

SPRINGPORT PUBLIC SCHOOLS
FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION
JUNE 30, 2007

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Education
Springport Public Schools
Springport, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Springport Public Schools 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 Springport Public Schools. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

The administration's discussion and analysis and budgetary comparison information on pages 3 through 12, and page 33, are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Board of Education
Springport Public Schools
Springport, Michigan

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Springport Public Schools' basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated October 11, 2007 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Drake Watters & Associates, PLLC

Jackson, Michigan
October 11, 2007

SPRINGPORT PUBLIC SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS For Fiscal Year Ended June 30, 2007

Springport Public Schools (the District), a K-12 school district located in Jackson County, Michigan has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Springport Public Schools' administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2007.

Generally accepted accounting principles (GAAP), according to the GASB 34, requires the reporting of two types of financial statements: fund financial statements and district wide financial statements.

Fund Financial Statements:

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Retirement Funds, Capital Projects Funds and the School Service Funds which are comprised of: Food Service and Athletics accounts.

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

District Wide Financial Statements:

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

SPRINGPORT PUBLIC SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS For Fiscal Year Ended June 30, 2007

Summary of Net Assets:

The following summarizes the net assets at the fiscal year end:

	<u>June 30, 2007</u>
Assets	
Current assets	\$ <u>6,376,388</u>
Capital assets	25,253,000
Less: Accumulated depreciation	<u>(9,705,061)</u>
Capital assets, net book value	<u>15,547,939</u>
Total assets	<u>\$21,924,327</u>
Liabilities	
Current liabilities	\$ 4,056,268
Long-term liabilities	<u>18,493,816</u>
Total liabilities	<u>22,550,084</u>
Net Assets	
Invested in capital assets, net of related debt	(3,479,604)
Restricted for debt service	384,030
Restricted for capital projects	1,935,784
Unrestricted	<u>534,033</u>
Total net assets	<u>(625,757)</u>
Total liabilities and net assets	<u>\$21,924,327</u>

SPRINGPORT PUBLIC SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS For Fiscal Year Ended June 30, 2007

Analysis of Financial Position:

During fiscal year ended June 30, 2007, the District's net assets increased by \$81,906. A few of the significant factors affecting net assets during the year are discussed below:

A. General Fund Operations

The District's expenditures from General Fund operations exceeded revenues by \$82,324 for the fiscal year ended June 30, 2007. See the section entitled Results of Operations, below, for further discussion of General Fund operations.

B. Debt, Principal Payments

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

	<u>Principal Balance June 30, 2006</u>	<u>Increase/ (Decrease) June 30, 2007</u>	<u>Principal Balance June 30, 2007</u>
Aug 1, 1997 Bonds	\$ 8,035,000	\$ (300,000)	\$ 7,735,000
Oct 29, 2003 Bonds	2,240,000	(230,000)	2,010,000
2005 Building & Site Bonds	600,000	-	600,000
2006 Building & Site Bonds	7,575,000	-	7,575,000
Durant Issue	33,175	-	33,175
Unused Sick Leave	190,373	(1,328)	189,045
Bus Loans	112,152	28,043	140,195
Michigan School Bond Loan	<u>1,095,118</u>	<u>(160,945)</u>	<u>934,173</u>
Total long-term bond obligations	<u>\$19,880,818</u>	<u>\$ (664,230)</u>	<u>\$19,216,588</u>

See footnote 9 on page 28 of this report for details.

SPRINGPORT PUBLIC SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS For Fiscal Year Ended June 30, 2007

C. Net Investment in Capital Assets

The District's net investment in capital assets increased by \$5,322,652 during the fiscal year. This can be summarized as follows:

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Capital assets	\$19,352,705	\$5,915,392	\$15,097	\$25,253,000
Less: Accumulated depreciation	<u>9,127,418</u>	<u>585,569</u>	<u>7,926</u>	<u>9,705,061</u>
Net investment capital outlay	<u>\$10,225,287</u>	<u>\$5,329,823</u>	<u>\$ 7,171</u>	<u>\$15,547,939</u>

On June 13, 1994, the qualified electors of the District approved a proposal with a 51 percent affirmative statement authorizing the District to issue bonds in the sum of not to exceed Three Million Four Hundred Five Thousand Dollars (\$3,405,000) for the purpose of erecting, furnishing, and equipping classroom additions to the former elementary school and re-equipping the building for elementary school purposes; and developing and improving the site. On June 9, 1997, the qualified electors of the District approved a proposal with a 63 percent affirmative statement authorizing the District to issue bonds in the sum of not to exceed Nine Million Eight Hundred Five Thousand Dollars (\$9,805,000) for the purpose of erecting, furnishing, and equipping classroom and gymnasium additions to and partially remodeling, refurbishing, and re-equipping the high school; and acquiring and installing educational technology improvements; constructing and equipping a maintenance facility and developing and improving the site. The 1994 School Building and Site Bonds were refunded October 29, 2003, to reduce total debt service payments over the following fifteen years by \$400,522, resulting in an economic gain (the difference between the present value of the debt service payments on the old and new debt) of \$302,810 for the taxpayers of the District. The District also refunded the 1997 School Building and Site Bonds on April 12, 2005 to reduce total debt service payments over the next twenty-two years by \$530,989 and to result in an economic gain of \$377,520. In order to maintain net assets at their June 30, 2005 book value, the District would have needed to invest an additional \$518,263 in capital outlay during the year, i.e., the District's assets are depreciating faster than the District is investing in new or replacement assets. On November 8, 2005, the voters of the district approved a bond issue for \$8.175 million dollars for renovations and additions to the Middle School, improvement of athletic facilities and site, and an Agri-science facility. This approval did not result in an increase of millage for debt purposes.

(Continued on next page)

SPRINGPORT PUBLIC SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS For Fiscal Year Ended June 30, 2007

Results of Operations:

The district wide results of operations for the fiscal year end were:

June 30, 2007

Revenues:

General Revenues:

Property taxes levied for general operations	\$ 648,358
Property taxes levied for debt service	1,285,433
State of Michigan unrestricted foundation aid	7,139,907
Other general revenues	<u>499,886</u>

Total general revenues 9,573,584

Operating Grants:

Federal	496,331
State of Michigan	25,283
Other operating grants	<u>138,985</u>

Total operating grants 660,599

Charges for Services:

Food service	165,430
Other charges for services	<u>103,338</u>

Total charges for services 268,768

Total revenues 10,502,951

Expenses:

Instruction and instructional support	5,316,238
Support services	2,760,595
Food service	440,422
Athletics	287,096
Interest on long-term debt	1,031,125
Depreciation	<u>585,569</u>

Total expenses 10,421,045

Increase in Net Assets 81,906

Beginning Net Assets (707,663)

Ending Net Assets \$ (625,757)

SPRINGPORT PUBLIC SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS For Fiscal Year Ended June 30, 2007

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment – Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
- c. The District's non-homestead levy

Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Springport Public Schools foundation allowance was \$7,085 for 2006-2007 school year.

Student Enrollment:

The District's student enrollment for the fall count of 2006-2007 was 1,049 students. The District's enrollment decreased slightly from the prior school year's student count. The following summarizes fall student enrollments in the past five years:

	<u>Student FTE</u>	<u>FTE Change from Prior Year</u>
2006-2007	1,049	(1.22)%
2005-2006	1,062	0.70 %
2004-2005	1,054	(2.22)%
2003-2004	1,081	(1.00)%
2002-2003	1,093	2.80 %

Subsequent to year-end June 30, 2007 preliminary student enrollments for 2007-2008 indicate that enrollments may decrease by about 16 students from 2006-2007. The Board of Education has the option, however, of accepting more "Schools of Choice" applicant students. In the 2006-2007 school year, over 122 guest students from thirteen (13) other school districts were accepted for enrollment at Springport Public Schools. It is the Board of Education's desire to maintain its small class sizes and insure that it has space available for its own resident students.

SPRINGPORT PUBLIC SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS For Fiscal Year Ended June 30, 2007

2. Property Taxes levied for General Operations (General Fund Non-Homestead Taxes)

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

The District's non-homestead property value for the 2006-2007 fiscal year was \$32,899,782. The non-homestead tax levy decreased by 5.51 percent over the prior year.

The following summarizes the District's non-homestead levy the past five years:

<u>Fiscal Year</u>	<u>Non-Homestead Taxable Value</u>	<u>% Increase From Prior Year</u>
2006-2007	\$32,899,782	(5.51) %
2005-2006	\$34,819,337	6.79 %
2004-2005	\$32,606,752	3.62 %
2003-2004	\$31,467,280	8.53 %
2002-2003	\$28,994,434	8.64 %

3. Debt Fund Property

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead.

For 2006-2007, the District's debt millage levy was 8.95 mills that generated revenue of \$1,290,394.

4. Food Sales to Students & Adults (School Lunch Program)

The District's food and milk sales to students and adults increased by approximately \$8,829 to \$104,208 from the prior school year.

The total expenditures from Food Service operations exceeded total revenues for the year by \$18,917 in the Food Services Fund.

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ADMINISTRATION'S DISCUSSION AND ANALYSIS For Fiscal Year Ended June 30, 2007

GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES

General Fund Expenditures Budget vs. Actual 5-Year History

<u>Fiscal Year</u>	<u>Expenditures Original Budget</u>	<u>Expenditures Final Budget</u>	<u>Expenditures Final Actual</u>	<u>Expenditures Variance Actual to Original Budget</u>	<u>Expenditures Variance Actual to Final Budget</u>
2002-2003	\$ 7,971,842	\$ 8,083,211	\$ 8,016,897	0.56 %	(0.82)%
2003-2004	\$ 8,187,064	\$ 8,068,624	\$ 8,004,067	(2.24)%	(0.80)%
2004-2005	\$ 8,011,145	\$ 8,164,518	\$ 8,229,631	2.72 %	0.79 %
2005-2006	\$ 8,328,573	\$ 8,481,061	\$ 8,452,086	1.48 %	(0.34)%
2006-2007	\$ 8,543,475	\$ 8,494,726	\$ 8,498,625	(0.52)%	0.04 %
Five Year Average Over (Under) Budget				0.39 %	(0.23)%

General Fund Revenue Budget vs. Actual 5-Year History

<u>Fiscal Year</u>	<u>Revenue Original Budget</u>	<u>Revenue Final Budget</u>	<u>Revenue Final Actual</u>	<u>Revenue Variance Actual to Original Budget</u>	<u>Revenue Variance Actual to Final Budget</u>
2002-2003	\$ 7,992,678	\$ 8,085,496	\$ 8,041,712	0.61 %	(0.54)%
2003-2004	\$ 8,306,686	\$ 8,087,877	\$ 8,061,277	(2.95)%	(0.33)%
2004-2005	\$ 8,041,216	\$ 8,128,574	\$ 8,110,432	0.86 %	(0.22)%
2005-2006	\$ 8,339,730	\$ 8,414,480	\$ 8,347,280	0.09 %	(0.80)%
2006-2007	\$ 8,590,978	\$ 8,466,698	\$ 8,416,301	(2.03)%	(0.59)%
Five Year Average Over (Under) Budget				(0.68)%	(0.50)%

SPRINGPORT PUBLIC SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS For Fiscal Year Ended June 30, 2007

Original vs. Final Budget:

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

As a matter of practice, Springport Public Schools amends its budget periodically during the school year. The June 30, 2007 budget amendment was the final budget for the fiscal year.

Change from Original to Final Budget

Total Revenues Original Budget	\$8,590,978
Total Revenues Final Budget	<u>8,466,698</u>
Increase/Decrease in Budgeted Revenues	\$ <u>(124,280)</u>

The District's final, actual general fund revenues differed from final budget by \$50,397, a variance of 0.59 percent from final budget.

The final revenue budget reflects the following changes from the original budget:

- Preschool Program funding was 15 students less than originally planned for, and that amounts to approximately \$49,000
- The fall student count was 15 students less than originally budgeted for, which amounted to approximately \$77,000.

General Fund Expenditures:

The District's budget for expenditures changed as follows during the year:

Total Expenditures Original Budget	\$8,543,475
Total Expenditures Final Budget	<u>8,494,726</u>
Increase/Decrease in Budgeted Expenditures	\$ <u>(48,749)</u>

The District's actual expenditures exceeded the final budget by .04 percent.

Some of the significant expenditure activity for the year includes:

- The expenditures were less due to the reduction of a half-time preschool teacher and paraprofessional aide positions.
- A reduction was made in the paraprofessional hours across the district.
- Reductions were made in the purchases of the materials and supplies.

SPRINGPORT PUBLIC SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS For Fiscal Year Ended June 30, 2007

Factors Bearing on the District's Future

The following factors will affect the District in the future and were considered in preparing the District's budget for the 2007-2008 school year:

- Enrollment is beginning to show decline after years of stable or moderate growth. Economic conditions throughout the state are contributing to this decline.
- The District receives funds for various special programs, as do many other school districts. The current funding concerns will likely have a bearing on future funding of these programs.
- The State of Michigan is considering an increase of \$48 plus an equity payment of \$48 in the per pupil foundation allowance. The proposal would increase the District's 2007-2008 revenue by approximately \$98,000. While costs continue to steadily increase, the State's proposed increase of only 1.35% of the District's revenue will limit the District's future operations.
- Health insurance related benefits have seen double digit increases over the past few years. Employment benefit increases represent a concern to the District's financial health.
- The State of Michigan has mandated a decrease in the District's contribution rate for retirement services from 17.74% to 16.72% of gross salaries. This change represents a decrease in cost to the District. Preliminary reports indicate this rate will increase significantly over the next few years.

Contacting the District's Financial Management

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

SPRINGPORT PUBLIC SCHOOLS**STATEMENT OF NET ASSETS**
June 30, 2007

ASSETS	Governmental Activities
CURRENT ASSETS:	
Cash and cash equivalents (Note 3 and 7)	\$ 4,555,008
Due from other governmental units (Note 4)	1,280,664
Deferred expenditures and expenses	492,019
Taxes receivable	7,737
Prepaid expense	22,816
Inventories	18,144
TOTAL CURRENT ASSETS	6,376,388
NONCURRENT ASSETS	
Capital assets (Note 5)	25,253,000
Less: Accumulated depreciation	(9,705,061)
TOTAL NONCURRENT ASSETS	15,547,939
TOTAL ASSETS	\$ 21,924,327
LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable	\$ 227,551
Accrued expenses	174,206
Accrued salaries and withholding	476,209
Accrued interest	168,644
Deferred revenue	16,572
Tax anticipation note payable	2,270,314
Loan payable, Due within one year (Note 9)	39,963
Bonds payable, Due within one year (Note 9)	645,000
Compensated absences and severance pay, Due within one year (Note 9)	37,809
TOTAL CURRENT LIABILITIES	4,056,268
NONCURRENT LIABILITIES	
Bonds payable (Note 9)	17,275,000
Loans payable (Note 9)	1,067,580
Compensated absences and severance pay (Note 9)	151,236
TOTAL NONCURRENT LIABILITIES	18,493,816
TOTAL LIABILITIES	22,550,084
NET ASSETS	
Invested in capital assets, net of related debt	(3,479,604)
Restricted for debt service	384,030
Restricted for capital projects	1,935,784
Unrestricted	534,033
TOTAL NET ASSETS	(625,757)
TOTAL LIABILITIES AND NET ASSETS	\$ 21,924,327

See auditors' report and accompanying notes to financial statements.

SPRINGPORT PUBLIC SCHOOLS

STATEMENT OF ACTIVITIES Year Ended June 30, 2007

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Governmental
		Charges for Services	Operating Grants	Activities
				Net (Expense) Revenue and Changes in Net Assets
FUNCTIONS/PROGRAMS				
Governmental Activities:				
Instruction and instructional support	\$ 5,316,238	\$ -	\$ 404,524	\$ (4,911,714)
Support services	2,760,595	-	-	(2,760,595)
Food services	440,422	165,430	256,075	(18,917)
Athletics	287,096	103,338	-	(183,758)
Interest and costs related to long-term debt	1,031,125	-	-	(1,031,125)
Depreciation (Unallocated)	585,569	-	-	(585,569)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 10,421,045	\$ 268,768	\$ 660,599	(9,491,678)
GENERAL REVENUES:				
Taxes				
Property taxes, levied for general operations				648,358
Property taxes, levied for debt service				1,285,433
State of Michigan aid, unrestricted				7,139,907
Interest and investment earnings				325,578
Other				174,308
Total general revenues				9,573,584
CHANGE IN NET ASSETS				81,906
Net assets:				
Beginning of year				(707,663)
End of year				\$ (625,757)

See auditors' report and accompanying notes to financial statements.

SPRINGPORT PUBLIC SCHOOLS

BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2007

	General	Debt Retirement Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments (Notes 3 and 7)	\$ 1,966,264	\$ 384,030	\$ 2,155,758	\$ 48,956	\$ 4,555,008
Due from other governmental units (Note 4)	1,279,530	-	-	1,134	1,280,664
Due from other funds	-	-	-	9,895	9,895
Prepaid expense	22,816	-	-	-	22,816
Inventories	16,465	-	-	1,679	18,144
TOTAL ASSETS	\$ 3,285,075	\$ 384,030	\$ 2,155,758	\$ 61,664	\$ 5,886,527
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 7,577	\$ -	\$ 219,974	\$ -	\$ 227,551
Due to other funds	9,895	-	-	-	9,895
Accrued expenses	174,206	-	-	-	174,206
Salaries payable	476,209	-	-	-	476,209
Loan payable	2,270,314	-	-	-	2,270,314
Deferred revenue	12,835	-	-	3,737	16,572
TOTAL LIABILITIES	2,951,036	-	219,974	3,737	3,174,747
Fund Balances					
Restricted for inventory	16,465	-	-	1,679	18,144
Reserved for debt retirement	-	384,030	-	-	384,030
Restricted for capital projects	-	-	1,935,784	-	1,935,784
Unreserved and undesignated	317,574	-	-	-	317,574
Unreserved and undesignated, food services	-	-	-	55,124	55,124
Unreserved and undesignated, athletics	-	-	-	1,124	1,124
TOTAL FUND BALANCES	334,039	384,030	1,935,784	57,927	2,711,780
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,285,075	\$ 384,030	\$ 2,155,758	\$ 61,664	\$ 5,886,527

See auditors' report and accompanying notes to financial statements.

SPRINGPORT PUBLIC SCHOOLS

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES June 30, 2007

Total Governmental Fund Balances		\$	2,711,780
Amounts reported for governmental activities in the statements of net assets are different because:			
Capital assets used in governmental activities are not financial resources, and are not reported in the funds.			
The cost of the capital assets is	\$	25,253,000	
Accumulated depreciation is		<u>(9,705,061)</u>	15,547,939
Long-term liabilities are not due and payable in the current period and are not reported in the fund:			
Bonds Payable			(17,920,000)
Loans payable			(1,107,543)
Compensated absences			(189,045)
For debt refundings, the difference between the acquisition price and the net carrying amount of the debt has been deferred and amortized in the government-wide financial statements			
Refunding dated October 29, 2003		91,260	
Refunding dated April 12, 2005		<u>153,582</u>	244,842
Bond issuance costs reported as an expenditure in the governmental fund financial statements are capitalized in the government-wide financial statements			247,177
Taxes receivable is not included as an asset in governmental funds			7,737
Accrued Interest is not included as a liability in governmental funds			<u>(168,644)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		\$	<u>(625,757)</u>

See auditors' report and accompanying notes to financial statements.

SPRINGPORT PUBLIC SCHOOLS

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS Year Ended June 30, 2007

	General	Debt Retirement	Capital Projects	Other Nonmajor Governmental Funds	Totals
Revenues					
Local sources	\$ 820,607	\$ 1,303,563	\$ 256,199	\$ 268,768	\$ 2,649,137
State sources	7,139,907	-	-	25,283	7,165,190
Federal sources	265,539	-	-	230,792	496,331
Interdistrict sources	138,985	-	-	-	138,985
Miscellaneous	51,263	-	-	-	51,263
TOTAL REVENUES	8,416,301	1,303,563	256,199	524,843	10,500,906
Expenditures					
Current:					
Instruction and instructional support services	5,339,932	-	-	-	5,339,932
Supporting services	2,974,496	-	-	706,400	3,680,896
Debt Service:					
Principal repayment	-	530,000	-	-	530,000
State financing repayment	-	468,576	-	-	468,576
Interest and other expenses	-	807,658	-	-	807,658
Capital outlay and other costs	-	12,548	5,804,856	21,118	5,838,522
TOTAL EXPENDITURES	8,314,428	1,818,782	5,804,856	727,518	16,665,584
Excess (Deficiency) of Revenues Over Expenditures	101,873	(515,219)	(5,548,657)	(202,675)	(6,164,678)
Other Financing Sources (Uses)					
Operating transfers in	-	-	-	184,197	184,197
Operating transfers out	(184,197)	-	-	-	(184,197)
TOTAL OTHER FINANCING SOURCES (USES)	(184,197)	-	-	184,197	-
Net Change in Fund Balances	(82,324)	(515,219)	(5,548,657)	(18,478)	(6,164,678)
Fund Balances - Beginning of year	416,363	899,249	7,484,441	76,405	8,876,458
Fund Balances - End of year	\$ 334,039	\$ 384,030	\$ 1,935,784	\$ 57,927	\$ 2,711,780

See auditors' report and accompanying notes to financial statements.

SPRINGPORT PUBLIC SCHOOLS

RECONCILIATION OF THE STATEMENT OF REVENUE, 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 \$ (6,164,678)

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

Governmental funds report capital outlays as expenditures in the statement of activities;
these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	\$ (585,569)	
Capital Outlay	<u>5,915,392</u>	5,329,823

Loss on disposal of capital assets (7,171)

Increase in accrued receivables are recorded in the statement of activities when incurred;
they are not reported in governmental funds until received 2,045

Decrease in accrued interest payable is recorded in the statement of activities when incurred;
it is not reported in governmental funds until paid 289,081

Bus loan payments are expenditures in the governmental funds, but not in the statement
of activities (where they reduce long-term debt) 41,522

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement
of activities (where it reduces long-term debt) 530,000

Repayment of School Bond Loan principal is an expenditure in the governmental funds, but not in the statement
of activities (where it reduces long-term debt) 160,945

Proceeds from bus loan are not reported in the governmental funds (69,565)

Amortization of deferred bond related costs as reported as an expenditure in the government-wide
financial statements. Bond related costs were recognized in the governmental fund when paid (31,424)

Decrease in compensated absences are not reported in the governmental funds 1,328

Change in Net Assets of Governmental Activities \$ 81,906

See auditors' report and accompanying notes to financial statements.

SPRINGPORT PUBLIC SCHOOLS

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUND June 30, 2007

	<u>Agency Fund Student Activities</u>
Assets	
Cash and cash equivalents	\$ <u>74,324</u>
Liabilities	
Due to student groups	\$ <u>74,324</u>

See auditors' report and accompanying notes to financial statements.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Springport Public Schools (the District) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the District.

REPORTING ENTITY

An elected seven member Board of Education governs the District. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational and financial relationships that determine which of the governmental organizations are a part of the District's reporting entity, and which organizations are legally separate, component units of the District. Based on application of the criteria, the entity does not contain any component units.

DISTRICT WIDE AND FUND FINANCIAL STATEMENTS

The district wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. Substantially all inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the District's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenue are reported instead as general revenue.

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

District Wide Statements – The district wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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 revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The effect of inter-fund activity has been substantially eliminated from the government wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

FUND ACCOUNTING

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

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those that are required to be accounted for in another fund.

School Service Funds - The School Service Funds are used to segregate the activity of Food Service and Athletics. For reporting purposes this activity is combined under the caption "GENERAL" in the general-purpose financial statements. Specific detail for these activities can be seen presented in the Supplemental Financial Information.

Debt Retirement Funds – The Debt Retirement Funds are used to account for the accumulation of resources for and the payment of general long-term principal, interest, and related costs.

Capital Projects Fund – The Capital Projects Fund is used to account for all resources for the acquisitions of capital facilities and equipment. As a part of the bond issuance process, a budget was adopted for the project as a whole.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued**FIDUCIARY FUNDS**

Agency Fund - Agency Funds are used to account for assets held by the District as an agent for student clubs, organizations, and classes. Agency Funds are custodial in nature and do not involve measurement of results of operations.

ACCOUNT GROUPS

Account groups are not funds. They do not reflect available financial resources and related liabilities or the measurement of results of operations. They are the District's accounting records of general long-term debt. The General Long-Term Debt Account Group is used to record the outstanding bonded debt, long-term notes payable and any other non-current obligation of the District.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The modified accrual or accrual basis of accounting, as appropriate, is used in measuring financial position and operating results:

Governmental Funds are accounted for using the current financial resources measurement focus. Accordingly, only current assets and liabilities are included on the balance sheets and the fund balances report only spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net assets. These funds use the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when they are available and measurable and expenditures are recorded when the fund liability is incurred, if measurable.

Fiduciary fund revenues and expenses or expenditures as appropriate are recognized on the accrual basis and use the economic resources measurement focus. Nonexpendable Trust Funds and Agency Fund assets and liabilities are accounted for on the modified accrual basis and are prepared using the current financial resources measurement focus.

The term "Fund Modification" is used to refer to transfers that are recognized in the accounting period in which the inter-fund receivable and payable arise.

Governmental Funds, Agency Funds and the Expendable Trust Funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received. Properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1 for the property taxes that are due on February 14. The final collection date is February 28 after which they are added to the county tax rolls.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued**BASIS OF ACCOUNTING Continued**

- b. Principal and interest on general long-term debt are not recorded as expenditures until their due dates.
- c. The non-current portion of vested sick days is reflected in the General Long-term Debt Account Group.

Inventories - Inventories in governmental funds consist of expendable supplies held for consumption. They are stated at cost, on a first-in, first-out basis, which approximates market value except for USDA commodities, which are stated at a value established by the USDA. Inventory items recorded in the General Fund consist of operating supplies for the District. The School Service Fund inventory consists of food and paper supplies.

Fund Reserves - Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of fund reserves used by the District:

Reserved for debt retirement - An account that represents the fund balance for the debt service fund resources which are legally restricted for the payment of general long-term debt principal and interest amounts maturing in future years.

Reserved for inventory - An account that represents a portion of the fund balance that indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

Reserved for capital projects - An account that represents a portion of the fund balance that is legally restricted for the acquisition or improvement of capital facilities and equipment.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government wide financial statements. The Government defines capital assets as individual assets with an estimated useful life in excess of one year that satisfy the following cost criteria:

- New purchases costing more than \$5,000

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized. The District does not have infrastructure-type assets.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued

CAPITAL ASSETS Continued

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	8 years
Furniture and other equipment	5-20 years

Compensated Absences – The liability for compensated absences reported in the government wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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 straight-line method.

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

Comparative Data – Comparative data is not included in the District’s financial statements.

Note 2 - BUDGETS

The District formally adopted General and School Services Fund budgets by function for the fiscal year ended June 30, 2007; expenditures at this level in excess of amounts budgeted is a violation of Michigan law. A Capital Projects budget was approved as a part of the bond issue approval process for the entire project which spans a period of more than one fiscal year. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner. The General Fund and the School Services Fund both had over-expenditures of their budgets as shown on pages 33 and 42 of the audit report. The budget has been prepared in accordance with generally accepted accounting principles.

The budget statement (combined statement of revenue, expenditures and changes in fund balances - budget and actual - general and school service fund types) is presented on the same basis of accounting used in preparing the adopted budget.

SPRINGPORT PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 3 - CASH DEPOSITS

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned to the District. The School District does not have a deposit policy for custodial credit risk. Deposits in excess of the maximum insurance provided by the F.D.I.C. represent an uninsured risk to the District.

Cash deposits of the District consist of the following items at June 30, 2007:

	<u>MATURITY DATES</u>	<u>INTEREST RATES</u>	<u>CARRYING AMOUNT</u>	<u>BANK BALANCE</u>
General Fund:				
Homestead Bank	N/A	1.15%	\$ 93,200	\$ 93,200
Homestead Bank	N/A	-0-%	12,731	12,896
Homestead Bank	N/A	-0-%	219	38,682
Homestead Bank	N/A	1.15%	4,928	4,928
Petty Cash	N/A	-0-%	225	N/A
			<u>\$ 111,303</u>	<u>\$ 149,706</u>
School Service Fund:				
Petty Cash	N/A	N/A	\$ 300	\$ N/A
Homestead Bank (School Lunch)	N/A	-0-%	47,532	48,588
Homestead Bank (Athletics)	N/A	-0-%	1,124	1,121
			<u>\$ 48,956</u>	<u>\$ 49,709</u>
Debt Retirement Fund:				
Homestead Bank	N/A	1.15%	\$ 170,622	\$ 170,622
Homestead Bank	N/A	1.15%	18,153	18,153
Homestead Bank	N/A	1.15%	47,773	47,773
Homestead Bank	N/A	1.15%	59,488	59,488
			<u>\$ 296,036</u>	<u>\$ 296,036</u>
Capital Projects Fund:				
Homestead Bank	N/A	-0-%	\$ 3,118	\$ 5,278
U. S. Bank	N/A	various	1,703,969	1,703,969
U. S. Bank	N/A	various	440,064	440,064
			<u>\$ 2,147,151</u>	<u>\$ 2,149,311</u>
Agency Fund:				
Homestead Bank	N/A	-0-%	\$ 3,074	\$ 7,279
Homestead Bank	N/A	1.15%	71,250	71,250
			<u>\$ 74,324</u>	<u>\$ 78,529</u>
Total Cash			<u>\$ 2,677,770</u>	<u>\$ 2,723,291</u>

(Continued on next page)

SPRINGPORT PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 3 - CASH DEPOSITS Continued

Deposits are carried at cost. The carrying amount of deposits is included on the balance sheet as "Cash".

	CARRYING AMOUNT	BANK BALANCE
Petty cash	\$ 525	\$ -
Insured	400,000	400,000
Uninsured -- uncollateralized	<u>2,277,245</u>	<u>2,323,291</u>
Total Cash	<u>\$2,677,770</u>	<u>\$2,723,291</u>

Note 4 - RECEIVABLES

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

	General Fund	Nonmajor and Other Funds	Total
Receivables:			
Intergovernmental	<u>\$1,279,530</u>	<u>\$1,134</u>	<u>\$1,280,664</u>

Note 5 - CAPITAL ASSETS

Capital asset activity of the District's Governmental Activities was as follows:

	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
Assets not being depreciated:				
Construction in progress	<u>\$ 741,727</u>	<u>\$5,804,856</u>	<u>\$ -</u>	<u>\$ 6,546,583</u>
Land	<u>50,248</u>	<u>-</u>	<u>-</u>	<u>50,248</u>
Assets being depreciated:				
Buildings	14,202,476	-	-	14,202,476
Buses and other vehicles	874,259	69,565	-	943,824
Furniture and equipment	3,474,788	40,971	15,097	3,500,662
Land improvements	<u>9,207</u>	<u>-</u>	<u>-</u>	<u>9,207</u>
Subtotal	<u>18,560,730</u>	<u>110,536</u>	<u>15,097</u>	<u>18,656,169</u>
Accumulated depreciation:				
Buildings	6,300,164	287,185	-	6,587,349
Buses and other vehicles	602,667	86,477	-	689,144
Furniture and equipment	2,223,667	211,447	7,926	2,427,188
Land improvements	<u>920</u>	<u>460</u>	<u>-</u>	<u>1,380</u>
Subtotal	<u>9,127,418</u>	<u>585,569</u>	<u>7,926</u>	<u>9,705,061</u>
Net assets being depreciated	<u>9,433,312</u>	<u>(475,033)</u>	<u>7,171</u>	<u>8,951,108</u>
Net capital assets	<u>\$10,225,287</u>	<u>\$5,329,823</u>	<u>\$ 7,171</u>	<u>\$15,547,939</u>

Note 6 - INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of inter-fund balances is as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Inter-fund Transfers:			
Transfers Out/In	Other Governmental Funds	General Fund	\$ 184,197

Note 7 - INVESTMENTS

Interest Rate Risk - The District's investment policy minimizes interest rate credit risk, which is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates by:

- a. 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.
- b. Investing funds primarily in short term securities, liquid asset funds, money market mutual funds, or similar investment pools.
- c. Limiting the average maturity in accordance with the School District's cash requirements.

As of June 30, 2007, the District had invested surplus funds with Michigan Liquid Asset Fund. This fund is an investment pool as authorized by the Surplus Investment Pool Act of 367 of Public Acts of 1982, being Sections 129.111 to 129.118 of the Michigan Compiled Laws. Standard and Poor's rate the fund AAAm. Investments are stated at cost, which approximates market value. Each School District owns a prorata share of each investment or deposit that is held in the name of the fund. The District's investments in this fund are as follows:

	<u>Carrying Amount</u>	<u>Institution Amount</u>
General Fund – Michigan Liquid Asset Fund	\$1,854,961	\$1,863,625
Debt Retirement Funds - Michigan Liquid Asset Fund	39,163	39,162
Debt Retirement Funds - Michigan Liquid Asset Fund	48,831	48,831
Capital Projects Fund - Michigan Liquid Asset Fund	<u>8,607</u>	<u>8,607</u>
	<u>\$1,951,562</u>	<u>\$1,960,225</u>

Concentrations of Credit Risk - The School District's policy does not limit the amount of investment with any one issuer.

Note 8 - SHORT-TERM LOAN

The short-term loan is due to the Michigan Municipal Bond Authority. The District borrowed \$2,200,000, with an interest rate of 3.68%. Principal plus interest is due August 18, 2007.

Note 9 - LONG-TERM LIABILITIES

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to excluding amounts represented by non-current liabilities. Since they do not affect current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

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

	LONG-TERM DEBT JULY 1, 2006	INCREASED LONG-TERM DEBT	PAYMENTS/ REDUCTIONS	LONG-TERM DEBT JUNE 30, 2007	DUE WITHIN ONE YEAR
SCHOOL BOND LOAN	\$ 1,095,118	\$ -	\$160,945	\$ 934,173	\$ -
UNUSED SICK LEAVE	190,373	-	1,328	189,045	37,809
1994/2003 ISSUE	2,240,000	-	230,000	2,010,000	225,000
1997/2005 ISSUE	8,035,000	-	300,000	7,735,000	320,000
2005 BUILDING & SITE	600,000	-	-	600,000	-
2006 BUILDING & SITE	7,575,000	-	-	7,575,000	100,000
DURANT ISSUE	33,175	-	-	33,175	-
BUS LOAN - 2004	27,988	-	8,911	19,077	9,324
BUS LOAN - 2005	38,286	-	8,888	29,398	9,329
BUS LOAN - 2006	45,878	-	8,378	37,500	8,759
BUS LOAN - 2007	-	<u>69,565</u>	<u>15,345</u>	<u>54,220</u>	<u>12,551</u>
	<u>\$19,880,818</u>	<u>\$69,565</u>	<u>\$733,795</u>	<u>\$19,216,588</u>	<u>\$722,772</u>

Long-term liabilities at June 30, 2007 are comprised of the following individual issues:

\$1,095,118 - School Bond Loan Program – Repayment date to be determined by the State Treasurer, interest accrued at current rates as determined by the State (4.75% at June 30, 2007).

\$ 934,173

Unused sick leave as of June 30, 2007 – Due to the uncertainty of maturity of this liability, it has been included in the amount due “thereafter” section.

\$ 189,045

\$3,405,000/\$2,720,000 - 1994/2003 General Obligation Bond issue for the purpose of erecting building additions. Due in annual installments of \$50,000 to \$225,000 Through May 1, 2018; interest at 2.0% to 4.15%. Partial advance refunding of \$2,540,000 was made 10/29/03.

\$ 2,010,000

Note 9 - LONG-TERM LIABILITIES Continued

<p>\$9,805,000/\$7,835,000 - 1997/2005 School Building and Site Bond issue for the purpose of erecting, furnishing and equipping additions to and partially remodeling, refurbishing and re-equipping the high school, technology improvements and construction and equipping of a maintenance facility. Due in annual installments of \$50,000 to \$425,000, Through May 1, 2027; interest at 3.0% to 4.5%. Partial advance refunding of \$7,525,000 was made 4/12/05.</p>	<p>\$ 7,735,000</p>
<p>\$600,000 – 2005 School Building and Site Bond Issue Qualified Zone Academy Bonds, for the purpose of improvements to the middle school parking lot and renovation and repairs to the District’s athletic facility. Principal due May 1, 2021; Interest at 0%.</p>	<p>\$ 600,000</p>
<p>\$7,575,000 – 2006 School Building and Site Bond Issue for the purpose of erecting an agricultural facility; erecting, furnishing and equipping additions to and remodeling, refurbishing and re-equipping existing school district buildings; acquiring and installing educational technology improvements; developing and improving athletic fields and facilities and sites; and to pay a portion of the costs of issuing the bonds. Due in annual installments of \$100,000 to \$675,000, Through May 1, 2026; interest at 3.50-4.25%</p>	<p>\$ 7,575,000</p>
<p>\$56,184 - 1998 Durant School Improvement Bond issue for the purpose of school improvements, due in various annual installments through May 15, 2013; interest at 4.76%.</p>	<p>\$ 33,175</p>
<p>\$54,853 – Bus loan/capital lease- to purchase a new school bus. Due in annual installments of \$10,205 through October 1, 2008; interest at 4.62%.</p>	<p>\$ 19,077</p>
<p>\$57,541 – Bus loan/capital lease- to purchase a new school bus. Due in annual installments of \$10,787 through August 5, 2009; interest at 4.96%.</p>	<p>\$ 29,398</p>
<p>\$56,343 – Bus loan/capital lease- to purchase a new school bus. Due in annual installments of \$10,465 through July 15, 2010; interest at 4.55%.</p>	<p>\$ 37,500</p>
<p>\$69,565 – Bus loan/capital lease- to purchase a new school bus. Due in annual installments of \$15,345 through August 15, 2010; interest at 5.035%.</p>	<p>\$ 54,220</p>

SPRINGPORT PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS June 30, 2007

Note 9 - LONG-TERM LIABILITIES Continued

The annual requirements to amortize all debts outstanding as of June 30, 2007, including interest payments of \$8,080,882 are as follows:

	Year Ending June 30, 2008		Year Ending June 30, 2009		Year Ending June 30, 2010		Year Ending June 30, 2011	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
School Bond Loan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unused Sick Leave	37,809	-	-	-	-	-	-	-
2003 Refunding Issue	225,000	69,106	200,000	63,930	200,000	58,730	190,000	52,730
2005 Refunding Issue	320,000	314,926	340,000	305,326	340,000	293,426	345,000	281,526
2005 Building & Site Bonds	-	-	-	-	-	-	-	-
2006 Building & Site Bonds	100,000	303,488	125,000	299,988	150,000	295,612	175,000	290,362
Durant Issue	-	-	3,127	819	3,276	670	3,432	514
Bus Loan - 2004	9,324	881	9,753	451	-	-	-	-
Bus Loan - 2005	9,329	2,569	9,792	995	10,277	510	-	-
Bus Loan - 2006	8,759	1,706	9,157	1,308	9,574	891	10,010	455
Bus Loan - 2007	12,551	2,794	13,198	2,147	13,878	1,467	14,593	752
Totals	\$ 722,772	\$ 695,470	\$ 710,027	\$ 674,964	\$ 727,005	\$ 651,306	\$ 738,035	\$ 626,339

	Year Ending June 30, 2012		Thereafter		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
School Bond Loan	\$ -	\$ -	\$ 934,173	\$ 47,931	\$ 934,173	\$ 47,931
Unused Sick Leave	-	-	151,236	-	189,045	-
2003 Refunding Issue	185,000	46,460	1,010,000	139,268	2,010,000	430,224
2005 Refunding Issue	355,000	269,450	6,035,000	2,160,776	7,735,000	3,625,430
2005 Building & Site Bonds	-	-	600,000	-	600,000	-
2006 Building & Site Bonds	175,000	284,238	6,850,000	2,477,568	7,575,000	3,951,256
Durant Issue	3,595	350	19,745	6,762	33,175	9,115
Bus Loan - 2004	-	-	-	-	19,077	1,332
Bus Loan - 2005	-	-	-	-	29,398	4,074
Bus Loan - 2006	-	-	-	-	37,500	4,360
Bus Loan - 2007	-	-	-	-	54,220	7,160
Totals	\$ 718,595	\$ 600,498	\$ 15,600,154	\$ 4,832,305	\$ 19,216,588	\$ 8,080,882

Note 9 - LONG-TERM LIABILITIES Continued

Advanced Refunding – In 2005, the District defeased certain unlimited tax school building and site bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. As of June 30, 2007, \$9,540,000 of bonds considered defeased are still outstanding.

Note 10 - DEFINED BENEFIT PENSION PLAN

Substantially all District employees participate in the Michigan Public School Employees Retirement System (MPERS). MPERS is a cost-sharing multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, re-codified and currently operating under the provisions of Public Act 300 of 1980, as amended. MPERS was established to provide retirement, survivor and disability benefits to the public school employees. MPERS is a qualified trust fund under section 401(a) of the Internal Revenue Code. By statute, employees of K-12 public school districts may be members.

MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. A copy of the report may be obtained by writing to the: Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan 48909.

The District is required to contribute at a current rate of 17.74% of annual covered payroll. The District's contribution for years ending June 30, 2007, 2006, and 2005 were \$796,374, \$794,582, and \$694,376, respectively, which equals the required contribution for each year. Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus additional amounts to fund retiree health care benefits on a cash disbursement basis. Basic plan members make no contributions. All other participants contribute to a Member Investment Plan (MIP) with contribution rates varying based on Plan selections.

Under the MPERS Act, all retirees participating in the MPERS Pension Plan have the option of continuing health, dental, and vision coverage. Retirees having these benefits contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium for the selected coverage.

Note 11 - CONTINGENT LIABILITIES

The District is a reimbursing employer to the Michigan Employment Security Commission and, as such, is responsible to pay the Commission for those benefits paid and charged to its account. As of June 30, 2007 appropriate liabilities have been recorded for all claims paid by the Commission. However, no provision has been made for future payments that might result from claims in process or not yet filed.

Note 12 – SUBSEQUENT EVENTS

On June 19, 2007, the Board of Education approved a borrowing resolution to borrow up to \$2,200,000 from the State Aid Loan Fund in August, 2007.

Required Supplemental Information

SPRINGPORT PUBLIC SCHOOLS

REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE - GENERAL FUND Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under) Actual
	Original	Final		
Revenues:				
Local sources	\$ 792,192	\$ 832,772	\$ 820,607	\$ (12,165)
State sources	7,277,147	7,146,285	7,139,907	(6,378)
Federal sources	277,308	296,811	265,539	(31,272)
Interdistrict sources	192,486	138,985	138,985	-
Miscellaneous	51,845	51,845	51,263	(582)
TOTAL REVENUES	8,590,978	8,466,698	8,416,301	(50,397)
Expenditures:				
Current:				
Instruction:				
Basic programs	4,332,146	4,177,768	4,194,095	16,327
Added needs	1,060,635	1,075,478	1,067,394	(8,084)
Adult/continuing education	11,000	78,498	78,443	(55)
Supporting Services:				
Pupil services	256,749	300,308	299,542	(766)
Instructional staff	223,042	226,781	227,306	525
School administration and business	851,336	847,010	845,548	(1,462)
Operation, transportation and central	1,648,567	1,604,686	1,602,100	(2,586)
Other Uses:				
Operating Transfers	160,000	184,197	184,197	-
TOTAL EXPENDITURES	8,543,475	8,494,726	8,498,625	3,899
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES	47,503	(28,028)	(82,324)	(54,296)
Budgetary fund balance - July 1, 2006	416,363	416,363	416,363	-
Budgetary fund balance - June 30, 2007	\$ 463,866	\$ 388,335	\$ 334,039	\$ (54,296)

See auditors' report and accompanying notes to financial statements.

Other Supplemental Information

SPRINGPORT PUBLIC SCHOOLS

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS June 30, 2007

	Nonmajor Special Revenue Funds		Nonmajor Governmental Funds
Assets	School Lunch	Athletics	Total
Cash and investments	\$ 47,832	\$ 1,124	\$ 48,956
Due from other governmental units	1,134	-	1,134
Due from other funds	9,895	-	9,895
Inventories	1,679	-	1,679
TOTAL ASSETS	\$ 60,540	\$ 1,124	\$ 61,664
Liabilities and Fund Balances			
Liabilities			
Deferred revenue	\$ 3,737	\$ -	\$ 3,737
TOTAL LIABILITIES	3,737	-	3,737
Fund Balances			
Reserved for inventories	1,679	-	1,679
Unreserved and undesignated	55,124	1,124	56,248
TOTAL FUND BALANCES	56,803	1,124	57,927
TOTAL LIABILITIES AND FUND BALANCES	\$ 60,540	\$ 1,124	\$ 61,664

See auditors' report.

SPRINGPORT PUBLIC SCHOOLS

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS Year Ended June 30, 2007

	Nonmajor Special Revenue Funds		Nonmajor Governmental Funds
	School Lunch	Athletics	Total
Revenues			
Local sources	\$ 165,430	\$ 103,338	\$ 268,768
State sources	25,283	-	25,283
Federal sources	230,792	-	230,792
Transfers from general fund	-	184,197	184,197
TOTAL REVENUES	421,505	287,535	709,040
Expenditures			
Current operations:			
Food services	434,543	-	434,543
Athletics	-	271,857	271,857
Capital Outlay	5,879	15,239	21,118
TOTAL EXPENDITURES	440,422	287,096	727,518
Excess (Deficiency) of Revenues Over Expenditures	(18,917)	439	(18,478)
Net Change in Fund Balances	(18,917)	439	(18,478)
Fund Balances - July 1, 2006	75,720	685	76,405
Fund Balances - June 30, 2007	\$ 56,803	\$ 1,124	\$ 57,927

See auditors' report.

SPRINGPORT PUBLIC SCHOOLS

GENERAL FUND SCHEDULE OF REVENUES - BUDGET AND ACTUAL Year Ended June 30, 2007

	<u>2007</u> Budget	<u>2007</u> Actual	<u>Over</u> <u>(Under)</u> Budget	<u>2006</u> Actual
Revenue from Local Sources:				
Property tax	\$ 666,508	\$ 646,313	\$ (20,195)	\$ 643,805
Earnings on investments and deposits	49,000	56,209	7,209	68,316
Miscellaneous	117,264	118,085	821	103,691
TOTAL REVENUE FROM LOCAL SOURCES	<u>832,772</u>	<u>820,607</u>	<u>(12,165)</u>	<u>815,812</u>
Revenue from State Sources:				
State school aid	<u>7,146,285</u>	<u>7,139,907</u>	<u>(6,378)</u>	<u>7,014,800</u>
TOTAL REVENUE FROM STATE SOURCES	<u>7,146,285</u>	<u>7,139,907</u>	<u>(6,378)</u>	<u>7,014,800</u>
Revenue from Federal Sources:				
Title I	239,409	207,518	(31,891)	181,691
Other	57,402	58,021	619	60,018
TOTAL REVENUE FROM FEDERAL SOURCES	<u>296,811</u>	<u>265,539</u>	<u>(31,272)</u>	<u>241,709</u>
Incoming Transfers and Other Transactions:				
County special education tax transfers	138,985	138,985	-	202,635
Other transactions	51,845	51,263	(582)	72,324
TOTAL INCOMING TRANSFERS AND OTHER TRANSACTIONS	<u>190,830</u>	<u>190,248</u>	<u>(582)</u>	<u>274,959</u>
TOTAL REVENUE AND OTHER FINANCING SOURCES	<u>\$ 8,466,698</u>	<u>\$ 8,416,301</u>	<u>\$ (50,397)</u>	<u>\$ 8,347,280</u>

See auditors' report.

SPRINGPORT PUBLIC SCHOOLS

GENERAL FUND SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL Year Ended June 30, 2007

	2007 Budget	2007 Actual	Over (Under) Budget	2006 Actual
Instruction:				
Basic Programs - Elementary:				
Salaries	\$ 1,178,646	\$ 1,178,645	\$ (1)	\$ 1,175,811
Benefits	672,514	672,411	(103)	631,210
Purchased services	17,358	17,357	(1)	19,452
Supplies and materials	42,361	45,879	3,518	48,806
Capital outlay	24,200	24,200	-	18,188
Other	1,615	1,615	-	819
TOTAL ELEMENTARY	<u>1,936,694</u>	<u>1,940,107</u>	<u>3,413</u>	<u>1,894,286</u>
Basic Programs - Middle School:				
Salaries	667,814	675,291	7,477	673,148
Benefits	383,914	385,608	1,694	351,804
Purchased services	11,798	11,796	(2)	15,652
Supplies and materials	34,302	34,298	(4)	37,374
Capital outlay	9,460	9,460	-	12,134
Other	1,735	1,735	-	1,779
TOTAL MIDDLE SCHOOL	<u>1,109,023</u>	<u>1,118,188</u>	<u>9,165</u>	<u>1,091,891</u>
Basic Programs - High School:				
Salaries	631,316	638,792	7,476	634,852
Benefits	371,237	367,820	(3,417)	377,884
Purchased services	26,888	26,878	(10)	30,864
Supplies and materials	32,382	32,373	(9)	43,735
Capital outlay	11,060	11,058	(2)	21,544
Other	1,570	1,570	-	2,774
TOTAL HIGH SCHOOL	<u>1,074,453</u>	<u>1,078,491</u>	<u>4,038</u>	<u>1,111,653</u>
Basic Programs - Other:				
Salaries	37,009	37,009	-	51,952
Benefits	19,234	19,029	(205)	16,233
Purchased services	130	48	(82)	4,884
Supplies and materials	1,225	1,223	(2)	15,166
Capital outlay	-	-	-	7,427
Other	-	-	-	2,954
TOTAL OTHER	<u>57,598</u>	<u>57,309</u>	<u>(289)</u>	<u>98,616</u>
TOTAL BASIC PROGRAMS	<u>4,177,768</u>	<u>4,194,095</u>	<u>16,327</u>	<u>4,196,446</u>

See auditors' report.

SPRINGPORT PUBLIC SCHOOLS

GENERAL FUND SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL Year Ended June 30, 2007

	2007 Budget	2007 Actual	Over (Under) Budget	2006 Actual
Instruction continued:				
Added Needs - Special Education				
Salaries	\$ 327,016	\$ 327,009	\$ (7)	\$ 352,370
Benefits	180,423	180,117	(306)	185,291
Purchased services	90	88	(2)	90
Supplies and materials	4,521	4,521	-	2,719
TOTAL SPECIAL EDUCATION	<u>512,050</u>	<u>511,735</u>	<u>(315)</u>	<u>540,470</u>
Added Needs - Compensatory Education				
Salaries	167,996	167,996	-	154,632
Benefits	59,569	58,958	(611)	55,135
Purchased services	8,806	8,804	(2)	8,434
Supplies	21,802	14,670	(7,132)	3,349
Other	1,622	1,622	-	2,410
TOTAL COMPENSATORY EDUCATION	<u>259,795</u>	<u>252,050</u>	<u>(7,745)</u>	<u>223,960</u>
Added Needs - Vocational Education				
Salaries	174,307	174,300	(7)	167,046
Benefits	95,099	95,092	(7)	84,825
Purchased services	7,861	7,858	(3)	4,975
Supplies and materials	14,008	14,001	(7)	9,058
Capital outlay	2,803	2,803	-	12,205
Other	9,555	9,555	-	5,510
TOTAL VOCATIONAL EDUCATION	<u>303,633</u>	<u>303,609</u>	<u>(24)</u>	<u>283,619</u>
TOTAL ADDED NEEDS	<u>1,075,478</u>	<u>1,067,394</u>	<u>(8,084)</u>	<u>1,048,049</u>
Adult/Continuing Education:				
Salaries	48,276	48,265	(11)	80,751
Benefits	23,784	23,748	(36)	27,102
Purchased services	4,403	4,403	-	5,584
Supplies and materials	2,035	2,027	(8)	1,984
Other	-	-	-	419
TOTAL ADULT/CONTINUING EDUCATION	<u>78,498</u>	<u>78,443</u>	<u>(55)</u>	<u>115,840</u>
TOTAL INSTRUCTION	<u>5,331,744</u>	<u>5,339,932</u>	<u>8,188</u>	<u>5,360,335</u>

See auditors' report.

SPRINGPORT PUBLIC SCHOOLS

GENERAL FUND SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL Year Ended June 30, 2007

	2007 Budget	2007 Actual	Over (Under) Budget	2006 Actual
Supporting Services:				
Pupil Services:				
Salaries	\$ 205,779	\$ 205,793	\$ 14	\$ 200,475
Benefits	94,468	93,688	(780)	87,725
Purchased services	61	61	-	81
TOTAL PUPIL SERVICES	300,308	299,542	(766)	288,281
Instructional staff:				
Salaries	161,724	161,658	(66)	162,578
Benefits	58,878	58,634	(244)	44,930
Supplies and materials	6,051	6,887	836	11,585
Other	128	127	(1)	154
TOTAL INSTRUCTIONAL STAFF	226,781	227,306	525	219,247
General Administration:				
Salaries	125,742	125,741	(1)	119,301
Benefits	47,347	46,244	(1,103)	42,986
Purchased services	61,458	61,045	(413)	49,198
Supplies and materials	1,182	1,182	-	1,860
Other	10,050	10,048	(2)	5,454
TOTAL GENERAL ADMINISTRATION	245,779	244,260	(1,519)	218,799
School Administration:				
Salaries	307,589	307,122	(467)	313,293
Benefits	127,729	127,959	230	138,052
Purchased services	3,169	3,165	(4)	3,937
Supplies and materials	3,763	3,754	(9)	3,067
Capital outlay	-	-	-	65
Other	2,973	2,972	(1)	3,044
TOTAL SCHOOL ADMINISTRATION	445,223	444,972	(251)	461,458
Business Services:				
Salaries	19,482	19,479	(3)	53,614
Benefits	8,661	8,976	315	36,467
Purchased services	6,090	6,090	-	425
Supplies and materials	216	215	(1)	654
Capital outlay	-	-	-	1,205
Other	121,559	121,556	(3)	110,881
TOTAL BUSINESS SERVICES	156,008	156,316	308	203,246

See auditors' report.

SPRINGPORT PUBLIC SCHOOLS

GENERAL FUND SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL Year Ended June 30, 2007

	2007 Budget	2007 Actual	Over (Under) Budget	2006 Actual
Supporting Services continued:				
Operation and maintenance of plant:				
Salaries	\$ 338,691	\$ 338,448	\$ (243)	\$ 326,245
Benefits	225,484	225,454	(30)	217,945
Purchased services	417,120	417,519	399	389,739
Supplies and materials	44,148	44,139	(9)	42,935
Capital outlay	8,202	8,195	(7)	24,652
Other	7,402	7,401	(1)	6,248
TOTAL OPERATION AND MAINTENANCE OF PLANT	<u>1,041,047</u>	<u>1,041,156</u>	<u>109</u>	<u>1,007,764</u>
Pupil Transportation Services				
Salaries	241,783	241,891	108	224,410
Benefits	109,614	109,634	20	91,548
Purchased services	34,513	31,506	(3,007)	39,404
Supplies and materials	127,173	127,156	(17)	108,142
Capital outlay	46,803	46,803	-	31,457
Other	3,753	3,954	201	6,925
TOTAL TRANSPORTATION SERVICES	<u>563,639</u>	<u>560,944</u>	<u>(2,695)</u>	<u>501,886</u>
TOTAL SUPPORTING SERVICES	<u>2,978,785</u>	<u>2,974,496</u>	<u>(4,289)</u>	<u>2,900,681</u>
Outgoing Transfers and Other Transactions:				
Fund modification	184,197	184,197	-	191,070
TOTAL TRANSFERS AND OTHER TRANSACTIONS	<u>184,197</u>	<u>184,197</u>	<u>-</u>	<u>191,070</u>
TOTAL EXPENDITURES AND TRANSFERS	<u>\$ 8,494,726</u>	<u>\$ 8,498,625</u>	<u>\$ 3,899</u>	<u>\$ 8,452,086</u>

See auditors' report.

SPRINGPORT PUBLIC SCHOOLS

SPECIAL REVENUE FUNDS COMBINING BALANCE SHEET June 30, 2007

	School Lunch	Athletics	Total
Assets			
Cash and cash equivalents	\$ 47,832	\$ 1,124	\$ 48,956
Inventories	1,679	-	1,679
Due from other governmental units	1,134	-	1,134
Due from other funds	9,895	-	9,895
TOTAL ASSETS	\$ 60,540	\$ 1,124	\$ 61,664
Liabilities and Fund Balances			
Liabilities			
Deferred Revenue	\$ 3,737	\$ -	\$ 3,737
TOTAL LIABILITIES	3,737	-	3,737
Fund Balances			
Reserved for inventory	1,679	-	1,679
Unreserved and undesignated	55,124	1,124	56,248
TOTAL FUND BALANCES	56,803	1,124	57,927
TOTAL LIABILITIES AND FUND BALANCES	\$ 60,540	\$ 1,124	\$ 61,664

See auditors' report.

SPRINGPORT PUBLIC SCHOOLS

SPECIAL REVENUE FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL Year Ended June 30, 2007

	School Lunch			Athletics		
	Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
Revenues						
Local sources	\$ 165,315	\$ 165,430	\$ 115	\$ 103,144	\$ 103,338	\$ 194
Federal aid	225,474	230,792	5,318	-	-	-
State aid	15,388	25,283	9,895	-	-	-
Transfer from general fund	-	-	-	184,197	184,197	-
TOTAL REVENUES	<u>406,177</u>	<u>421,505</u>	<u>15,328</u>	<u>287,341</u>	<u>287,535</u>	<u>194</u>
Expenditures						
Salaries	103,204	102,658	(546)	140,904	140,934	30
Benefits	52,091	51,535	(556)	34,663	34,663	-
Purchased services	26,768	26,769	1	64,081	63,843	(238)
Supplies and materials	231,734	236,782	5,048	24,312	24,312	-
Capital outlay	5,880	5,879	(1)	15,239	15,239	-
Other	16,800	16,799	(1)	8,105	8,105	-
TOTAL EXPENDITURES	<u>436,477</u>	<u>440,422</u>	<u>3,945</u>	<u>287,304</u>	<u>287,096</u>	<u>(208)</u>
Excess (Deficiency) of Revenues Over Expenditures	(30,300)	(18,917)	11,383	37	439	402
Fund Balances - July 1, 2006	75,720	75,720	-	685	685	-
Fund Balances - June 30, 2007	<u>\$ 45,420</u>	<u>\$ 56,803</u>	<u>\$ 11,383</u>	<u>\$ 722</u>	<u>\$ 1,124</u>	<u>\$ 402</u>

See auditors' report.

SPRINGPORT PUBLIC SCHOOLS

**DEBT RETIREMENT FUND
COMBINING BALANCE SHEET
June 30, 2007**

	2006 QZAB Debt	2006 Debt	1997/2005 Refunding Debt	1994/2003 Refunding Debt	Durant Issue	Totals
Assets						
Cash and investments	\$ 47,773	\$ 18,153	\$ 219,454	\$ 98,650	\$ -	\$ 384,030
TOTAL ASSETS	\$ 47,773	\$ 18,153	\$ 219,454	\$ 98,650	\$ -	\$ 384,030
Fund Balance						
Fund Balance Reserved for debt retirement	\$ 47,773	\$ 18,153	\$ 219,454	\$ 98,650	\$ -	\$ 384,030
TOTAL FUND BALANCE	\$ 47,773	\$ 18,153	\$ 219,454	\$ 98,650	\$ -	\$ 384,030

See auditors' report.

SPRINGPORT PUBLIC SCHOOLS

**DEBT RETIREMENT FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2007**

	2006 QZAB Debt	2006 Debt	1997/2005 Refunding Debt	1994/2003 Refunding Debt	Durant Issue	Totals
Revenues						
Local Sources:						
Property tax levy	\$ 42,735	\$ 261,681	\$ 668,695	\$ 312,322	\$ -	\$ 1,285,433
Delinquent/other taxes	4,960	-	-	-	-	4,960
Earnings on investments / other	83	1,003	9,098	2,986	-	13,170
TOTAL REVENUES	<u>47,778</u>	<u>262,684</u>	<u>677,793</u>	<u>315,308</u>	<u>-</u>	<u>1,303,563</u>
Expenditures						
Debt Service:						
Redemption of principal	-	-	300,000	230,000	-	530,000
Interest on debt	-	401,278	332,675	73,705	-	807,658
State Financing Repayment	-	118,000	350,576	-	-	468,576
Other	5	253	2,389	9,901	-	12,548
TOTAL EXPENDITURES	<u>5</u>	<u>519,531</u>	<u>985,640</u>	<u>313,606</u>	<u>-</u>	<u>1,818,782</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>47,773</u>	<u>(256,847)</u>	<u>(307,847)</u>	<u>1,702</u>	<u>-</u>	<u>(515,219)</u>
Other financing sources (uses):						
Transfer IN (OUT)	-	275,000	(275,000)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>275,000</u>	<u>(275,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change In Fund Balances	<u>47,773</u>	<u>18,153</u>	<u>(582,847)</u>	<u>1,702</u>	<u>-</u>	<u>(515,219)</u>
Fund Balances - July 1, 2006	<u>-</u>	<u>-</u>	<u>802,301</u>	<u>96,948</u>	<u>-</u>	<u>899,249</u>
Fund Balances - June 30, 2007	<u>\$ 47,773</u>	<u>\$ 18,153</u>	<u>\$ 219,454</u>	<u>\$ 98,650</u>	<u>\$ -</u>	<u>\$ 384,030</u>

See auditors' report.

SPRINGPORT PUBLIC SCHOOLS

CAPITAL PROJECTS FUND COMBINING BALANCE SHEET June 30, 2007

	2006 Debt	2005 Debt	Totals
Assets			
Cash and investments	\$ 1,712,576	\$ 443,182	\$ 2,155,758
TOTAL ASSETS	<u>\$ 1,712,576</u>	<u>\$ 443,182</u>	<u>\$ 2,155,758</u>
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 67,473	\$ 152,501	\$ 219,974
TOTAL LIABILITIES	<u>67,473</u>	<u>152,501</u>	<u>219,974</u>
Fund Balance			
Reserved for debt retirement	1,645,103	290,681	1,935,784
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,712,576</u>	<u>\$ 443,182</u>	<u>\$ 2,155,758</u>

See auditors' report.

SPRINGPORT PUBLIC SCHOOLS

**CAPITAL PROJECTS FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2007**

	<u>2006 Debt</u>	<u>2005 Debt</u>	<u>Totals</u>
Revenues			
Local Sources:			
Earnings on investments	\$ 230,257	\$ 25,942	\$ 256,199
TOTAL REVENUES	<u>230,257</u>	<u>25,942</u>	<u>256,199</u>
Expenditures			
Capital outlay	5,496,323	308,533	5,804,856
TOTAL EXPENDITURES	<u>5,496,323</u>	<u>308,533</u>	<u>5,804,856</u>
Excess (Deficiency) of Revenues Over Expenditures	(5,266,066)	(282,591)	(5,548,657)
Fund Balances - July 1, 2006	<u>6,911,169</u>	<u>573,272</u>	<u>7,484,441</u>
Fund Balances - June 30, 2007	<u>\$ 1,645,103</u>	<u>\$ 290,681</u>	<u>\$ 1,935,784</u>

See auditors' report.

SPRINGPORT PUBLIC SCHOOLS

TRUST AND AGENCY FUNDS COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES June 30, 2007

	GROUPS JULY 1, 2006	ADDITIONS	DEDUCTIONS	GROUPS JUNE 30, 2007
A Jean Behling Account	\$ 104.00	\$ -	-	\$ 104.00
Elementary Assemblies	3,247.03	1,500.00	2,790.00	1,957.03
Elementary Cheer Clinic	20.00	-	-	20.00
Elementary Ext Activities	2,182.81	8,521.76	7,427.85	3,276.72
Elementary Flowers	108.22	120.00	31.80	196.42
Elementary Fund Raiser	4,055.71	26,701.85	30,524.94	232.62
Elementary Library	592.14	4,160.53	4,040.43	712.24
Elementary Playground	19.26	5,678.06	1,174.57	4,522.75
Elementary Pop	322.72	2,778.55	2,735.40	365.87
Elementary SCVC	1,564.07	2,140.80	1,877.62	1,827.25
Elementary Special Account	2,890.39	4,362.45	5,172.44	2,080.40
Elementary Student Council	56.86	7,314.30	6,958.40	412.76
Elementary Teacher Supply	1,349.78	4,500.00	3,795.33	2,054.45
Elementary Title I	641.77	-	-	641.77
Elementary Water	0.90	637.85	621.52	17.23
Floyd Baum Memorial	1,165.00	-	-	1,165.00
Ginny Hammond Memorial	221.34	1,026.49	660.17	587.66
HS Academic Boosters	1,205.08	-	367.10	837.98
HS Annual	3,436.76	3,359.20	5,912.77	883.19
HS Art	184.18	-	-	184.18
HS Assemblies	487.84	-	-	487.84
HS Brick	1,282.53	50.00	-	1,332.53
HS Business Professionals	307.80	886.06	795.00	398.86
HS Charter	-	390.00	-	390.00
HS Carl Sharp Memorial	58.17	3,601.11	3,592.41	66.87
HS Cheerleading	4,125.67	3,704.50	7,827.77	2.40
HS Class of 2007	3,126.80	3,576.05	6,504.93	197.92
HS Class of 2008	2,247.48	2,861.00	3,342.35	1,766.13
HS Class of 2009	-	26.00	-	26.00
HS Class of 2010	-	560.72	500.00	60.72
HS Drama	2,212.52	1,644.39	2,998.54	858.37
HS FFA	841.99	26,180.57	26,915.99	106.57
HS FFA Alumni	187.00	350.00	336.00	201.00
HS FFA Student	4,949.39	-	4,208.12	741.27
HS Girls Basketball	696.50	4,377.00	5,012.86	60.84
HS Greenhouse	0.61	215.00	211.53	4.08
HS Landscape	216.29	-	-	216.29
HS Library	468.43	246.40	569.95	144.88
HS Lucy Baum Scholarship	144.05	-	-	144.05
HS Marshall Music	103.99	2,811.64	2,440.15	475.48
SUBTOTAL	44,825.08	124,282.28	139,345.74	29,761.62

Continued on next page

SPRINGPORT PUBLIC SCHOOLS

TRUST AND AGENCY FUNDS COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES June 30, 2007

	GROUPS JULY 1, 2006	ADDITIONS	DEDUCTIONS	GROUPS JUNE 30, 2007
HS National Honor Society	\$ 37.22	\$ 427.76	\$ 370.03	\$ 94.95
HS O. M.	2,644.84	3,551.12	2,113.80	4,092.16
HS Pasture Account	3,363.92	12,348.00	12,070.99	3,640.93
HS Pep Club	19.50	-	19.50	-
HS Pop	115.08	40,436.68	38,528.22	2,023.54
HS Poster	253.20	-	-	253.20
HS Produce	-	3,184.46	2,477.97	706.49
HS Project Outreach	142.70	-	142.70	-
HS SADD	97.84	-	97.84	-
HS Scholarship	18.00	-	-	18.00
HS Skills for Living	0.23	250.05	250.00	0.28
HS Softball Travel	18.59	100.00	-	118.59
HS Spartan Athletic Wear	20.49	26,115.52	25,801.77	334.24
HS Spartan Speedway	831.27	1,050.00	275.00	1,606.27
HS Stratford	833.16	-	805.11	28.05
HS Student Activities	520.12	6,305.04	3,461.65	3,363.51
HS Student Council	2,260.72	2,046.62	2,002.79	2,304.55
HS Subs	-	3,318.25	3,318.25	-
HS Teacher Pop	4.89	-	-	4.89
HS Volleyball	318.88	839.50	552.43	605.95
HS Weight Room	198.92	-	-	198.92
HS William Shedd	820.00	-	-	820.00
HS Wrestling	50.00	334.00	-	384.00
HS Youth Football	1,632.55	19,067.57	9,241.64	11,458.48
Interest Account	2,370.14	2,900.29	3,177.44	2,092.99
MS Activity Account	1,436.34	305.39	1,267.84	473.89
MS Charter	-	1,846.00	958.75	887.25
MS Fund	4,401.39	-	-	4,401.39
MS Girls Quest	-	1,150.00	1,150.00	-
MS Junior Achievement	90.12	-	-	90.12
MS Miscellaneous	1,831.65	1,155.62	2,841.10	146.17
MS Pop	905.86	862.23	904.90	863.19
MS Quiz	104.94	-	-	104.94
MS School Improvement	-	2,141.05	1,126.72	1,014.33
MS Seventh Grade Trip	43.00	3,686.00	3,568.63	160.37
MS Student Council	1,368.83	5,513.80	4,968.33	1,914.30
MS Talent Show	249.32	-	178.50	70.82
MS Yearbook	1,053.46	1,495.00	2,262.67	285.79
TOTAL	\$ 72,882.25	\$ 264,722.23	\$ 263,280.31	\$ 74,324.17

See auditors' report

SPRINGPORT PUBLIC SCHOOLS

PROPERTY TAX DATA Year Ended June 30, 2007

	Unpaid at JULY 1, 2006	Tax Levy	Adjustments and Collections	Unpaid (Deferred) at JUNE 30, 2007
General Fund	\$ 5,692	\$ 646,196	\$ 644,151	\$ 7,737
Debt Retirement Funds	-	1,290,394	1,290,394	-
TOTAL	\$ 5,692	\$ 1,936,590	\$ 1,934,545	\$ 7,737

Other Information

Taxable value of property assessed in the Springport Public Schools

	2007	
	Homestead	Non-homestead
Municipality:		
Calhoun County:		
Clarence Township	\$ 35,710,658	\$ 15,802,481
Sheridan Township	1,719,030	176,450
Eaton County:		
Brookfield Township	1,276,200	69,559
Hamlin Township	1,068,700	94,700
Ingham County:		
Onondaga Township	69,300	1,800
Jackson County:		
Parma Township	20,474,420	1,648,758
Springport Township	32,456,295	11,020,525
Tompkins Township	15,186,780	4,085,509
Total	\$ 107,961,383	\$ 32,899,782
Tax Levy (Mills):		
Debt Retirement Funds	8.9500	8.9500
General Fund	18.0000	18.0000
Total tax levy	26.9500	26.9500

Blended official student enrollment

1,051.14

See auditors' report.

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

Board of Education
Springport Public Schools
Springport, Michigan

We have audited the financial statements of the Springport Public Schools, as described in the table of contents, for the year ended June 30, 2007, and have issued our report thereon dated October 11, 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 the Springport Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Springport Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Springport Public Schools' internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the district's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses presented on page 52 to be significant deficiencies in internal control over financial reporting.

Board of Education
Springport Public Schools
Springport, Michigan

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described in the Schedule of Findings and Responses presented on page 52 is a material weakness.

Compliance and Other Matters

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

We also noted other matters that we have reported to the management of the Springport Public Schools in a separate letter dated October 11, 2007.

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

This report is intended for the information of the Springport Public Schools' management, the Michigan Department of Education, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

Drake, Watters & Associates, PLLC

Jackson, Michigan
October 11, 2007

SUMMARY OF AUDITORS' FINDINGS:**07-01:****Finding**

Internal control was found to have a significant deficiency in regards to segregation of duties. The District has an inadequate number of personnel to accomplish a proper segregation of duties.

Response

Since our district office staff currently consist of two full-time employees, it is difficult to separate the various duties to achieve an ideal segregation of duties. We have considered the need to separate the various accounting and recordkeeping functions. Where possible, we have cross-trained employees to reconcile the accounts of another person. We have established guidelines for supervisory approval of all invoices. As an additional measure, all payments receive board of trustee approval prior to issuance of checks. We will continue to pursue other measures that may be taken to improve our system.

07-02:**Finding**

The District employs individuals with adequate skills in regards to controls over the period-end financial reporting process, including controls over procedures used to post to the general ledger; initiate, authorize, record and process journal entries; and, record recurring and nonrecurring adjustments. However, a significant deficiency exists due to the fact that the District does not currently have personnel with a level of knowledge or expertise to prepare and take responsibility for the District's external financial statements.

Response

The District relies on the current accounting staff to maintain accounting records on a day-to-day basis. The current skill level of the staff is adequate for daily operation of the District and they are quite capable of providing management information necessary for the operation of the District. For technical matters beyond the expertise of the district staff, we seek professional consultation. Currently, our external financial statements are drafted with the assistance of our auditors. The statements are reviewed and approved by the District Superintendent prior to publishing.

07-03:**Finding**

The District had over-expenditures of their final budgets in both the General Fund and the School Services Fund. Such over-expenditures are a violation of Michigan Law.

Response

The District was in a period of transition due to the upcoming retirement of its superintendent and business manager. The Board of Trustees did amend the final budget on June 25, 2007. However, during the course of the audit of our financial statements, there were adjustments that increased expenditures and resulted in minor over-expenditures in the budgets. The District now has a new Superintendent and has hired an interim business manager to properly oversee the business office. It is not anticipated that this situation will recur in the future.