Grade Store	2,696	1,386	1,386		2,696
<u>HIGH SCHOOL</u>					
Art Club	37	1,191	595		633
Athletic Concession	7,440	9,913	12,877		4,476
Band	14,957	27,171	40,604		1,524
Baseball	3,018	875	3,993		(100)
Board Fund	7,015	8,945	10,700		5,260
Boy's Varsity Basketball	572	11,564	11,011		1,125
Building Trades Scholarship	0	5,620	534		5,086
Bus Garage	5	0	0		5
Cafeteria	1,146	2,359	1,072		2,433
Carlie Hawkins	888	0	0		888
Challenge Fund	135	0	0		135
Cheerleaders	383	4,308	4,124		567
Child Development	207	95	0		302
Class of 2006	659	0	659		0
Class of 2007	4,746	0	3,726		1,020
Class of 2008	3,889	7,870	9,598		2,161
Class of 2009	1,550	2,097	1,953		1,694
Class of 2010	0	877	506		371
Class of 2011	0	100	0		100
Community Education	5,390	0	0		5,390
Co-Curricular Banquet	180	0	0		180
Computer Math	11	0	0		11
Counselor	1,816	1,404	2,261		959
Cross Country	706	1,650	1,605		751
DECA	4,210	0	986		3,224
Donations	6,076	155	1,420		4,811
Drama	6,368	43,399	42,094		7,673
Drug Free Schools	350	0	0		350
Forestry Club	456	0	0		456
Frank Spencer Memorial	212	0	0		212
Girl's Varsity Basketball	604	1,822	2,426		0
Golf	811	0	0		811

BOYNE CITY PUBLIC SCHOOLS

BOYNE, MICHIGAN

AGENCY FUND

STATEMENT OF CHANGES IN DEPOSITS HELD FOR OTHERS

YEAR ENDED JUNE 30, 2007

	BALANCE			BALANCE
	7/01/06	REVENUES	EXPENDITURES	6/30/07
Government	15	6,921	6,915	21
Gridiron Club - FB	1,678	9,907	8,691	2,894
Hospitality	4,544	2,292	2,343	4,493
Industrial Education	6,259	3,265	3,601	5,923
Medical Fund	362	0	0	362
MI Youth in Government	399	9,426	9,120	705
National Honors Society	173	266	970	(531)
Rambler Mart	5,870	8,995	10,029	4,836
Russ Harvey Golf	3,019	3,000	3,118	2,901
S.A.D.D	37	0	0	37
Ski Team	3,372	0	1,372	2,000
Soccer	2,898	5,674	6,242	2,330
Softball	801	3,549	2,630	1,720
Spanish Club	3,925	5,271	2,759	6,437
Special Education	90	0	0	90
Spring Arts Fair	432	0	0	432
Student Council	9,470	3,514	1,969	11,015
Tennis - boys	527	546	338	735
Tennis - girls	409	320	142	587
Track	716	3,546	2,374	1,888
Visual Imaging	1,458	5,324	1,571	5,211
Volleyball	3,547	13,693	11,500	5,740
Wrestling	0	1,967	1,423	544
Yearbook	5,684	16,924	18,008	4,600

MIDDLE SCHOOL

Art	2,002	3,154	3,987	1,169
At Risk	34	0	0	34
Athletics	3,620	4,321	6,648	1,293
Building Fundraiser	1,793	12,811	13,512	1,092
Camp - 6th Grade	846	6,053	6,325	574
Cheerleading	113	0	0	113
Drama	2,581	2,566	2,075	3,072
Fundraiser - 5th Grade	1,609	2,623	616	3,616
Fundraiser - 6th Grade	2,453	1,300	2,174	1,579
Fundraiser - 7th Grade	804	3,881	3,546	1,139
Fundraiser - 8th Grade	1,537	4,226	3,428	2,335

BOYNE CITY PUBLIC SCHOOLS

BOYNE, MICHIGAN

AGENCY FUND

STATEMENT OF CHANGES IN DEPOSITS HELD FOR OTHERS

YEAR ENDED JUNE 30, 2007

	BALANCE 7/01/06	REVENUES	EXPENDITURES	BALANCE 6/30/07
Hot Lunch	(1)	0	0	(1)
Internal Administration	2,223	824	1,617	1,430
Juice Machine	2,089	2,069	2,222	1,936
Kiwanis Builders Club	1,918	0	382	1,536
Library	1,424	2,599	3,289	734
Life Management	2,179	0	320	1,859
Lock	305	191	457	39
Nurses Fund	210	0	0	210
Pencil Machine	485	51	0	536
Physical Education	685	281	0	966
Rambler Press	61	11	0	72
Scholarship Fund	3	0	0	3
School Store	2,751	5,375	4,089	4,037
Sop	4,250	1,477	3,364	2,363
Student Agenda	224	57	0	281
Student Council	784	1,592	1,812	564
Sunshine Fund	183	525	449	259
Technology	1,182	0	0	1,182
Track	1,236	1,276	1,333	1,179
Volleyball	383	0	0	383
Yearbook	443	70	0	513
Total	<u>\$ 203,213</u>	<u>\$ 311,517</u>	<u>\$ 336,681</u>	<u>\$ 178,049</u>

Represented by

Assets

Cash	\$ 249,004	\$ 202,916
Due from Other Funds	<u>8,647</u>	<u>7,600</u>

Total Assets \$ 257,651 \$ 210,516

Liabilities

Due to Groups and Organizations	\$ 203,213	\$ 178,049
Due to Other Funds	<u>54,438</u>	<u>32,467</u>

Total Liabilities \$ 257,651 \$ 210,516

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

SCHEDULE OF BONDED INDEBTEDNESS  
JUNE 30, 2007

DATE OF ISSUE November 24, 1998

AMOUNT OF ISSUE \$ 170,419

PURPOSE School Improvement Bonds that may be used for any purpose allowable under Section 1351a of Act 451 of the Public Acts of 1976, as amended ("Act 451"), being MCLA 380.1351a. Examples of allowable expenditures are the costs of purchasing, erecting, completing, remodeling, equipping, or reequipping, (except for equipping or reequipping for technology), school buildings, structures, athletic fields, playgrounds, developing or improving sites, purchase of school buses, and refunding of bonds. Assets acquired must have a useful life of at least as long as the life of the bond issue, in this case 15 years.

TYPE OF ISSUE This bond is issued by resolution, is self liquidating, and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from State Aid payments designated for that purpose.

This bond is not subject to redemption prior to the maturity date.

Fiscal Year	Annual Interest Payment May 15	Annual Maturity May 15	Total Fiscal Year Requirements
2007-2008	\$ 0	\$ 0	\$ 0
2008-2009	2,483	9,484	11,967
2009-2010	22,000	58,406	80,406
2010-2011	1,559	10,409	11,968
2011-2012	1,063	10,904	11,967
2012-2013	544	11,423	11,967
	<u>\$ 27,649</u>	<u>\$ 100,626</u>	<u>128,275</u>

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

SCHEDULE OF BONDED INDEBTEDNESS

JUNE 30, 2007

1999 BOND ISSUE

DATE OF ISSUE November 1, 1999

AMOUNT OF ISSUE \$ 18,815,000

PURPOSE To pay for erecting, furnishing and equipping a new high school; remodeling, refurbishing and re-equipping existing school buildings; developing and improving athletic and outdoor physical education fields and sites; and to pay the cost of issuing the bonds.

TYPE OF ISSUE Serial bonds issued in denominations of \$5,000. Interest is due semi-annually on November 1st and May 1st, with annual principal redemptions on May 1st. Bonds maturing on or after May 1, 2010 are subject to early redemption on any interest payment date occurring on or after May 1, 2009, at par plus accrued interest to the date fixed for redemption.

REFUNDING On August 11, 2004 the District refunded the bonds that are due and payable May 1, 2012 through May 1, 2017. The District sold \$9,200,000 of bonds to retire these bonds and to pay the costs of issuance.

The remaining annual principal maturities and the semi-annual interest payments are listed below.

Interest Rate	Fiscal Year	Semi-annual Interest Payment November 1	Semi-annual Interest Payment May 1	Annual Maturity May 1	Total Fiscal Year Requirements
5.10%	2007-08	\$ 124,229	\$ 124,229	\$ 1,080,000	\$ 1,328,458
5.50%	2008-09	96,688	96,688	1,140,000	1,333,376
5.25%	2009-10	65,339	65,338	1,200,000	1,330,677
5.35%	2010-11	33,838	33,839	1,265,000	1,332,677
		\$ 320,094	\$ 320,094	\$ 4,685,000	\$ 5,325,188

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

SCHEDULE OF BONDED INDEBTEDNESS  
JUNE 30, 2007

2004 BOND ISSUE

DATE OF ISSUE August 11, 2004

AMOUNT OF ISSUE \$ 9,200,000

PURPOSE Refund a portion of the District's 1999 School Building and Site Bonds dated November 1, 1999 which are due and payable May 1, 2012 through May 1, 2017, and to pay the costs of issuing these bonds.

TYPE OF ISSUE Serial bonds issued in denominations of \$5,000. Interest is due semi-annually on November 1st and May 1st, with annual principal redemptions on May 1st. Bonds maturing on or after May 1, 2015 are subject to early redemption on any date occurring on or after May 1, 2014, at par plus accrued interest to the date fixed for redemption.

Interest Rate	Fiscal Year	Semi-annual Interest Payment November 1	Semi-annual Interest Payment May 1	Annual Maturity May 1	Total Fiscal Year Requirements
3.00%	2007-08	\$ 182,056	\$ 182,056	\$ 65,000	\$ 429,112
3.00%	2008-09	181,081	181,081	70,000	432,162
3.25%	2009-10	180,032	180,032	70,000	430,064
3.40%	2010-11	178,894	178,894	75,000	432,788
4.00%	2011-12	177,619	177,619	1,400,000	1,755,238
4.00%	2012-13	149,619	149,619	1,460,000	1,759,238
4.00%	2013-14	120,419	120,419	1,520,000	1,760,838
4.00%	2014-15	90,018	90,018	1,495,000	1,675,036
4.10%	2015-16	60,119	60,119	1,470,000	1,590,238
4.15%	2016-17	29,983	29,983	1,445,000	1,504,966
		<u>\$ 1,349,840</u>	<u>\$ 1,349,840</u>	<u>\$ 9,070,000</u>	<u>\$ 11,769,680</u>

# *Baird, Cotter and Bishop, P.C.*

## CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

www.bcbcpa.com

August 16, 2007

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

To the Board of Education  
Boyne City Public Schools  
Boyne City, Michigan

#### COMPLIANCE

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

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

In our opinion, Boyne City Public Schools complied in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

## INTERNAL CONTROL OVER COMPLIANCE

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

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

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

This report is intended solely for the information and use of the Board of Education, management, others within the District, 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.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE JULY 1, 2006	(MEMO ONLY) PRIOR YEAR EXPENDITURES	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE JUNE 30, 2007				
<b>U.S. Department of Education</b>											
Direct Program											
IASA Title VII Indian Education											
B060A052168	84.060A	\$ 73,256	\$ 0	\$ 0	\$ 65,158	\$ 73,256	(8,098)				
S060A062168	84.060A	63,881	4,014	63,881	0	4,014	0				
Total		137,137	4,014	63,881	65,158	77,270	(8,098)				
Passed Through Michigan Department of Education (M.D.E.)											
Title I - Part A											
0615300506 Regular 2005-2006	84.010	300,124	(3,470)	266,530	11,625	8,155	0				
0615300607 Carryover	84.010	21,969	0	0	21,969	21,969	0				
0715300607 Regular 2006-2007	84.010	300,124	0	0	258,825	260,848	(2,023)				
Total		622,217	(3,470)	266,530	292,419	290,972	(2,023)				
Title I - Part D											
0617000506 Part D 2005-2006	84.013	71,271	18,778	69,507	0	18,778	0				
0617000607 Part D Carryover	84.013	1,764	0	0	1,764	1,764	0				
0717000607 Part D 2006-2007	84.013	65,858	0	0	64,492	65,858	(1,366)				
Total		138,893	18,778	69,507	66,256	86,400	(1,366)				
Title II - Part D											
0742900607 Technology Literacy	84.318	3,081	0	0	3,081	3,081	0				
Title II - Part A											
0705200607 Improving Teacher Quality	84.367	74,424	0	0	74,424	74,424	0				
Service Provider Self Review											
0704400607	84.027A	4,000	0	0	2,000	2,000	0				
Title V											
0702500607 Innovative Education	84.298	1,229	0	0	1,229	1,229	0				
Total Passed Through M.D.E.		843,844	15,308	336,037	439,409	458,106	(3,389)				
Passed through Intermediate School District (I.S.D)											
Drug Free Schools and Communities	84.186	970	0	0	970	970	0				
Service Provider Self Review	84.027A	3,000	0	0	3,000	3,000	0				
Transition											
060490 TS 2006-2007	84.027	2,250	0	0	2,250	2,250	0				
Total Passed Through ISD		6,220	0	0	6,220	6,220	0				
<b>Total U.S. Department of Education</b>		987,201	19,322	0 0	399,918	0	510,787	0	541,596	0	(11,487)

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE JULY 1, 2006	(MEMO ONLY) PRIOR YEAR EXPENDITURES	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE JUNE 30, 2007
<b>U.S Department of Health and Human Services</b>							
Passed through Intermediate School District (I.S.D) Medicaid Outreach	93.778	5,493	0	0	5,493	5,493	0
<b>Corporation for National and Community Service</b>							
Passed through Intermediate School District (I.S.D) Michigan Americorps 03AFHMI0020010	94.006	105	0	0	105	105	0
<b>U.S Department of Agriculture</b>							
Passed Through MDE							
National School Lunch - Breakfast 051950 and 061970	10.553	51,445	0	41,576	51,445	43,590	7,855
National School Lunch							
Section 4 - Total Servings - 1950	10.555	25,642	0	27,953	30,711	26,248	4,463
Section 11 - Total Servings - 1960	10.555	130,091	0	135,300	154,709	131,779	22,930
Total		155,733	0	163,253	185,420	158,027	27,393
Total Child Nutrition Cluster		207,178	0	204,829	236,865	201,617	35,248
Entitlement Commodities	10.550	18,522	0	0	18,522	18,522	0
Bonus Commodities	10.550	101	0	0	101	101	0
Total		18,623	0	0	18,623	18,623	0
<b>Total U.S. Department of Agriculture</b>		225,801	0	204,829	255,488	220,240	35,248
<b>Total Federal Financial Assistance</b>		\$ 1,218,600	\$ 19,322	\$ 604,747	\$ 771,873	\$ 767,434	\$ 23,761

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(A) Significant Accounting Policies Used in Preparing Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting and presents transactions in the same manner as reflected in the basic financial statements of the school district. The significant accounting policies used are described in footnote (1) to the June 30, 2007, basic financial statements.

(B) Reconciliation of Revenues with Expenditures for Federal Financial Assistance Programs

Revenues from Federal Sources - Statement of Revenues,		
Expenditures and Changes in Fund Balances - Governmental Funds		<u>\$ 771,873</u>
Federal Expenditures per Schedule of Expenditures of Federal Awards		<u>\$ 771,873</u>

(C) Reconciliation of Cash Management System (CMS) Auditor Report with Schedule of Expenditures of Federal Awards

Management has utilized the CMS Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

Current Cash Payments per CMS Report Dated July 10, 2007		\$ 864,609
Add Items Not on CMS Report:		
Amounts Received Through State		
Child Nutrition Cluster	\$ 201,617	
Amounts Received Through Intermediate School District		
Transition	2,250	
Service Provider	3,000	
Michigan Americorps	105	
Medicaid Outreach	5,493	
Drug Free Schools	970	
Amounts Received Through U.S. Department of Education		
Title VII	77,270	
Amounts Received as Payments in Kind		
Food Distribution Program		
Entitlement Commodities	18,522	
Bonus Commodities	<u>101</u>	309,328

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Less Amounts Reported on CMS Report

In Error From Prior Year:

Title II D	\$ (5,599)	
Title I Part D	(50,729)	
Title I Part A	(270,000)	
Title II A	(75,600)	
Title V A	(4,575)	<u>\$ (406,503)</u>

Current Year Receipts (Cash Basis) per

Schedule of Expenditures of Federal Awards

\$ 767,434

# *Baird, Cotter and Bishop, P.C.*

## CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
www.bcbcpa.com

August 16, 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  
Boyne City Public Schools  
Boyne City, Michigan

We have audited the basic financial statements of Boyne City Public Schools as of and for the year ended June 30, 2007, and have issued our report thereon dated August 16, 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 Boyne City Public 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 Boyne City Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District'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 a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District'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 AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Boyne City Public 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*.

We noted certain other matters that we reported to management of Boyne City Public Schools in a separate letter dated August 16, 2007.

This report is intended solely for the information and use of the Board of Education, management, others within the entity, 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.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

There were no prior year findings or questioned costs.

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**Section I - Summary of Auditors Results**

---

***Financial Statements***

Type of auditors' report issued: Unqualified

Material weakness(es) identified: \_\_\_\_\_ Yes   X   No

Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

***Federal Awards***

Internal control over major programs:

Material weakness(es) identified: \_\_\_\_\_ Yes   X   No

Reportable condition(s) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes   X   None reported

Type of auditors' report issued on compliance for major programs: Unqualified

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553 and 10.555	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

**Section II - Financial Statement Findings**

---

None

**Section III - Federal Award Findings and Questioned Costs**

---

None

# *Baird, Cotter and Bishop, P.C.*

## CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
www.bcbcpa.com

August 16, 2007

To the Board of Education  
Boyne City Public Schools  
321 Park Street  
Boyne City, Michigan 49712

As a result of our audit of the financial statements of the Boyne City Public Schools for the year ended June 30, 2007, we would like to take this opportunity to comment on the following items relative to the management and accounting records and procedures of the School District.

### New Filing Requirement for Booster Clubs and PTO's

The Pension Protection Act of 2006 created new not-for-profit reporting requirements. Organizations that have not had enough receipts to require the filing of Form 990 in the past (typically \$25,000) will now be required to file an annual electronic notice by the 15<sup>th</sup> day of the fifth month after the close of their tax year.

### New Budget Requirement

The State School Aid Act now requires local districts to post their annual operating budget and subsequent amendments on their website. This is an ongoing requirement and this act requires the posting to occur within 30 days of all newly adopted or amended budgets.

### Condition of Accounting Records

The accounting records were found to be in excellent condition. We would like to congratulate the accounting personnel for doing a good job and thank them for their efforts in accumulating the information needed for the audit

We wish to take this opportunity to thank the Board for awarding this firm the audit assignment of the District, and the administration and staff for their cooperative spirit and assistance in helping us fulfill this audit assignment. If you have any questions relative to the above comments and recommendations or other areas of your annual audit, please feel free to contact us.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*