

**ALPENA PUBLIC SCHOOLS**

Audited Financial Statements and  
Other Supplementary Financial Information  
Year Ended June 30, 2007



*moving forward together*

**STRALEY, ILSLEY & LAMP P.C.**

### Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name ALPENA PUBLIC SCHOOLS	County ALPENA
Fiscal Year End JUNE 30, 2007	Opinion Date OCTOBER 26, 2007	Date Audit Report Submitted to State NOVEMBER 12, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

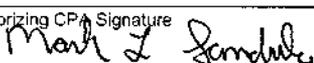
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**YES NO** Check each applicable box below. (See instructions for further detail.)

1.   All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.   There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.   The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.   The local unit has adopted a budget for all required funds.
5.   A public hearing on the budget was held in accordance with State statute.
6.   The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.   The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.   The local unit only holds deposits/investments that comply with statutory requirements.
9.   The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10.   There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.   The local unit is free of repeated comments from previous years.
12.   The audit opinion is UNQUALIFIED.
13.   The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.   The board or council approves all invoices prior to payment as required by charter or statute.
15.   To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) STRALEY, ILSLEY & LAMP P.C.		Telephone Number (989) 356-4531		
Street Address 2106 US 23 SOUTH		City ALPENA	State MI	Zip 49707
Authorizing CPA Signature 		Printed Name MARK L. SANDULA		License Number A 263243

**ANNUAL FINANCIAL REPORT  
OF  
ALPENA PUBLIC SCHOOLS**

**2373 Gordon Road  
Alpena, Michigan 49707  
(989) 358-5000**

**Year Ended June 30, 2007**

**BOARD OF EDUCATION**

**PRESIDENT**

Diane Shields

**VICE PRESIDENT**

Maureen C. Mead

**TREASURER**

Michael Barnett

**SECRETARY**

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(Appointed, Non-Voting)

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Joseph Stenz

Bruce Zann

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David J. Werner

**SUPERINTENDENT – 2007-08**

Brenton M. Holcomb

**ASSISTANT SUPERINTENDENT FOR OPERATIONS**

Diane M. Block

**ACCOUNTING/FINANCE SUPERVISOR**

Denise E. Kowalewsky

**INDEPENDENT AUDITORS.....** Straley, Ilesley & Lamp P.C.

**LEGAL COUNSEL.....** Thrun Law Firm, P.C.

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### INDEPENDENT AUDITORS' REPORT

To the Board of Education  
**Alpena Public Schools**  
Alpena, Michigan

We have audited the accompanying basic financial statements of **Alpena Public Schools**, as of and for the year ended June 30, 2007, as listed in the table of contents. These basic financial statements are the responsibility of **Alpena Public School's** management. Our responsibility is to express opinions on these basic 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 basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of **Alpena Public Schools** as of June 30, 2007, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued our report dated October 26, 2007, on our consideration of **Alpena Public School'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.

#### Required Supplemental Information

The Management's Discussion and Analysis and the required supplemental information identified in the table of contents are not a required part 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 supplemental information. However, we did not audit the information and express no opinion on it.

Individual Fund Financial Statements and Other Supplemental Information

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the **Alpena Public Schools**, taken as a whole. The accompanying information identified in the table of contents as individual financial statements and other supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements of **Alpena Public Schools**, Alpena, Michigan. The accompanying schedule of expenditures for federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of **Alpena Public Schools**, Alpena, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as whole.

*Straley, Isley & Lamp P.C.*

October 26, 2007

## Alpena Public Schools Management's Discussion and Analysis



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The following is management's discussion and analysis of the financial position and results of operations for the fiscal year ended June 30, 2007. Please read it in conjunction with the financial statements and related footnotes, which follow this section.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Alpena Public Schools financially as a whole. The *Government-Wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's governmental funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The annual report is arranged as follows:

Management's Discussion and Analysis (MD&A)  
(Required Supplemental Information)

#### Basic Financial Statements

Government-Wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

#### Required Supplemental Information

Budgetary information for General Fund and  
Special Revenue (School Service) Funds

#### Other Supplemental Information

Individual Fund Statements

Federal Financial Assistance

### **Reporting the School District as a Whole – Government-Wide Financial Statements**

The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information about the School District as a whole using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The statement of net assets includes all of the School District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

## Alpena Public Schools Management's Discussion and Analysis



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These two statements report the School District's net assets and how they have changed. Net assets – the difference between assets and liabilities, as reported in the statement of net assets – is one way to measure the School District's financial health, or position. Over time, increases or decreases in the School District's net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of Alpena Public Schools.

The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics and food services. Property taxes, unrestricted state aid (foundation allowance) and state and federal grants finance most of these activities.

### **Reporting the School District's Most Significant Funds – Fund Financial Statements**

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District may establish other funds to help it control and manage money for a particular purpose (the Food Service and Athletics Funds are examples) or to show that it is meeting its legal responsibilities for using certain taxes, grants, or other money. The governmental funds of the School District use the following accounting approach:

Governmental Funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash.

The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

### **The School District as Trustee – Reporting the School District's Fiduciary Responsibilities**

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

**Alpena Public Schools  
Management's Discussion and Analysis**



**The School District as a Whole**

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets as of June 30, 2007 and 2006:

<u>TABLE 1</u>	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Current and Other Assets	\$ 11,514,960	\$ 10,827,700
Property and Equipment	<u>32,013,838</u>	<u>32,862,069</u>
<b>Total Assets</b>	<u>\$ 43,528,798</u>	<u>\$ 43,689,769</u>
<b>LIABILITIES</b>		
Current Liabilities	\$ 5,728,424	\$ 5,337,601
Long-Term Liabilities	<u>19,715,980</u>	<u>20,701,713</u>
<b>Total Liabilities</b>	<u>\$ 25,444,404</u>	<u>\$ 26,039,314</u>
<b>NET ASSETS</b>		
Invested in property and equipment – net of related debt	\$ 11,252,526	\$ 11,142,437
Restricted	318,775	276,217
Unrestricted		
Designated	1,514,025	1,107,705
Undesignated	<u>4,999,068</u>	<u>5,124,096</u>
<b>Total Net Assets</b>	<u>\$ 18,084,394</u>	<u>\$ 17,650,455</u>

The above analysis focuses on the net assets. The School District's net assets increased by \$433,939 for the year ended June 30, 2007. The School District's net assets were \$18,084,394 at June 30, 2007. Capital assets, net of related debt totals \$11,252,526 and compares the original cost, less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets of \$318,775 are reported separately to show legal constraints from enabling legislation that limit the School District's ability to use those assets for day-to-day operations. The remaining amount of the net assets of \$6,513,093 was unrestricted and of this balance \$1,514,025 has been designated for specific uses.

The \$6,513,093 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The unrestricted net assets balance enables the School District to meet working capital and cash flow requirements as well as provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

**Alpena Public Schools  
Management's Discussion and Analysis**



The major components of the net increase in net assets are as follows:

*Operations* – Operational expenditures exceeded revenues by \$377,711 thereby decreasing assets.

*Capital Acquisitions* – The District invested \$377,707 in fixed asset additions during the year.

*Depreciation Expense* – Recording depreciation expense of \$1,225,938 recognizes wear and tear on the District's buildings, equipment, vehicles, etc. Depreciation expense reduces the net book value of those assets.

*Debt Repayment* – The District repaid \$994,181 in long-term debt, which has the effect of increasing net assets.

The results of this year's operations for the governmental activities of the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal year 2007 as compared to fiscal 2006:

<b><u>TABLE 2</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 1,780,645	\$ 1,542,928
Operating grants	5,138,808	5,197,431
General revenue:		
Property taxes	9,884,348	9,374,898
State aid – Unrestricted	26,221,975	26,244,245
Investment Earnings	259,360	217,699
Other	<u>281,724</u>	<u>430,479</u>
Total revenue	<u>\$ 43,566,860</u>	<u>\$ 43,007,680</u>
<b>Functions/Program Expenses</b>		
Instruction	\$ 24,200,032	\$ 25,058,375
Support services	14,133,557	15,124,193
Community Services	19,426	24,683
Food Service	1,916,178	2,044,578
Athletics	435,084	456,292
Payments to other governments	189,403	197,415
Facilities acquisition	-	3,490
Interest on long-term obligations	1,013,303	1,090,389
Depreciation (unallocated)	<u>1,225,938</u>	<u>1,927,695</u>
Total expenses	<u>43,132,921</u>	<u>45,927,110</u>
<b>Increase (Decrease) in Net Assets</b>	<u>\$ 433,939</u>	<u>\$( 2,919,430)</u>

## Alpena Public Schools Management's Discussion and Analysis



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As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$43,132,921. Certain activities were partially funded from those who benefited from the programs - \$1,780,645 - or by other governments and organizations that subsidized certain programs with grants and contributions - \$5,138,808. We paid for the remaining "public benefit" portion of our governmental activities with \$9,884,348 in taxes, \$26,221,975 in unrestricted state aid and with our other revenues (i.e., interest and other general revenue).

As discussed above, Table 2 shows the financial burden that was placed on the State and the School District's taxpayers by each of the functions listed. Since property taxes for operations and unrestricted state aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

### **The School District's Funds**

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide and may provide more insight into the School District's overall financial health. As the School District completed this year, the governmental funds reported a combined fund balance of \$7,158,132, which is a decrease of \$377,711 from last year.

By and large the decrease is due to planned spending as, in fact, the budget assumed more use of fund balance than occurred. Operating under the premise that school funding follows the economic condition of the State of Michigan and, hoping for the eventual recovery of Michigan's economy, the Board has devoted a portion of fund balance each of the last several years to tempering the budget reductions that would be necessary to maintain zero use of fund balance. Through the gradual use of the fund balance the School District has been able to protect a balanced and quality educational program. In doing so, it is hoped that the School District can outlive Michigan's economic downturn without reducing the educational opportunities of Alpena's students to a minimal and basic program level.

This decision by the Board must be confronted annually and each time the Board makes cuts in program and draws down some of the fund balance to make those wounds less deep. This decision was again made for the 2007-08 fiscal year. The 2007-08 budget as adopted in June of 2007 assumes the use of \$1,287,471 in fund balance. Unfortunately, this assumed use was also premised upon a somewhat optimistic picture of expected 07-08 state funding and might have to be revised upward. The Board of Education is fully aware that this heavy dependence upon fund balance to subsidize the budget cannot continue.

Our Special Revenue Funds showed a gain for the year, posting a net increase of \$71,659. The net result is a Special Revenue Fund Balance of 9% of operating expenditures. This is good news, as it will allow the special revenue funds to continue operating without subsidy from the General Fund, which is in no position to be called upon for funds.

## Alpena Public Schools Management's Discussion and Analysis



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The Debt Service Fund showed a fund balance increase of \$31,408. The Debt Service Fund millage rate was reduced .10 mills in 2006-07. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service.

The Debt Service Fund balance is reserved since it can only be used to pay debt service obligations. An attempt is made to levy millage in such an amount so that annual debt service requirements can be met without generating excess fund balance. However, a baseline fund balance is necessary because summer tax collections alone are not sufficient to make the November 1 bond payment. Levying enough millage to meet the November 1 payment would result in over-levying for the year.

The Capital Projects Fund was established in the 2004-05 fiscal year by action of the Board of Education. For many years the School District has allocated funds using operating sources to preserve and maintain its infrastructure. More recently, the District began allocating similar dollars to protect its investment in educational technologies. By establishing the Capital Projects Fund, the District hopes to make it easier for the public to understand the commitment to these two efforts. Any unspent annual appropriations transferred to the Capital Projects Fund will remain designated for the long-range maintenance and technology projects.

The Capital Projects Fund showed a fund balance increase of \$404,692. The Capital Projects Fund is funded with transfers from the General Fund earmarked for specific projects. Therefore, any fund balance that might be accumulated from year to year is to be carried forward to the ensuing fiscal year and designated for those projects through re-appropriation. Since much of the work is performed during the summer months, fund balance at June 30<sup>th</sup> is often used during July and August.

### **General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually approved just prior to year-end. (A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements).

A large portion of School District funding is in the form of state and local grants. It is common to receive notification of grant awards subsequent to the adoption of the original budget and throughout the year. Grant awards can also vary significantly from original estimates. Furthermore, many of our grants are in fact fifteen-month grants. Ongoing labor negotiations also create the need for frequent revisions. All of these things may necessitate budget amendments during the year.

On the revenue side, federal revenues were less than budgeted by about 12%. This is due in large part to the fact that federal grant awards overlap the fiscal year. On the expenditure side, supporting services expenditures were less than budgeted by about 4%. A significant part of that variance is due to an energy conservation program coupled with energy costs being less than budgeted, resulting in a positive variance of that function. In addition, a significant change occurred in the area of Facilities Acquisition. This was a result of unanticipated additional costs incurred at the tail end of the year related to conversion of an ongoing lease into a permanent easement. The dollar amount in relation to the total budget is insignificant. The same is true of the variance in the Debt Service category of the budget. The School District has a fully functional system of budgetary control in place but as dollars get tighter and uncertainty increases it will become more difficult to monitor.

**Alpena Public Schools  
Management's Discussion and Analysis**



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**Capital Assets and Debt Administration**

***Capital Assets***

At June 30, 2007 the School District had \$32,013,838 invested in a broad range of capital assets, including land, buildings, furniture and equipment, school buses, and vehicles. This amount represents a net decrease (including additions, deductions, and depreciation) of \$848,231 or 2.6 percent, from last year.

<b><u>Capital Assets</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
Assets not being depreciated – Land	\$ 3,402,222	\$ 3,357,222
Building and building improvements	41,326,283	41,038,919
Furniture and equipment	7,524,296	7,524,246
School Buses	2,057,378	2,355,410
Fleet Vehicles	<u>467,851</u>	<u>465,851</u>
Total capital assets	\$ 54,778,030	\$ 54,741,648
Less accumulated depreciation	<u>22,764,192</u>	<u>21,879,579</u>
Net capital assets	<u>\$ 32,013,838</u>	<u>\$ 32,862,069</u>

This year's additions of \$377,707 included equipment, technology, building renovations, and furniture. No new debt was issued for these additions.

Several capital projects are planned for the 2007-2008 fiscal year as the School District continues to allocate \$584,585 each year to fund its long-range maintenance plan. We anticipate capital additions will be approximately the same in the 2007-2008 fiscal year because the appropriation continues at the same amount. We present more detailed information about our capital assets in the notes to the financial statements.

***Debt***

At the end of this year, the School District had \$20,510,000 in outstanding bonded debt versus \$21,485,000 million last year – a decrease of \$975,000 or 4.1 percent.

The School District's 1996, 1998, and 1999 general obligation bonds are all insured. The insured credit rating is AAA from Standard and Poor's and Aaa from Moody's Rating Service. The underlying credit is for the State of Michigan, which is rated AA- by Standard and Poor's and Aa3 by Moody's Rating Service. The credit ratings for the State were downgraded this year. The State limits the amount of general obligation debt that schools can issue to 15 percent of the state equalized value of all taxable property within the School District's boundaries.

If the School District issues "Qualified Debt," that is debt backed by the State of Michigan; such obligations are not subject to this debt limit. The School District has no unqualified general obligation debt; the statutorily imposed debt limit is over \$202 million.

Other obligations include compensated absences. More detailed information about our long-term liabilities is contained in the notes to the financial statements.

## Alpena Public Schools Management's Discussion and Analysis



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### **Economic Factors and Next Year's Budgets and Rates**

The School Board and administration considered many factors when establishing the School District's 2007-08 fiscal year budget. One of the most important factors affecting the budget is the student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowed per pupil, less local property taxes. The blended count for the 2007-08 fiscal year will be 25 percent and 75 percent of the February 2007 and September 2007 student counts, respectively. The 2007-08 budget was adopted in June 2007, based on an estimate of students enrolled for the 2007-08 school year. Approximately 65 percent of total General Fund revenue is from the State's portion of the foundation allowance (net of property taxes.) Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, the School District's funding is heavily dependent on the State's ability to fund local school operations.

We now know that the fall student count will be about 60 students more than the estimates used in creating the 2007-08 budget. This actual count, although better than estimated, is still lower than the prior year's actual enrollment, as enrollment continues to decline steadily.

Even though the 2007-08 budget continues to be heavily dependent upon fund balance, this was not the sole means the Board of Education used to balance the budget. A total of twenty-two teaching positions (from 264 to 242) and a variety of other positions were eliminated from the budget, most through layoff. Class sizes increased accordingly, as enrollment declines were modest compared to staff reductions of this magnitude.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. As of this writing, it is unknown whether the per pupil amount guarantee of \$7,085 per pupil for the 2006-07 year will be increased. The 2007-08 budget assumed that an increase would be forthcoming. The economic health of the state of Michigan continues to rank at or near the bottom amongst the 50 states and funding continues to be tenuous. Once the final student count and related per pupil funding is confirmed, State law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations. It is likely that the budget will have to be adjusted to reflect changed circumstances.

### **Contacting the School District's Financial Management**

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Office at 2373 Gordon Road, Alpena, Michigan 49707 or (989) 358-5000.

Diane M. Block  
Assistant Superintendent for Operations

## **BASIC FINANCIAL STATEMENTS**

Alpena Public Schools

**STATEMENT OF NET ASSETS**

June 30, 2007

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 5,795,749
Receivables	
Taxes	78,613
Accounts	37,011
Interest	12,858
Due from other governmental units	4,813,150
Inventories	69,119
Prepaid expenses	418,301
Other assets	<u>290,159</u>
Total Current Assets	<u>11,514,960</u>
<b>NON-CURRENT ASSETS</b>	
Capital Assets	54,778,030
Less: Accumulated Depreciation	<u>(22,764,192)</u>
Total Non-Current Assets	<u>32,013,838</u>
<b>TOTAL ASSETS</b>	<u>43,528,798</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 172,975
Accrued interest	163,591
Other accrued expenses	1,186,414
Salaries payable	2,836,434
Due to other governmental units	187
Deferred revenue	156,055
Current portion of Long-term debt	<u>1,212,768</u>
Total Current Liabilities	<u>5,728,424</u>
<b>NON-CURRENT LIABILITIES</b>	
Non-current portion of Long-term debt	<u>19,715,980</u>
<b>TOTAL LIABILITIES</b>	<u>25,444,404</u>
<b>NET ASSETS</b>	
Investment in capital assets, net of related debt	11,252,526
Restricted	318,775
Unrestricted	
Designated	1,514,025
Undesignated	<u>4,999,068</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 18,084,394</u>

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

Alpena Public Schools

**STATEMENT OF ACTIVITIES- GOVERNMENTAL ACTIVITIES**

Year ended June 30, 2007

FUNCTION / PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants	
Instruction	\$ 24,200,032	\$ 466,747	\$ 2,632,277	\$ (21,101,008)
Supporting services	14,133,557	246,150	1,364,583	(12,522,824)
Community services	19,426	-	20,137	711
Food services	1,916,178	942,433	932,408	(41,337)
Athletics	435,084	125,315	-	(309,769)
Payments to other governments	189,403	-	189,403	-
Facilities acquisition	-	-	-	-
Interest on long-term obligations	1,013,303	-	-	(1,013,303)
Depreciation - unallocated	1,225,938	-	-	(1,225,938)
<b>Total Governmental Activities</b>	<b>43,132,921</b>	<b>1,780,645</b>	<b>5,138,808</b>	<b>(36,213,468)</b>
General Revenues:				
				7,886,772
				1,997,576
				26,221,975
				259,360
				281,724
				<u>36,647,407</u>
				433,939
				<u>17,650,455</u>
				<u>\$ 18,084,394</u>

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

Alpena Public Schools

**BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2007

	General	Special Revenue	Debt Service	Capital Outlay	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,498,541	\$ 60,195	\$ 237,013	\$ -	\$ 5,795,749
Receivables					
Taxes	73,749	-	4,864	-	78,613
Accounts	23,498	13,513	-	-	37,011
Interest	7,836	-	5,022	-	12,858
Due from other governmental units	4,809,499	894	2,757	-	4,813,150
Due from other funds	-	97,523	-	901,928	999,451
Inventories	17,098	52,021	-	-	69,119
Prepaid expenses	411,851	6,450	-	-	418,301
Other assets	290,159	-	-	-	290,159
<b>Total assets</b>	<b>\$ 11,132,231</b>	<b>\$ 230,596</b>	<b>\$ 249,656</b>	<b>\$ 901,928</b>	<b>\$ 12,514,411</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Accounts payable	\$ 112,087	\$ 3,984	\$ -	\$ 56,904	\$ 172,975
Accrued expenses	1,129,467	-	-	-	1,129,467
Salaries payable	2,836,434	-	-	-	2,836,434
Due to other governmental units	187	-	-	-	187
Due to other funds	1,061,161	-	-	-	1,061,161
Deferred revenue	155,705	350	-	-	156,055
<b>Total liabilities</b>	<b>5,295,041</b>	<b>4,334</b>	<b>-</b>	<b>56,904</b>	<b>5,356,279</b>
Fund Equity					
Fund balances					
Reserved	17,098	52,021	249,656	-	318,775
Unreserved					
Designated	669,001	-	-	845,024	1,514,025
Undesignated	5,151,091	174,241	-	-	5,325,332
	5,837,190	226,262	249,656	845,024	7,158,132
<b>Total liabilities and fund balances</b>	<b>\$ 11,132,231</b>	<b>\$ 230,596</b>	<b>\$ 249,656</b>	<b>\$ 901,928</b>	<b>\$ 12,514,411</b>

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

Alpena Public Schools

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES**

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Total Governmental Fund Balances		\$	7,158,132
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.			
Capital Assets	\$	54,778,030	
Less: Accumulated Depreciation		<u>(22,764,192)</u>	
			32,013,838
Accrued Interest on Long-term Debt			(163,591)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore not reported as liabilities in the funds.			
Long-term liabilities at year end consist of:			
USEPA loan		(4,425)	
Bonds payable		(20,723,724)	
Capital leases payable		(33,163)	
Compensated absences payable		<u>(167,436)</u>	
			(20,928,748)
The Internal Service Fund is used by management to charge the costs of activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets.			
			<u>4,763</u>
Total Net Assets - Governmental Activities		\$	<u>18,084,394</u>

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

Alpena Public Schools

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
GOVERNMENTAL FUNDS**

Year ended June 30, 2007

	General	School Service	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>					
Local sources					
Property taxes	\$ 7,886,772	\$ -	\$ 1,997,576	\$ -	\$ 9,884,348
Special education	722,677	-	-	-	722,677
Investment earnings	221,297	1,005	37,058	-	259,360
Food sales and athletics admissions	-	1,061,901	-	-	1,061,901
Other local sources	834,114	5,847	-	7,000	846,961
State sources	27,380,879	140,402	-	-	27,521,281
Federal sources	2,121,251	932,408	-	-	3,053,659
Total revenues	<u>39,166,990</u>	<u>2,141,563</u>	<u>2,034,634</u>	<u>7,000</u>	<u>43,350,187</u>
<b>EXPENDITURES</b>					
Current:					
Instruction	24,823,740	-	-	-	24,823,740
Supporting services	13,692,988	116,384	-	193,642	14,003,014
Community services	19,426	-	-	-	19,426
Food services	-	1,951,178	-	-	1,951,178
Athletics	-	435,084	-	-	435,084
Payments to other governments	189,403	-	-	-	189,403
Facilities acquisition	64,867	-	-	217,521	282,388
Debt service					
Principal	18,143	-	975,000	-	993,143
Interest and fees	2,296	-	1,028,226	-	1,030,522
Total expenditures	<u>38,810,863</u>	<u>2,502,646</u>	<u>2,003,226</u>	<u>411,163</u>	<u>43,727,898</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	356,127	(361,083)	31,408	(404,163)	(377,711)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers to/from other funds - net	(1,241,597)	432,742	-	808,855	-
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(885,470)	71,659	31,408	404,692	(377,711)
<b>FUND BALANCES, beginning of the year</b>	6,722,660	154,603	218,248	440,332	7,535,843
<b>FUND BALANCES, end of the year</b>	<u>\$ 5,837,190</u>	<u>\$ 226,262</u>	<u>\$ 249,656</u>	<u>\$ 845,024</u>	<u>\$ 7,158,132</u>

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

Alpena Public Schools

**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

---

Total net change in fund balances - governmental funds		\$	(377,711)
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.			
Depreciation expense	\$	(1,225,938)	
Capital asset additions		<u>377,707</u>	
			(848,231)
Net change in accrued interest on long-term liabilities			
Accrued interest at June 30, 2007		(163,591)	
Accrued interest at June 30, 2006		<u>180,810</u>	
			17,219
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.			
Acquisition of equipment with capital lease		(35,861)	
Debt service - principal payments		<u>994,181</u>	
			958,320
Net change in accrued compensated benefits on long-term liabilities			
Accrued special termination benefits at June 30, 2006		683,000	
Accrued vacation pay at June 30, 2007		(167,436)	
Accrued vacation pay at June 30, 2006		<u>164,015</u>	
			679,579
The Internal Service Fund is used by management to charge the costs of activities to individual funds. The activities of the internal service fund is reported with governmental activities.			
			<u>4,763</u>
Change in Net Assets of Governmental Activities		\$	<u><u>433,939</u></u>

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

Alpena Public Schools

**INTERNAL SERVICE FUND**

**BALANCE SHEET**

June 30, 2007

---

**ASSETS**

Due from other funds	<u>\$ 61,710</u>
Total assets	<u><u>\$ 61,710</u></u>

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ 38,672
Employee benefits payable	<u>18,275</u>
Total liabilities	<u>56,947</u>
Net Assets	
Unreserved, undesignated	<u>4,763</u>
Total equity	<u>4,763</u>
Total liabilities and equity	<u><u>\$ 61,710</u></u>

Alpena Public Schools

**INTERNAL SERVICE FUND**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

Year ended June 30, 2007

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**OPERATING REVENUES**

Local sources	
Charges to other funds - insurance	\$ 215,421
Miscellaneous	1,252
	<hr/>
Total revenues	216,673

**OPERATING EXPENSES**

Staff services	
Employee benefits	12,620
Purchased services	15,696
Supplies and materials	183,594
	<hr/>
	211,910
	<hr/>
Total expenses	211,910

**CHANGES IN NET ASSETS**

4,763

**NET ASSETS**, beginning of the year

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-

**NET ASSETS**, end of the year

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\$ 4,763

Alpena Public Schools

**INTERNAL SERVICE FUND**

**STATEMENT OF CASH FLOWS**

Year ended June 30, 2007

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Charges to other funds - insurance	\$ 153,711
Miscellaneous	1,252
Cash paid to service providers	<u>(154,963)</u>
Cash flows provided by operating activities	<u>-</u>
<b>CASH AND CASH EQUIVALENTS</b> , beginning of the year	<u>-</u>
<b>CASH AND CASH EQUIVALENTS</b> , end of the year	<u><u>\$ -</u></u>
<b>Reconciliation of operating income to net cash from Operating activities:</b>	
Operating Income	<u>\$ 4,673</u>
Adjustments:	
Increase in due from other funds	61,710
Increase in accrued expenses	(18,275)
Increase in accounts payable	<u>(38,762)</u>
	<u>4,673</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ -</u></u>

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

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Alpena Public Schools

**STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**

June 30, 2007

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	<u>Agency Fund</u>	<u>Scholarship Trust Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	<u>\$ 296,561</u>	<u>\$ 35,333</u>
Total assets	<u><u>\$ 296,561</u></u>	<u><u>\$ 35,333</u></u>
<b>LIABILITIES AND EQUITY</b>		
Liabilities		
Deposits held	<u>\$ 296,561</u>	<u>\$ -</u>
Total liabilities	<u>296,561</u>	<u>-</u>
Net Assets		
Reserved for scholarships	<u>-</u>	<u>35,333</u>
Total Liabilities and Equity	<u><u>\$ 296,561</u></u>	<u><u>\$ 35,333</u></u>

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

Alpena Public Schools

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**

Year Ended June 30, 2007

---

	<u>Scholarship Trust Funds</u>
<b>ADDITIONS</b>	
Private sources (contributions)	\$ 2,000
Earnings on investments and deposits	<u>1,722</u>
Total additions	<u>3,722</u>
<b>DEDUCTIONS</b>	
Scholarships awarded	<u>5,500</u>
<b>CHANGE IN NET ASSETS</b>	(1,778)
<b>NET ASSETS</b> - Beginning of the year	<u>37,111</u>
<b>NET ASSETS</b> - End of the year	<u><u>\$ 35,333</u></u>

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

Alpena Public Schools

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1--SIGNIFICANT ACCOUNTING POLICIES.**

The financial statements of Alpena Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the School District's accounting policies are described below:

**A. Description of Operations and Reporting Entity.**

**Description of Operations.** The School District operates under a locally elected seven-member Board form of government and provides educational and supportive services as mandated by the State of Michigan and/or federal agencies. The Alpena Public Schools were organized as part of an Alpena County school consolidation in 1963. This Board of Education controls the School District's instructional and support facilities and provides services to approximately 4,660 students in grades K-12.

**Reporting Entity.** A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Alpena Public Schools, this includes general operations, food services, athletics and student and supportive service activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt, or the levying of taxes. The School District has no component units.

**B. Fund Accounting.**

**Fund Accounting.** The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary and fiduciary.

**Governmental Funds.** Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

**General Fund.** This fund is used to record the general operations of the School District pertaining to education and those transactions not accounted for in another fund. Included are all transactions related to the approved current operating budget.

The expenditures are classified in accordance with the latest revised edition of the *Accounting Manual for Michigan School Districts* (Bulletin 1022, as revised) issued by the Michigan Department of Education as follows:

**Instruction** - Instruction includes the activities dealing directly with the teaching of pupils or the interaction between teacher and pupils. Teaching may be provided for pupils in a school classroom; in another location, such as in a home or hospital; and other learning situations, such as those involving co-curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone, and correspondence. Included here are the activities of aides, assistants of any type, and supplies and machines which assist directly in the instruction process.

Alpena Public Schools

**NOTES TO FINANCIAL STATEMENTS**

**Supporting Services** - Supporting services are those services which provide administrative, technical (such as guidance and health), and logistical support to facilitate and enhance instruction and, to a lesser degree, community services. Supporting services exist as adjuncts for the fulfillment of the objectives of instruction, rather than as entities within themselves.

**Community Services** - Community services consist of those activities that are not directly related to providing education for pupils in a school system. These include services provided by the school system for the community as a whole or some segment of the community, such as community recreation programs, civic activities, public libraries, programs of custody and care of children, and community welfare activities.

**Special Revenue Funds.** Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specific purposes. The only special revenue fund is the School Service Fund which maintains the school's food service and athletics activities.

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

**Capital Projects Fund.** The Capital Projects Fund is used to account for resources for the acquisition of capital facilities by the District.

**Internal Service Fund.** The Internal Service Fund is used to report activities that provide goods or services to other funds, on a cost-reimbursement basis.

**Fiduciary Funds.** Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for 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.

**C. Basis of Presentation.**

**Government-wide Financial Statements.** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The financial activities of Alpena Public Schools are all considered governmental and do not reflect any business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements.** Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The School District has elected to present all governmental funds as major funds. Fiduciary funds are reported by fund type.

Alpena Public Schools

**NOTES TO FINANCIAL STATEMENTS**

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Fiduciary funds are reported using the economic resources measurement focus.

**D. Basis of Accounting.**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

**Revenues.** Exchange and Non-exchange Transactions Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available in advance, interest, tuition, grants, student fees and rentals.

**Deferred Revenue.** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

**Expenses/Expenditures.** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

**Cash and Cash Equivalents.** Cash equivalents include certificates of deposit and other short-term, highly liquid investments that are readily convertible to known amounts of cash.

During the fiscal year ended June 30, 2007, investments were limited to certificates of deposit and the Michigan Liquid Asset Fund (MILAF). MILAF is an investment pool managed by The PFM Group, which allows school districts within the State of Michigan to pool their funds for investment purposes. Investments in MILAF are valued at cost, which equals market value.

Alpena Public Schools

**NOTES TO FINANCIAL STATEMENTS**

**Inventories and Supplies.** On government-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

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

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

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
School Buses	10 years
Fleet Vehicles	8 years

**Interfund balances.** On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**Compensated Absences.** The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation pay has been accrued as a long-term liability. Vacation pay of up to 22 days annually is earned by school employees (except administrators, teachers, aides and bus drivers).

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

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources.

Alpena Public Schools

**NOTES TO FINANCIAL STATEMENTS**

**Accrued Liabilities and Long-term Obligations.** All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

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

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

**Encumbrances.** Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation is not employed by the School District. Commitments outstanding at year end are charged against the subsequent year's appropriation once received and approved.

**Use of Estimates.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Reclassification.** Certain items reported in the June 30, 2006, financial statements may have been reclassified to conform to the presentation for the current year.

**NOTE 2--LEGAL COMPLIANCE.**

**Budgets and Budgetary Accounting.** Prior to adoption of the budgets, the school administration prepares and submits their proposed operating budgets commencing the following July 1. A public hearing is conducted to obtain interested party comments. Prior to July 1 the budget is adopted by the Board of Education. Budgeted amounts are as originally adopted or as amended by the Board of Education. Unused appropriations at June 30 are not carried forward to the following year.

The provisions of the Uniform Budgeting and Accounting Act, P.A. 621 became effective in July 1981. The Act provides major revenue categories and expenditure functions that constitute minimal levels.

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

During the year ended June 30, 2007, the District did not incur revenue, expenditure, or use of fund equity balances that exceeded 1% of amounts appropriated in budgetary funds. Minor immaterial violations are disclosed in budgetary comparison schedules in the required supplemental information.

Alpena Public Schools

NOTES TO FINANCIAL STATEMENTS

NOTE 3--DEPOSITS AND INVESTMENTS.

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

Investment Type	Fair Value	Weighted Average Maturity (Days)
Liquid asset funds	\$ 2,215,091	0.00
Certificates of deposit	2,027,120	31.49
MILAF term funds	1,228,245	69.86
Total Fair Value	\$ 4,883,201	
Portfolio weighted average maturity		33.81

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates by: 1) 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 2) investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District’s cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2007, the District did not have any investments which have this type of risk.

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the district’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk – deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of June 30, 2007, \$473,950 of the District’s bank balance of \$613,322 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the district’s name. Certificates of deposit are not included in the above totals.

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

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

The Board of Education authorized the following financial institutions for the investment of the District’s funds for the year ended June 30, 2007: Bank of Alpena, Citizens Bank, Flagstar Bank, National City Bank, Independent Bank, Alpena Alcona Area Credit Union, First Federal of Northern Michigan and the Michigan Liquid Asset Fund.

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

Alpena Public Schools

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4--INTERFUND RECEIVABLE AND PAYABLE BALANCES.**

Individual fund interfund receivable and payable balances at June 30, 2007, are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 1,061,162
Special Revenue Fund	97,523	-
Capital Projects Fund	901,929	-
Internal Service Fund	<u>61,710</u>	<u>-</u>
	<u>\$ 1,061,162</u>	<u>\$ 1,061,162</u>

The outstanding balances between funds result mainly from the time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made. All amounts are expected to be repaid within one year.

**NOTE 5-- CAPITAL ASSETS.**

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

	<u>Balances June 30, 06</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balances June 30, 07</u>
Capital assets not being depreciated:				
Land	\$ 3,357,222	\$ 45,000	\$ -	\$ 3,402,222
Capital assets being depreciated:				
Buildings and improvements	41,038,919	183,107	104,257	41,326,283
Equipment	7,524,246	147,600	( 147,550)	7,524,296
School Buses	2,355,410	-	(298,032)	2,057,378
Fleet Vehicles	<u>465,851</u>	<u>2,000</u>	<u>-</u>	<u>467,851</u>
Subtotal	51,384,426	332,707	( 341,325)	51,375,808
Less: Accumulated Depreciation				
Buildings and improvements	(13,775,756)	(869,344)	1,953	(14,643,147)
Equipment	(6,283,566)	(138,447)	41,340	(6,380,673)
School Buses	(1,400,338)	(205,739)	298,032	(1,308,045)
Fleet Vehicles	<u>(419,919)</u>	<u>(12,408)</u>	<u>-</u>	<u>(432,327)</u>
Total Accumulated Depreciation	<u>(21,879,579)</u>	<u>(1,225,938)</u>	<u>341,325</u>	<u>(22,764,192)</u>
Governmental Activities -				
Capital Assets – Net	<u>\$ 32,862,069</u>	<u>\$ ( 848,231)</u>	<u>\$ -</u>	<u>\$ 32,013,838</u>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

Alpena Public Schools

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6--LONG-TERM DEBT.**

Changes in long-term debt of the School District are as follows:

	Balances, Jun 30, 2006	Additions	(Deductions)	Balances, Jun 30, 2007	Due within one year
General Obligation Loans and Bonds:					
US EPA Loan	\$ 13,274	\$ -	\$ (8,849)	\$ 4,425	\$ 4,425
Building and Site Bonds (Serial and Term)	21,485,000	-	(975,000)	20,510,000	1,035,000
School Improvement Bonds	213,724	-	-	213,724	-
Capital Lease Purchase	7,634	35,861	(10,332)	33,163	5,907
Total bond obligations	<u>21,719,632</u>	<u>35,861</u>	<u>(994,181)</u>	<u>20,761,312</u>	<u>1,045,332</u>
Other long-term obligations:					
Accumulated vacation benefits	164,015	167,436	(164,015)	167,436	167,436
Special termination benefits	<u>683,000</u>	<u>-</u>	<u>(683,000)</u>	<u>-</u>	<u>-</u>
Total other long-term obligations	<u>847,015</u>	<u>167,436</u>	<u>(847,015)</u>	<u>167,436</u>	<u>167,436</u>
Total	<u>\$ 22,566,647</u>	<u>\$ 203,297</u>	<u>\$(1,841,196)</u>	<u>\$ 20,928,748</u>	<u>\$ 1,212,768</u>

The annual requirements to pay principal and interest on long-term debt outstanding at June 30, 2007 are as follows:

<u>For the year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Requirement</u>
2008	\$ 1,212,768	\$ 963,167	\$ 2,175,935
2009	1,120,680	920,773	2,041,453
2010	1,227,045	885,181	2,112,226
2011	1,235,312	807,864	2,043,176
2012	1,287,990	746,029	2,034,019
2013-2017	7,114,953	2,830,520	9,645,473
2018-2022	<u>7,730,000</u>	<u>1,103,978</u>	<u>8,833,978</u>
	<u>\$20,928,748</u>	<u>\$ 8,257,512</u>	<u>\$ 29,186,260</u>

**1996 School Building and Site Bonds.** On June 10, 1996, the qualified electors of Alpena Public Schools, Counties of Alpena and Presque Isle, State of Michigan (the "School District") approved a proposal authorizing the School District to issue bonds in the sum of not to exceed \$26,995,000 for the purpose of erecting, furnishing and equipping a new elementary school, a new junior high school and additions to school buildings; remodeling, refurbishing and re-equipping school buildings; acquiring and installing computers and education technology systems; and acquiring, developing and improving sites. The bonds, dated August 14, 1996, are a full faith and credit unlimited tax general obligation of the School District and the principal and interest and any premium thereon will be payable from the proceeds of ad valorem taxes levied on all taxable property in the School District.

Alpena Public Schools

**NOTES TO FINANCIAL STATEMENTS**

On October 15, 1998 and February 4, 1999, the Alpena Public Schools issued \$9,460,000 and \$9,400,000, respectively, in Refunding Bonds with an average interest rate of 4.674% to advance refund \$17,360,000 of outstanding 1996 School Building and Site Bonds with an average interest rate of 5.657%. The net proceeds of \$18,513,800 (after payment of \$346,200 in underwriting fees, insurance, and other issuance costs) plus an additional \$424,816 of 1996 School Building and Site Bond Debt Retirement Fund monies were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the advance-refunded portion of the 1996 School Building and Site Bonds. As a result the 1996 bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

The Alpena Public Schools advance refunded the 1996 School Building and Site Bonds to reduce its total debt service payments for years 1999 through 2022 by \$996,785 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$647,073.

**NOTE 7--FUND BALANCE RESERVATIONS AND DESIGNATIONS.**

Amounts of the various fund balances reserved or designated at June 30 are as follows:

<u>Fund</u>	<u>2007</u>	<u>2006</u>
General Fund		
Reserved for inventories	\$ <u>17,098</u>	\$ <u>35,365</u>
School Service Fund		
Reserved for inventories	<u>52,021</u>	<u>22,604</u>
Debt Service Fund		
Reserved for debt service	<u>249,656</u>	<u>218,248</u>
	<u>318,775</u>	<u>276,217</u>
General Fund		
Designated for capital outlay	300,000	300,000
Designated for capital improvements and maintenance	75,000	75,000
Designated for textbooks	246,000	246,000
Designated for programs	<u>48,001</u>	<u>45,173</u>
Total General Fund	<u>669,001</u>	<u>666,173</u>
School Service Fund		
Designated for Programs	<u>-</u>	<u>1,200</u>
Capital Projects Fund		
Designated for Maintenance	368,321	158,491
Designated for Replacement of Junior High School Roof	200,000	100,000
Designated for technology	<u>276,703</u>	<u>181,841</u>
Total Capital Projects Fund	<u>845,024</u>	<u>440,332</u>
	<u>1,514,025</u>	<u>1,107,705</u>
Total reservations and designations	\$ <u>1,832,800</u>	\$ <u>1,383,922</u>

Alpena Public Schools

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8--INTERFUND TRANSFERS.**

The General Fund transferred \$432,742 to the School Service Fund and \$808,855 to the Capital Projects Fund. These transfers were made to subsidize operations.

**NOTE 9--PROPERTY TAXES.**

The assessed values of real and personal property situated in the School District are established annually by local taxing authorities as of December 31, and are equalized by the State at an estimated 50% of current market value. The property tax is levied on July 1 and becomes delinquent after September 14 for City of Alpena residents (representing approximately 30% of collections), with the remainder levied December 1 and payable by February 14. Uncollected property taxes as of March 1 are added to the County delinquent tax rolls. By agreement with Alpena and Presque Isle Counties, the Counties purchase at face value the real property taxes receivable returned delinquent each March 1. The property value used for determining the amount of property tax levied is known as the "taxable value" (TV). This differs from the State Equalized Value (SEV) by limiting annual increases to a cost-of-living adjustment or 5 percent, whichever is less. The Taxable Value (TV) for the 2006-07 school year in the Alpena Public Schools was established at \$553,870,821 for homestead property and \$434,795,688 for non-homestead property. A local operating millage of 18.0000 mills, approved by the voters of the district, and as adjusted by the provisions of the Headlee Amendment, is levied against non-homestead property. The District voters also approved an additional 2.98 mills for debt extinguishment. Mills of 2.0000 were levied for this purpose for the 2006-07 school year. Debt retirement mills are levied on the total taxable value of \$988,666,509.

**NOTE 10--SCHOOL FUNDING.**

With approval of Proposal "A" by Michigan voters, the so-called Bursley funding formula was replaced in 1994 by a system of base foundation grants between \$4,508 and \$6,808 per pupil in each local school district in Michigan. Under the formula, the initial Base Foundation Allowance (BFA) of \$5,000 has been adjusted annually and provision made for partial "catch-up" for those districts whose allowance continued to fall below the BFA threshold. In 2000-01 a final catch-up payment was received by the School District resulting in a foundation allowance equal to the BFA.

For 2006-07 the BFA was \$7,085. This was an increase over the prior year of \$210 per pupil. Future adjustments to the base grant will be based on a revenue index, subject to the legislative process. Most categorical aid was rolled into the base foundation amount, except for special education, special education transportation, adult education, early childhood education and vocational education funding.

As part of Proposal "A", a two-cent increase in the state sales tax was approved along with several other smaller specific tax increases, while eliminating local school operating property taxes for homestead and qualified agricultural property owners. A 6-mill statewide education tax was imposed on all property, with an additional local property tax of 18 mills required on all non-homestead and non-qualified agricultural properties. The 6-mill education tax is not subject to further voter approval, but continuing authorization from local voters for the 18-mill local tax is required and is subject to the Headlee Amendment. Further authorization was granted to local school districts to secure voter approval for up to 3 enhancement mills for up to three years, beginning with the 1994-95 school year. After the 1996-97 school year, any enhancement mills must be approved on an intermediate school district-wide basis.

Alpena Public Schools

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 11--DEFINED BENEFIT PENSION PLAN AND POST-EMPLOYMENT BENEFITS.**

**Plan Description.** The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple- employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at P.O. Box 30171, Lansing, MI 48909-7611.

**Funding Policy.** 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 an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totaled 16.34 percent for the period from July 1, 2006 through September 30, 2006 and 17.74 percent for the period from October 1, 2006 through June 30, 2007 of the covered payroll to the plan. The School District's contributions to the MPSERS plan for the years ended June 30, 2007, 2006 and 2005 were \$3,985,535, \$3,925,844, and \$3,444,853 respectively. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. For the years ended June 30, 2007, 2006, and 2005, Alpena Public School employees contributed \$ 769,715, \$816,670, and \$783,842 respectively.

**Postemployment Benefits.** Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverages. Retirees having these coverage's contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPSERS plan discussed above. The School District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

In addition to the pension benefits described above, the School District provides post-employment health care benefits (reimbursement of premium co-payment) not covered by the Michigan Public School Employee's Retirement System (MPSERS) for administrative personnel (who are otherwise eligible under the MPSERS) until they reach Medicare age. These former employees receive post-employment health care coverage through the MPSERS. Currently, 15 employees meet the eligibility requirements as defined under the contractual agreement for reimbursement of premium co-payments. Expenditures for post-retirement health care benefits are recognized as retirees' premiums for health care are received and presented for payment. For the years ended June 30, 2007, 2006, and 2005 expenditures of \$20,198, \$17,523, and \$18,245, respectively, were recognized for post-retirement health care.

**Special Termination Benefits.** During the 2005-06 fiscal year, the School District offered a Voluntary Severance Plan (VSP) to qualified members of its Administrative and Teacher groups. Under the terms of the Plan, the employees who voluntarily resigned effective June 30, 2006 collectively received an employer-paid annuity totaling \$146,000. A second and final employer-paid annuity payment to the former employees totaling \$683,000 was paid in January 2007.

**NOTE 12--CONTINGENCIES, CLAIMS AND LITIGATION.**

There are various legal actions pending against the School District. Due to the inconclusive nature of these actions, it is not possible to determine in the aggregate the total ultimate liability, if any. It is the policy of the District to record a liability for any contingency, claim or lawsuit when the loss is probable and an amount can be reasonably estimated.

## **REQUIRED SUPPLEMENTARY INFORMATION**

## Alpena Public Schools

**REQUIRED SUPPLEMENTARY INFORMATION****BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

Year ended June 30, 2007

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 9,325,459	\$ 9,587,040	\$ 9,664,860	\$ 77,820
State sources	27,110,487	27,396,318	27,380,879	(15,439)
Federal sources	2,132,599	2,416,473	2,121,251	(295,222)
Total revenues	<u>38,568,545</u>	<u>39,399,831</u>	<u>39,166,990</u>	<u>(232,841)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	24,462,651	25,051,620	24,823,740	227,880
Supporting services	14,337,841	14,269,229	13,692,988	576,241
Community services	21,325	23,928	19,426	4,502
Payments to other governments	216,486	178,910	189,403	(10,493)
Facilities acquisition	-	20,000	64,867	(44,867)
Debt service	8,850	20,440	20,439	1
Total expenditures	<u>39,047,153</u>	<u>39,564,127</u>	<u>38,810,863</u>	<u>753,264</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(478,608)</u>	<u>(164,296)</u>	<u>356,127</u>	<u>520,423</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	-	-	-	-
Transfers to other funds	(1,229,855)	(1,243,855)	(1,241,597)	2,258
	<u>(1,229,855)</u>	<u>(1,243,855)</u>	<u>(1,241,597)</u>	<u>2,258</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>(1,708,463)</u>	<u>(1,408,151)</u>	<u>(885,470)</u>	<u>522,681</u>
<b>FUND BALANCES</b> , beginning of the year	<u>6,722,660</u>	<u>6,722,660</u>	<u>6,722,660</u>	<u>-</u>
<b>FUND BALANCES</b> , end of the year	<u>\$ 5,014,197</u>	<u>\$ 5,314,509</u>	<u>\$ 5,837,190</u>	<u>\$ 522,681</u>

Alpena Public Schools

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE - SCHOOL SERVICE - ATHLETICS FUND**

Year ended June 30, 2007

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 104,000	\$ 120,734	\$ 125,315	\$ 4,581
Total revenues	104,000	120,734	125,315	4,581
<b>EXPENDITURES</b>				
Current:				
Operating buildings services	700	700	700	-
Pupil transportation services	106,650	122,150	114,406	7,744
Athletic activities	432,044	448,478	435,084	13,394
Total expenditures	539,394	571,328	550,190	21,138
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(435,394)</u>	<u>(450,594)</u>	<u>(424,875)</u>	<u>25,719</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	421,000	435,000	432,742	(2,258)
Transfers to other funds	-	-	-	-
	<u>421,000</u>	<u>435,000</u>	<u>432,742</u>	<u>(2,258)</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(14,394)	(15,594)	7,867	23,461
<b>FUND BALANCES</b> , beginning of the year	20,594	20,594	20,594	-
<b>FUND BALANCES</b> , end of the year	<u>\$ 6,200</u>	<u>\$ 5,000</u>	<u>\$ 28,461</u>	<u>\$ 23,461</u>

## Alpena Public Schools

## REQUIRED SUPPLEMENTARY INFORMATION

## BUDGETARY COMPARISON SCHEDULE - SCHOOL SERVICE - FOOD SERVICE FUND

Year ended June 30, 2007

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 972,000	\$ 914,000	\$ 943,438	\$ 29,438
State sources	150,000	150,000	140,402	(9,598)
Federal sources	931,000	904,000	932,408	28,408
Total revenues	2,053,000	1,968,000	2,016,248	48,248
<b>EXPENDITURES</b>				
Current:				
Pupil transportation services	2,000	2,000	1,278	722
Food services	2,108,500	1,974,615	1,951,178	23,437
Total expenditures	2,110,500	1,976,615	1,952,456	24,159
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(57,500)</u>	<u>(8,615)</u>	<u>63,792</u>	<u>72,407</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
	-	-	-	-
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>(57,500)</u>	<u>(8,615)</u>	<u>63,792</u>	<u>72,407</u>
<b>FUND BALANCES</b> , beginning of the year	134,009	134,009	134,009	-
<b>FUND BALANCES</b> , end of the year	<u>\$ 76,509</u>	<u>\$ 125,394</u>	<u>\$ 197,801</u>	<u>\$ 72,407</u>

## **INDIVIDUAL FUND STATEMENTS**

## Alpena Public Schools

**GENERAL FUND****BALANCE SHEET**

	June 30	
	2007	2006
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,292,218	\$ 2,135,608
Investments	3,206,323	2,664,401
Receivables		
Taxes	73,749	59,574
Accounts	23,498	34,780
Interest	7,836	2,041
Due from other governmental units	4,809,499	5,107,872
Inventories	17,098	35,365
Prepaid expenses	411,851	3,569
Other assets	290,159	318,746
Total assets	<u>\$ 11,132,231</u>	<u>\$ 10,361,956</u>
<b>LIABILITIES AND EQUITY</b>		
Accounts payable	\$ 112,087	\$ 99,805
Employee benefits payable	1,129,467	828,563
Salaries payable	2,836,434	2,235,287
Due to other governmental units	187	938
Due to other funds	1,061,161	354,977
Deferred revenue	155,705	119,726
Total liabilities	<u>5,295,041</u>	<u>3,639,296</u>
Fund balances		
Reserved for inventories	17,098	35,365
Unreserved		
Designated	669,001	666,173
Undesignated	5,151,091	6,021,122
Total fund equity	<u>5,837,190</u>	<u>6,722,660</u>
Total liabilities and equity	<u>\$ 11,132,231</u>	<u>\$ 10,361,956</u>

Alpena Public Schools

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30			
	2007 Budget		2007	2006
	Original	Final	Actual	Actual
<b>REVENUES</b>				
<b>LOCAL SOURCES</b>				
Property Taxes	\$ 7,928,183	\$ 7,861,344	\$ 7,886,772	\$ 7,389,192
Penalties and Interest on Taxes	12,000	8,000	12,561	12,951
Other Taxes	8,000	3,750	3,753	3,797
Tuition and Fees	57,000	63,233	63,479	92,386
Tuition and Fees - Summer School	105,000	112,510	113,140	98,835
Tuition and Fees - Preschool	57,000	40,000	40,628	-
Interest on Investments	135,000	215,000	221,297	194,863
Sales to Users	80,000	54,465	62,729	116,302
Medicaid Fee for Service	68,000	101,076	101,075	130,188
Rents	78,776	77,776	75,722	75,286
Contributions	15,000	125,591	169,167	83,502
Beverage Consortium Exclusivity Fees	25,000	16,000	7,432	24,650
Insurance Proceeds	75,000	6,285	7,972	175,922
Special Education	579,000	722,676	722,677	578,792
Tuition and Fees from Other Districts	70,000	86,205	79,422	75,716
Sale of School Property	2,500	51,929	53,496	68,070
Other	30,000	41,200	43,538	43,221
	<u>9,325,459</u>	<u>9,587,040</u>	<u>9,664,860</u>	<u>9,163,673</u>
<b>STATE SOURCES</b>				
State School Aid - Unrestricted	24,822,674	24,954,620	24,971,801	24,933,837
State School Aid - Restricted	2,287,813	2,441,698	2,409,078	2,425,155
	<u>27,110,487</u>	<u>27,396,318</u>	<u>27,380,879</u>	<u>27,358,992</u>
<b>FEDERAL SOURCES</b>				
Title I	1,045,000	1,149,315	925,331	961,846
Workforce Investment Act	346,452	471,869	474,602	448,471
Title II	335,000	357,305	313,507	380,191
Vocational Education	307,800	307,800	299,686	319,724
Adult Education Literacy	48,000	47,300	47,300	48,000
Safe and Drug Free Schools	24,347	25,389	24,538	33,001
Title V	5,000	5,356	1,331	6,841
Homeland Security	-	-	-	14,674
Other	21,000	52,139	34,956	32,236
	<u>2,132,599</u>	<u>2,416,473</u>	<u>2,121,251</u>	<u>2,244,984</u>
Total revenues	<u>38,568,545</u>	<u>39,399,831</u>	<u>39,166,990</u>	<u>38,767,649</u>

## Alpena Public Schools

## GENERAL FUND

## STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES

	Year Ended June 30			
	2007 Budget		2007	2006
	Original	Final	Actual	Actual
<b>EXPENDITURES</b>				
<b>INSTRUCTION, BASIC PROGRAMS</b>				
Elementary (K-6)				
Salaries	\$ 6,330,940	\$ 6,382,884	\$ 6,437,697	\$ 6,653,181
Employee benefits	3,122,385	3,196,305	3,247,217	2,871,381
Purchased services	14,000	13,743	9,994	8,745
Supplies and materials	185,535	233,950	203,112	148,405
Capital outlay	6,666	6,666	-	12,186
	<u>9,659,526</u>	<u>9,833,548</u>	<u>9,898,020</u>	<u>9,693,898</u>
Junior High (7-8)				
Salaries	1,909,392	1,915,092	1,910,154	1,999,063
Employee benefits	985,540	1,049,974	1,056,349	866,584
Purchased services	5,050	5,027	4,078	4,225
Supplies and materials	68,241	63,388	51,658	87,070
Capital outlay	6,667	2,553	538	3,582
Other	1,360	1,365	1,320	930
	<u>2,976,250</u>	<u>3,037,399</u>	<u>3,024,097</u>	<u>2,961,454</u>
High School (9-12)				
Salaries	3,841,594	4,021,567	4,003,579	3,962,808
Employee benefits	1,783,079	1,880,583	1,879,694	1,705,432
Purchased services	181,800	135,724	131,128	158,083
Supplies and materials	150,769	179,513	157,794	252,425
Capital outlay	1,000	35,144	34,889	13,170
Other	4,300	5,074	4,835	3,992
	<u>5,962,542</u>	<u>6,257,605</u>	<u>6,211,919</u>	<u>6,095,910</u>
Preschool				
Salaries	160,908	163,261	165,172	156,908
Employee benefits	58,343	64,013	64,320	54,153
Purchased services	82,000	63,950	45,170	624
Supplies and materials	2,122	14,622	13,588	4,789
Capital outlay	-	7,400	7,400	-
Other	-	600	691	-
	<u>303,373</u>	<u>313,846</u>	<u>296,341</u>	<u>216,474</u>
Summer School				
Salaries	90,978	116,305	98,145	132,083
Employee benefits	21,688	27,285	22,370	26,276
Purchased services	-	613	113	473
Supplies and materials	519	22,696	12,444	5,472
	<u>113,185</u>	<u>166,899</u>	<u>133,072</u>	<u>164,304</u>
Total instruction, basic programs	<u>19,014,876</u>	<u>19,609,297</u>	<u>19,563,449</u>	<u>19,132,040</u>

## Alpena Public Schools

**GENERAL FUND****STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30			
	2007 Budget		2007	2006
	Original	Final	Actual	Actual
<b>INSTRUCTION, ADDED NEEDS</b>				
Special Education				
Salaries	\$ 2,333,581	\$ 2,314,475	\$ 2,275,533	\$ 2,308,505
Employee benefits	949,845	956,195	969,264	938,200
Purchased services	4,500	4,500	2,808	4,891
Supplies and materials	17,360	19,844	13,924	14,595
	<u>3,305,286</u>	<u>3,295,014</u>	<u>3,261,529</u>	<u>3,266,191</u>
Compensatory education				
Salaries	332,700	402,801	344,785	349,277
Employee benefits	194,250	198,112	148,249	154,118
Purchased services	45,000	11,509	21,016	10,409
Supplies and materials	43,046	62,413	15,324	28,041
	<u>614,996</u>	<u>674,835</u>	<u>529,374</u>	<u>541,845</u>
Career and technical education				
Salaries	823,938	772,655	777,714	860,194
Employee benefits	439,634	417,956	426,398	420,244
Purchased services	68,000	53,585	52,143	45,507
Supplies and materials	119,500	112,886	113,115	135,099
Capital outlay	10,000	50,762	36,020	14,001
Other	-	300	300	3,000
	<u>1,461,072</u>	<u>1,408,144</u>	<u>1,405,690</u>	<u>1,478,045</u>
Total instruction, added needs	<u>5,381,354</u>	<u>5,377,993</u>	<u>5,196,593</u>	<u>5,286,081</u>
<b>ADULT EDUCATION</b>				
Adult education				
Salaries	42,429	40,556	41,878	42,228
Employee benefits	20,744	21,774	20,375	19,041
Purchased services	-	-	-	3,634
Supplies and materials	3,248	2,000	1,445	1,643
	<u>66,421</u>	<u>64,330</u>	<u>63,698</u>	<u>66,546</u>
Total adult education	<u>66,421</u>	<u>64,330</u>	<u>63,698</u>	<u>66,546</u>
Total instruction	<u>24,462,651</u>	<u>25,051,620</u>	<u>24,823,740</u>	<u>24,484,667</u>

Alpena Public Schools

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30			
	2007 Budget		2007	2006
	Original	Final	Actual	Actual
<b>SUPPORTING SERVICES</b>				
<b>PUPIL SERVICES</b>				
Truancy/absenteeism services				
Salaries	\$ 56,596	\$ 64,605	\$ 46,960	\$ 73,965
Employee benefits	43,792	39,832	30,307	47,632
Purchased services	428,796	429,988	406,996	428,168
Supplies and materials	2,000	2,000	1,546	1,909
	<u>531,184</u>	<u>536,425</u>	<u>485,809</u>	<u>551,674</u>
Guidance services				
Salaries	568,589	616,680	605,066	657,687
Employee benefits	329,223	321,053	313,361	287,149
Purchased services	5,100	13,740	11,877	12,953
Supplies and materials	-	3,000	3,000	3,902
Other	-	500	-	720
	<u>902,912</u>	<u>954,973</u>	<u>933,304</u>	<u>962,411</u>
Health services				
Salaries	51,017	51,017	51,767	50,129
Employee benefits	24,530	24,715	26,384	15,801
Purchased services	1,200	1,700	1,901	1,485
Supplies and materials	7,500	7,500	5,624	6,488
	<u>84,247</u>	<u>84,932</u>	<u>85,676</u>	<u>73,903</u>
Social work services				
Salaries	59,165	59,165	59,165	55,755
Employee benefits	20,222	21,042	20,450	18,436
Purchased services	-	-	-	50
	<u>79,387</u>	<u>80,207</u>	<u>79,615</u>	<u>74,241</u>
Other pupil support services				
Salaries	338,647	347,098	324,492	318,944
Employee benefits	119,486	111,167	118,084	106,311
Purchased services	123,750	124,500	113,478	128,184
Supplies and materials	7,728	15,599	5,951	4,512
Other	6,000	500	-	-
	<u>595,611</u>	<u>598,864</u>	<u>562,005</u>	<u>557,951</u>
Total pupil services	<u>2,193,341</u>	<u>2,255,401</u>	<u>2,146,409</u>	<u>2,220,180</u>

Alpena Public Schools

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30			
	2007 Budget		2007	2006
	Original	Final	Actual	Actual
<b>INSTRUCTIONAL STAFF SERVICES</b>				
Improvement of education				
Salaries	\$ 25,846	\$ 43,735	\$ 31,204	\$ 37,839
Employee benefits	6,640	11,220	7,865	8,737
Purchased services	46,804	103,338	33,230	56,646
Supplies and materials	5,800	25,592	14,650	13,633
Other	-	28,074	25,978	5,547
	<u>85,090</u>	<u>211,959</u>	<u>112,927</u>	<u>122,402</u>
Educational media services				
Salaries	309,223	251,216	247,412	321,658
Employee benefits	149,271	112,642	126,096	147,784
Purchased services	1,000	1,000	-	1,093
Supplies and materials	10,000	35,225	82,312	27,511
Capital outlay	-	-	5,809	3,474
Other	6,150	6,209	-	9,274
	<u>475,644</u>	<u>406,292</u>	<u>461,629</u>	<u>510,794</u>
Supervision of educational staff				
Salaries	390,246	394,493	386,341	616,948
Employee benefits	237,662	223,679	200,162	242,389
Purchased services	6,800	10,414	8,755	12,526
Supplies and materials	2,881	3,997	3,718	3,001
Other	800	2,119	1,478	1,998
	<u>638,389</u>	<u>634,702</u>	<u>600,454</u>	<u>876,862</u>
Academic Student Assessment				
Salaries	-	1,401	1,727	-
Employee benefits	-	386	442	-
Supplies and materials	-	135	-	-
	<u>-</u>	<u>1,922</u>	<u>2,169</u>	<u>-</u>
Total instructional staff services	<u>1,199,123</u>	<u>1,254,875</u>	<u>1,177,179</u>	<u>1,510,058</u>
<b>GENERAL ADMINISTRATION</b>				
Board of education				
Purchased services	38,000	36,867	37,725	69,787
Supplies and materials	1,000	2,533	3,542	1,807
	<u>39,000</u>	<u>39,400</u>	<u>41,267</u>	<u>71,594</u>

Alpena Public Schools

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30			
	2007 Budget		2007	2006
	Original	Final	Actual	Actual
<b>GENERAL ADMINISTRATION (continued)</b>				
Executive administration				
Salaries	\$ 175,405	\$ 176,905	\$ 176,905	\$ 170,508
Employee benefits	77,456	88,126	82,257	65,893
Purchased services	6,600	6,600	4,119	5,352
Supplies and materials	2,300	2,600	1,836	3,061
	<u>261,761</u>	<u>274,231</u>	<u>265,117</u>	<u>244,814</u>
Total general administration	<u>300,761</u>	<u>313,631</u>	<u>306,384</u>	<u>316,408</u>
<b>SCHOOL ADMINISTRATION</b>				
Office of the principal				
Salaries	1,929,554	1,964,720	1,956,770	1,912,028
Employee benefits	958,069	1,011,067	960,556	882,111
Purchased services	20,300	20,935	16,463	16,314
Supplies and materials	25,500	25,500	20,340	25,136
	<u>2,933,423</u>	<u>3,022,222</u>	<u>2,954,129</u>	<u>2,835,589</u>
Other School Administration				
Other	<u>3,500</u>	<u>7,600</u>	<u>7,520</u>	<u>6,324</u>
Total school administration	<u>2,936,923</u>	<u>3,029,822</u>	<u>2,961,649</u>	<u>2,841,913</u>
<b>BUSINESS SERVICES</b>				
Fiscal Services				
Salaries	247,254	245,398	247,800	242,477
Employee benefits	133,997	140,972	134,720	116,228
Purchased services	4,800	4,800	2,621	4,546
Supplies and materials	5,000	6,100	5,966	6,705
	<u>391,051</u>	<u>397,270</u>	<u>391,107</u>	<u>369,956</u>
Internal Services				
Salaries	70,354	65,698	63,572	92,393
Employee benefits	34,262	40,267	37,529	38,915
Purchased services	12,800	12,800	11,697	12,199
Supplies and materials	2,500	3,825	3,738	12,572
	<u>119,916</u>	<u>122,590</u>	<u>116,536</u>	<u>156,079</u>

Alpena Public Schools

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30			
	2007 Budget		2007	2006
	Original	Final	Actual	Actual
<b>BUSINESS SERVICES (continued)</b>				
Other business services				
Purchased services	\$ -	\$ 1,552	\$ 1,552	\$ 224
Taxes abated	50,000	70,000	80,135	79,760
Other	42,825	13,763	13,683	26,472
	<u>92,825</u>	<u>85,315</u>	<u>95,370</u>	<u>106,456</u>
Total business services	<u>603,792</u>	<u>605,175</u>	<u>603,013</u>	<u>632,491</u>
<b>OPERATIONS AND MAINTENANCE</b>				
Operating Buildings Services				
Salaries	1,355,368	1,379,796	1,353,361	1,347,022
Employee benefits	904,162	870,696	840,235	791,342
Purchased services	608,550	642,534	613,051	637,913
Supplies and materials	1,219,168	1,025,014	988,808	1,253,973
Capital outlay	6,667	6,667	-	1,519
	<u>4,093,915</u>	<u>3,924,707</u>	<u>3,795,455</u>	<u>4,031,769</u>
Security Services				
Supplies and materials	-	200	65	87
Other	-	-	-	14,674
	<u>-</u>	<u>200</u>	<u>65</u>	<u>14,761</u>
Total operations and maintenance	<u>4,093,915</u>	<u>3,924,907</u>	<u>3,795,520</u>	<u>4,046,530</u>
<b>PUPIL TRANSPORTATION</b>				
Salaries	944,735	935,157	886,774	1,034,111
Employee benefits	672,325	537,135	549,029	714,877
Purchased services	98,951	100,368	87,463	99,173
Supplies and materials	347,400	300,599	238,204	275,367
	<u>2,063,411</u>	<u>1,873,259</u>	<u>1,761,470</u>	<u>2,123,528</u>

Alpena Public Schools

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30			
	2007 Budget		2007	2006
	Original	Final	Actual	Actual
<b>CENTRAL SERVICES</b>				
Planning, research and development				
Salaries	\$ -	\$ 2,780	\$ 3,245	\$ -
Employee benefits	-	220	255	-
	<u>-</u>	<u>3,000</u>	<u>3,500</u>	<u>-</u>
Communication services				
Salaries	40,639	40,639	40,639	39,908
Employee benefits	30,182	25,287	24,990	26,179
Purchased services	21,800	22,600	18,287	25,063
Supplies and materials	-	500	316	456
	<u>92,621</u>	<u>89,026</u>	<u>84,232</u>	<u>91,606</u>
Staff services				
Salaries	180,772	183,661	181,260	176,230
Employee benefits	92,420	100,066	97,072	82,675
Purchased services	6,600	15,409	8,995	5,474
Supplies and materials	2,000	3,700	1,305	2,571
Other	24,900	52,580	46,867	29,745
	<u>306,692</u>	<u>355,416</u>	<u>335,499</u>	<u>296,695</u>
Support services technology				
Salaries	235,747	235,339	233,109	227,704
Employee benefits	111,915	116,100	110,456	96,765
Purchased services	145,100	140,600	125,050	140,759
Supplies and materials	46,500	51,178	29,835	32,701
Capital outlay	5,000	11,000	10,925	2,567
Other		7,500	7,100	-
	<u>544,262</u>	<u>561,717</u>	<u>516,475</u>	<u>500,496</u>
Pupil Accounting				
Supplies and materials	3,000	3,000	1,658	1,201
	<u>3,000</u>	<u>3,000</u>	<u>1,658</u>	<u>1,201</u>
Total central services	<u>946,575</u>	<u>1,012,159</u>	<u>941,364</u>	<u>889,998</u>
Total supporting services	<u>14,337,841</u>	<u>14,269,229</u>	<u>13,692,988</u>	<u>14,581,106</u>

Alpena Public Schools

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30			
	2007 Budget		2007	2006
	Original	Final	Actual	Actual
<b>COMMUNITY SERVICES</b>				
Community services direction				
Purchased services	\$ -	\$ 200	\$ 145	\$ 84
	-	200	145	84
Community activities				
Purchased services	-	225	293	1,077
Supplies and materials	10,000	15,192	11,877	12,527
	10,000	15,417	12,170	13,604
Non-public school pupils				
Purchased services	11,325	4,836	3,748	7,007
Supplies and materials	-	3,475	3,363	3,924
Other	-	-	-	64
	11,325	8,311	7,111	10,995
Total community services	21,325	23,928	19,426	24,683
<b>PAYMENTS TO OTHER GOVERNMENTS</b>				
Payments to Other Public Schools				
Other	159,675	178,910	189,403	197,415
	159,675	178,910	189,403	197,415
Payments to Other Governments - Subgrantees				
Other	56,811	-	-	-
	56,811	-	-	-
Total payments to other governments	216,486	178,910	189,403	197,415

Alpena Public Schools

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30			
	2007 Budget		2007	2006
	Original	Final	Actual	Actual
<b>FACILITIES ACQUISITION</b>				
Site acquisition services				
Capital outlay	\$ -	\$ -	\$ 45,000	\$ -
	-	-	45,000	-
Site improvements services				
Capital outlay	-	20,000	19,867	25,306
	-	20,000	19,867	25,306
Building improvements services				
Capital outlay	-	-	-	121,210
	-	-	-	121,210
Total facilities acquisition	-	20,000	64,867	146,516
<b>DEBT SERVICE</b>				
Principal	8,850	18,144	18,143	21,113
Interest	-	2,296	2,296	1,185
Total debt service	8,850	20,440	20,439	22,298
Total expenditures	39,047,153	39,564,127	38,810,863	39,456,685
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	-	-	-	-
Transfers to other funds	(1,229,855)	(1,243,855)	(1,241,597)	(1,373,486)
	(1,229,855)	(1,243,855)	(1,241,597)	(1,373,486)
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>				
	(1,708,463)	(1,408,151)	(885,470)	(2,062,522)
<b>FUND BALANCES</b> , beginning of the year	6,722,660	6,722,660	6,722,660	8,785,182
<b>FUND BALANCES</b> , end of the year	\$ 5,014,197	\$ 5,314,509	\$ 5,837,190	\$ 6,722,660

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Alpena Public Schools

**SCHOOL SERVICE - ATHLETICS FUND**

**BALANCE SHEET**

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	June 30	
	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Receivables		
Accounts	\$ 3,160	\$ 1,496
Due from other funds	21,088	13,232
Prepays	<u>6,450</u>	<u>7,560</u>
Total assets	<u>\$ 30,698</u>	<u>\$ 22,288</u>
<b>LIABILITIES AND EQUITIES</b>		
Accounts payable	\$ 1,887	\$ 969
Deferred revenue	<u>350</u>	<u>725</u>
Total liabilities	<u>2,237</u>	<u>1,694</u>
Fund balances		
Unreserved		
Designated	-	1,200
Undesignated	<u>28,461</u>	<u>19,394</u>
Total fund equity	<u>28,461</u>	<u>20,594</u>
Total liabilities and equity	<u>\$ 30,698</u>	<u>\$ 22,288</u>

## Alpena Public Schools

**SCHOOL SERVICE - ATHLETICS FUND****STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30			
	2007 Budget		2007 Actual	2006 Actual
	Original	Final		
<b>REVENUES</b>				
Local sources				
Admissions	\$ 85,000	\$ 72,325	\$ 75,215	\$ 77,498
Dues and fees	19,000	33,575	35,183	8,860
Private sources (contributions)	-	14,834	14,817	15,165
Miscellaneous local revenues	-	-	100	-
Total revenues	<u>104,000</u>	<u>120,734</u>	<u>125,315</u>	<u>101,523</u>
<b>EXPENDITURES</b>				
Operating Buildings Services				
Purchased services	700	700	700	700
	<u>700</u>	<u>700</u>	<u>700</u>	<u>700</u>
Pupil Transportation Services				
Salaries	13,000	13,000	11,106	10,247
Employee benefits	3,650	3,650	3,115	2,679
Purchased services	90,000	105,500	100,185	105,637
	<u>106,650</u>	<u>122,150</u>	<u>114,406</u>	<u>118,563</u>
Athletic activities				
Salaries	236,000	243,122	243,897	243,359
Employee benefits	59,850	62,285	60,916	57,758
Purchased services	97,000	107,225	98,510	58,567
Supplies and materials	25,700	22,945	19,750	80,545
Capital outlay	-	-	-	2,575
Other	13,494	12,901	12,011	13,488
	<u>432,044</u>	<u>448,478</u>	<u>435,084</u>	<u>456,292</u>
Total expenditures	<u>539,394</u>	<u>571,328</u>	<u>550,190</u>	<u>575,555</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	421,000	435,000	432,742	463,631
Transfers to other funds	-	-	-	-
	<u>421,000</u>	<u>435,000</u>	<u>432,742</u>	<u>463,631</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(14,394)	(15,594)	7,867	(10,401)
<b>FUND BALANCES, beginning of the year</b>	<u>20,594</u>	<u>20,594</u>	<u>20,594</u>	<u>30,995</u>
<b>FUND BALANCES, end of the year</b>	<u>\$ 6,200</u>	<u>\$ 5,000</u>	<u>\$ 28,461</u>	<u>\$ 20,594</u>

Alpena Public Schools

**SCHOOL SERVICE - FOOD SERVICE FUND**

**BALANCE SHEET**

---

	June 30	
	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 60,195	\$ 70,994
Receivables		
Accounts	10,353	3,304
Due from other governmental units	894	141,572
Due from other funds	76,435	-
Inventories	<u>52,021</u>	<u>22,604</u>
Total assets	<u>\$ 199,898</u>	<u>\$ 238,474</u>
<b>LIABILITIES AND EQUITIES</b>		
Accounts payable	\$ 2,097	\$ 3,455
Due to other funds	<u>-</u>	<u>101,010</u>
Total liabilities	<u>2,097</u>	<u>104,465</u>
Fund balances		
Reserved for inventories	52,021	22,604
Unreserved		
Undesignated	<u>145,780</u>	<u>111,405</u>
Total fund equity	<u>197,801</u>	<u>134,009</u>
Total liabilities and equity	<u>\$ 199,898</u>	<u>\$ 238,474</u>

Alpena Public Schools

**SCHOOL SERVICE - FOOD SERVICE FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30			
	2007 Budget		2007	2006
	Original	Final	Actual	Actual
<b>REVENUES</b>				
Local sources				
Earning on investments and deposits	\$ 1,000	\$ 1,000	\$ 1,005	\$ 1,161
Food sales	966,000	907,000	936,586	900,955
Miscellaneous local revenues	5,000	6,000	5,847	6,752
State sources	150,000	150,000	140,402	138,329
Federal sources				
USDA donated commodities	98,000	96,000	98,955	64,208
USDA bonus commodities	-	-	1,523	4,440
National School lunch / breakfast	815,000	790,000	813,161	824,638
Fresh Fruit and Vegetable program	18,000	18,000	18,769	16,681
Total revenues	<u>2,053,000</u>	<u>1,968,000</u>	<u>2,016,248</u>	<u>1,957,164</u>
<b>EXPENDITURES</b>				
Pupil Transportation Services				
Supplies and materials	<u>2,000</u>	<u>2,000</u>	<u>1,278</u>	<u>1,385</u>
	<u>2,000</u>	<u>2,000</u>	<u>1,278</u>	<u>1,385</u>
Food services				
Salaries	565,000	515,000	529,296	584,972
Employee benefits	451,000	430,000	415,661	408,955
Purchased services	23,500	8,615	8,655	10,367
Supplies and materials	1,058,000	1,014,000	990,750	1,033,045
Capital outlay	7,000	3,000	2,658	2,965
Other	4,000	4,000	4,158	4,274
	<u>2,108,500</u>	<u>1,974,615</u>	<u>1,951,178</u>	<u>2,044,578</u>
Total expenditures	<u>2,110,500</u>	<u>1,976,615</u>	<u>1,952,456</u>	<u>2,045,963</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(57,500)	(8,615)	63,792	(88,799)
<b>FUND BALANCES, beginning of the year</b>	<u>134,009</u>	<u>134,009</u>	<u>134,009</u>	<u>222,808</u>
<b>FUND BALANCES, end of the year</b>	<u>\$ 76,509</u>	<u>\$ 125,394</u>	<u>\$ 197,801</u>	<u>\$ 134,009</u>

Alpena Public Schools

**DEBT SERVICE FUND**

**BALANCE SHEET**

---

	June 30	
	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 237,013	\$ 210,828
Receivables		
Taxes	4,864	7,386
Interest	5,022	-
Due from other governmental units	2,757	-
Due from other funds	-	34
	<u>          </u>	<u>          </u>
Total assets	<u>\$ 249,656</u>	<u>\$ 218,248</u>
<b>LIABILITIES AND EQUITIES</b>		
Fund balance		
Reserved for debt service	<u>\$ 249,656</u>	<u>\$ 218,248</u>
	<u>          </u>	<u>          </u>
Total liabilities and equity	<u>\$ 249,656</u>	<u>\$ 218,248</u>

Alpena Public Schools

**DEBT SERVICE FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30	
	2007	2006
<b>REVENUES</b>		
Local sources		
Property Taxes	\$ 1,997,576	\$ 1,985,706
Earning on investments and deposits	37,058	22,836
	<u>2,034,634</u>	<u>2,008,542</u>
State sources		
State aid	-	172,802
	<u>-</u>	<u>172,802</u>
Total revenue	<u>2,034,634</u>	<u>2,181,344</u>
<b>EXPENDITURES</b>		
Debt service		
Principal	975,000	1,034,417
Interest and fees	1,023,492	1,137,100
Taxes abated	4,734	6,325
	<u>4,734</u>	<u>6,325</u>
Total expenditures	<u>2,003,226</u>	<u>2,177,842</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	31,408	3,502
<b>FUND BALANCES, beginning of the year</b>	<u>218,248</u>	<u>214,746</u>
<b>FUND BALANCES, end of the year</b>	<u>\$ 249,656</u>	<u>\$ 218,248</u>

Alpena Public Schools

**CAPITAL PROJECTS FUND**

**BALANCE SHEET**

---

	June 30	
	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Due from other funds	<u>\$ 901,928</u>	<u>\$ 442,721</u>
Total assets	<u><u>\$ 901,928</u></u>	<u><u>\$ 442,721</u></u>
<b>LIABILITIES AND EQUITIES</b>		
Accounts payable	<u>\$ 56,904</u>	<u>\$ 2,389</u>
Total liabilities	<u>56,904</u>	<u>2,389</u>
Fund balances		
Unreserved		
Designated	845,024	440,332
Undesignated	<u>-</u>	<u>-</u>
Total fund equity	<u>845,024</u>	<u>440,332</u>
Total liabilities and equity	<u><u>\$ 901,928</u></u>	<u><u>\$ 442,721</u></u>

Alpena Public Schools

**CAPITAL PROJECTS FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30	
	2007	2006
<b>REVENUES</b>		
Local sources		
Miscellaneous	\$ 7,000	\$ -
Total revenues	<u>7,000</u>	<u>-</u>
<b>EXPENDITURES</b>		
Operating buildings services		
Salaries	21,068	16,407
Employee benefits	5,823	4,008
Purchased services	4,920	13,553
Supplies and materials	25,244	17,721
Capital outlay	<u>7,449</u>	<u>-</u>
	<u>64,504</u>	<u>51,689</u>
Support services technology		
Purchased services	48,368	15,665
Supplies and materials	10,325	15,426
Capital outlay	68,410	256,080
Other	<u>2,035</u>	<u>-</u>
	<u>129,138</u>	<u>287,171</u>
Site improvements services		
Capital outlay	<u>78,520</u>	<u>595</u>
	<u>78,520</u>	<u>595</u>
Building improvements services		
Capital outlay	<u>139,001</u>	<u>274,080</u>
	<u>139,001</u>	<u>274,080</u>
Total expenditures	<u>411,163</u>	<u>613,535</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers from other funds	808,855	909,855
Transfers to other funds	<u>-</u>	<u>-</u>
	<u>808,855</u>	<u>909,855</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	404,692	296,320
<b>FUND BALANCES, beginning of the year</b>	<u>440,332</u>	<u>144,012</u>
<b>FUND BALANCES, end of the year</b>	<u>\$ 845,024</u>	<u>\$ 440,332</u>

Alpena Public Schools

**INTERNAL SERVICE FUND**

**BALANCE SHEET**

---

	June 30	
	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Due from other funds	\$ 61,710	\$ -
Total assets	<u>\$ 61,710</u>	<u>\$ -</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 38,672	\$ -
Employee benefits payable	<u>18,275</u>	<u>-</u>
Total liabilities	<u>56,947</u>	<u>-</u>
Net Assets		
Unreserved, Undesignated	<u>4,763</u>	<u>-</u>
Total liabilities and equity	<u>\$ 61,710</u>	<u>\$ -</u>

Alpena Public Schools

**INTERNAL SERVICE FUND**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

---

	<u>Year Ended June 30</u>	
	<u>2007</u>	<u>2006</u>
<b>OPERATING REVENUES</b>		
Local sources		
Charges to other funds - insurance	\$ 215,421	\$ -
Miscellaneous	1,252	-
	<u>216,673</u>	<u>-</u>
Total revenues		
	<u>216,673</u>	<u>-</u>
<b>OPERATING EXPENSES</b>		
Staff services		
Employee benefits	12,620	-
Purchased services	15,696	-
Supplies and materials	183,594	-
	<u>211,910</u>	<u>-</u>
Total expenses		
	<u>211,910</u>	<u>-</u>
<b>CHANGES IN NET ASSETS</b>	4,763	-
<b>NET ASSETS</b> , beginning of the year	<u>-</u>	<u>-</u>
<b>NET ASSETS</b> , end of the year	<u>\$ 4,763</u>	<u>\$ -</u>

Alpena Public Schools

**INTERNAL SERVICE FUND**

**STATEMENT OF CASH FLOWS**

---

	<u>Year Ended June 30</u>	
	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Charges to other funds - insurance	\$ 153,711	\$ -
Miscellaneous	1,252	-
Cash paid to service providers	<u>(154,963)</u>	<u>-</u>
Cash flows provided by operating activities	<u>-</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS</b> , beginning of the year	<u>-</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS</b> , end of the year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<b>Reconciliation of operating income to net cash from Operating activities:</b>		
Operating Income	<u>\$ 4,673</u>	<u>\$ -</u>
Adjustments:		
Increase in due from other funds	61,710	-
Increase in accrued expenses	(18,275)	-
Increase in accounts payable	<u>(38,762)</u>	<u>-</u>
	<u>4,673</u>	<u>-</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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Alpena Public Schools

**FIDUCIARY FUND TYPES**

**BALANCE SHEET**

---

	June 30	
	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 331,894	\$ 350,891
Total assets	<u>\$ 331,894</u>	<u>\$ 350,891</u>
 <b>LIABILITIES AND EQUITY</b>		
Liabilities		
Deposits held	\$ 296,561	\$ 313,780
Net Assets		
Reserved for Scholarships	<u>35,333</u>	<u>37,111</u>
Total liabilities and equity	<u>\$ 331,894</u>	<u>\$ 350,891</u>

Alpena Public Schools

**FIDUCIARY FUND TYPES**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DEPOSITS HELD**

---

	<u>Balances</u> <u>July 01, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances</u> <u>June 30, 2007</u>
<b>STUDENT ACTIVITIES</b>				
High School	\$ 157,622	\$ 446,603	\$ 446,434	\$ 157,791
Junior High	72,437	119,809	128,905	63,341
Elementary	79,291	170,296	178,610	70,977
Adult & Alternative Education	4,430	19,960	19,938	4,452
	<u>313,780</u>	<u>756,668</u>	<u>773,887</u>	<u>296,561</u>
<b>SCHOLARSHIPS</b>				
Bouchey Scholarship	2,522	89	1,000	1,611
Finch Scholarship	4,961	237	500	4,698
Kennedy Scholarship	27,346	1,317	2,000	26,663
Miscellaneous Scholarships	2,282	2,079	2,000	2,361
	<u>37,111</u>	<u>3,722</u>	<u>5,500</u>	<u>35,333</u>
	<u>\$ 350,891</u>	<u>\$ 760,390</u>	<u>\$ 779,387</u>	<u>\$ 331,894</u>

Alpena Public Schools

**SCHEDULE OF INDEBTEDNESS**

June 30, 2007

	Interest Rate	Fiscal Year of Maturity	Principal Payable	Annual Interest Payable
USEPA Loan Date of Issue: October 31, 1989 Amount of Issue: \$159,289	0.00%	2008	\$ 4,425	\$ -
1996 Building and Site Bonds Date of Issue: August 14, 1996 Amount of Issue: \$26,995,000 Amount Refunded: \$17,360,000	5.400%	2008	520,000	124,438
	5.500%	2009	545,000	96,358
	5.600%	2010	575,000	66,382
	5.650%	2011	605,000	34,182
			<u>2,245,000</u>	<u>321,360</u>
1998 Building and Site Refunding Bonds Date of Issue: October 15, 1998 Amount of Issue: \$9,460,000	4.100%	2008	470,000	408,616
	4.150%	2009	495,000	389,346
	4.200%	2010	510,000	368,802
	4.250%	2011	535,000	347,382
	4.300%	2012	555,000	324,646
	4.350%	2013	580,000	300,780
	4.400%	2014	605,000	275,550
	4.450%	2015	630,000	248,930
	4.500%	2016	655,000	220,896
	4.550%	2017	680,000	191,420
	4.600%	2018	680,000	160,480
	4.750%	2019	680,000	129,200
	4.750%	2020	680,000	96,900
	4.750%	2021	680,000	64,600
	4.750%	2022	680,000	32,300
			<u>9,115,000</u>	<u>3,559,848</u>
1998 School Improvement Bonds Date of Issue: November 24, 1998 Amount of Issue: \$689,855	4.761%	2008	-	-
	4.761%	2009	29,021	7,598
	4.761%	2010	84,538	25,310
	4.761%	2011	31,849	4,769
	4.761%	2012	33,363	3,253
	4.761%	2013	34,953	1,664
			<u>213,724</u>	<u>42,594</u>

Alpena Public Schools

**SCHEDULE OF INDEBTEDNESS**

June 30, 2007

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	<u>Interest Rate</u>	<u>Fiscal Year of Maturity</u>	<u>Principal Payable</u>	<u>Annual Interest Payable</u>
1999 Building and Site	4.200%	2008	\$ 45,000	\$ 426,438
Refunding Bonds	4.300%	2009	45,000	424,548
Date of Issue: February 4, 1999	4.400%	2010	50,000	422,612
Amount of Issue: \$9,400,000	4.500%	2011	55,000	420,412
	4.500%	2012	695,000	417,966
	4.500%	2013	725,000	387,038
	4.550%	2014	755,000	354,412
	4.600%	2015	785,000	320,060
	4.650%	2016	820,000	283,950
	4.700%	2017	845,000	245,820
	4.750%	2018	855,000	206,106
	4.800%	2019	860,000	165,492
	4.750%	2020	865,000	124,212
	4.750%	2021	875,000	83,126
	4.750%	2022	875,000	41,562
			<u>9,150,000</u>	<u>4,323,754</u>
Capital Lease-Purchase	12.044%	2008	5,907	3,675
	12.044%	2009	6,659	2,923
	12.044%	2010	7,507	2,075
	12.044%	2011	8,463	1,119
	12.044%	2012	4,627	164
			<u>33,163</u>	<u>9,956</u>
Accrued Vacation		2008	<u>167,436</u>	<u>-</u>
Total			<u>\$ 20,928,748</u>	<u>\$ 8,257,512</u>

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## **FEDERAL FINANCIAL ASSISTANCE**

Alpena Public Schools  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2007

<u>Federal Grantor / Pass-through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program or Award Amount</u>
<u>U.S. Department of Agriculture</u>			
Passed through State of Michigan Department of Education (MDE):			
Food Donation	10.550		
Entitlement commodities		N/A	\$ 98,955
Bonus commodities		N/A	1,523
			<u>100,478</u>
School Breakfast Program	10.553		
National School Lunch-Breakfast		061970	172,836
National School Lunch-Breakfast		071970	163,534
			<u>336,370</u>
National School Lunch Program	10.555		
Section 11 - Free and reduced lunches		061960	515,703
Section 11 - Free and reduced lunches		071960	461,097
Section 4 - All lunches		061950	111,710
Section 4 - All lunches		071950	99,662
			<u>1,188,172</u>
Fresh Fruit and Vegetable Program	10.582		
Fresh Fruit and Vegetable Program		060950 03392	11,049
Fresh Fruit and Vegetable Program		070950 03392	12,529
Fresh Fruit and Vegetable Program		0709VO 03392	6,240
			<u>29,818</u>
Total U.S. Department of Agriculture			<u>1,654,838</u>
<u>U.S. Department of Labor</u>			
Passed through Northeast Michigan Consortium (NMC):			
Workforce Investment Act ( W.I.A.) Youth Activities	* 17.259		
In-School Youth		WIA Youth 05-01	208,936
Out-of School Youth		WIA Youth 05-01	246,660
In-School Youth		WIA Youth 06-01	214,406
Out-of School Youth		WIA Youth 06-01	253,346
			<u>923,348</u>
Total U.S. Department of Labor			<u>923,348</u>

\* Major Program

Accrued or (Deferred) Revenue at June 30, 2006	Prior Year (s) Federal Expenditures	Current Year		Accrued or (Deferred) Revenue at June 30, 2007	Total Federal Expenditures
		Receipts (Cash Basis)	Federal Expenditures		
\$ -	\$ -	\$ 98,955	\$ 98,955	\$ -	\$ 98,955
-	-	1,523	1,523	-	1,523
-	-	100,478	100,478	-	100,478
-	156,365	16,471	16,471	-	172,836
-	-	163,534	163,534	-	163,534
-	156,365	180,005	180,005	-	336,370
-	456,246	59,457	59,457	-	515,703
-	-	461,097	461,097	-	461,097
-	98,770	12,940	12,940	-	111,710
-	-	99,662	99,662	-	99,662
-	555,016	633,156	633,156	-	1,188,172
3,867	11,049	3,867	-	-	11,049
-	-	11,635	12,529	894	12,529
-	-	6,240	6,240	-	6,240
3,867	11,049	21,742	18,769	894	29,818
3,867	722,430	935,381	932,408	894	1,654,838
7,593	198,354	7,593	-	-	198,354
19,608	250,117	19,608	-	-	250,117
-	-	203,699	225,737	22,038	225,737
-	-	223,027	248,865	25,838	248,865
27,201	448,471	453,927	474,602	47,876	923,073
27,201	448,471	453,927	474,602	47,876	923,073

The accompanying notes are an integral part of this statement.

Alpena Public Schools  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2007

<u>Federal Grantor / Pass-through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program or Award Amount</u>
<u>U.S. Department of Education</u>			
Passed through State of Michigan Department of Education (MDE):			
Adult Education - State Grant Program	84.002		
Adult Basic Education - Instruction		071130 710297	\$ 47,300
			<u>47,300</u>
Title I Grants to Local Educational Agencies	* 84.010		
Title I - Part A Improving Basic Programs		061530 0506	950,167
Title I - Part A Improving Basic Programs		061530 0607	54,831
Title I - Part A Improving Basic Programs		071530 0607	1,004,998
Title I - Part D N or D Prev		051700 0506	12,212
Title I - Part D N or D Prev		061700 0506	27,073
Title I - Part D N or D Prev		061700 0607	18,281
Title I - Part D N or D Prev		071700 0607	41,763
			<u>2,109,325</u>
Vocational Education - Basic Grants to States	84.048		
Vocational Education - Regional allocation		063520 6012-4	241,049
Vocational Education - Regional allocation		073520 7012-4	228,652
			<u>469,701</u>
Safe and Drug Free Schools and Communities	84.186		
Safe and Drug-Free Schools		062860 0506	30,845
Safe and Drug-Free Schools		062860 0607	1,042
Safe and Drug-Free Schools		072860 0607	31,814
			<u>63,701</u>
Education for Homeless Children and Youth	84.196		
Homeless Student Assistance		062320 0506	15,107
Homeless Student Assistance		062320 0607-C	15,413
Homeless Student Assistance		072320 0607	18,756
			<u>49,276</u>
Tech-Prep Education	84.243		
Vocational Education Tech-Prep		063540 6014-4	78,675
Vocational Education Tech-Prep		073540 7014-4	79,148
			<u>157,823</u>

\* Major Program

Accrued or (Deferred) Revenue at June 30, 2006	Prior Year (s) Federal Expenditures	Current Year		Accrued or (Deferred) Revenue at June 30, 2007	Total Federal Expenditures
		Receipts (Cash Basis)	Federal Expenditures		
\$ -	\$ -	\$ 37,664	\$ 47,300	\$ 9,636	\$ 47,300
-	-	37,664	47,300	9,636	47,300
10,826	935,826	25,167	14,341	-	950,167
-	-	54,831	54,831	-	54,831
-	-	736,341	816,298	79,957	816,298
476	12,212	476	-	-	12,212
(103)	11,973	14,997	15,100	-	27,073
-	-	4,766	10,000	5,234	10,000
-	-	15,000	14,761	(239)	14,761
11,199	960,011	851,578	925,331	84,952	1,885,342
11,699	241,049	11,699	-	-	241,049
-	-	226,974	224,886	(2,088)	224,886
11,699	241,049	238,673	224,886	(2,088)	465,935
(91)	30,846	(91)	-	-	30,846
-	-	1,042	1,042	-	1,042
-	-	23,688	23,496	(192)	23,496
(91)	30,846	24,639	24,538	(192)	55,384
719	13,719	2,107	1,388	-	15,107
-	-	5,944	5,944	-	5,944
-	-	13,000	8,490	(4,510)	8,490
719	13,719	21,051	15,822	(4,510)	29,541
19,910	78,675	19,910	-	-	78,675
-	-	73,217	74,800	1,583	74,800
19,910	78,675	93,127	74,800	1,583	153,475

The accompanying notes are an integral part of this statement.

Alpena Public Schools  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2007

<u>Federal Grantor / Pass-through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program or Award Amount</u>
<u>U.S. Department of Education</u>			
Passed through State of Michigan Department of Education (MDE):			
State Grants for Innovative Programs	84.298		
Title V, Part A Innovative		060250 0506	6,841
Title V, Part A Innovative		060250 0607	1,331
			<u>8,172</u>
Education Technology State Grants	84.318		
Title II, Part D Education Technology		064290 0506	15,651
Title II, Part D Education Technology		064290 0607	25,541
Title II, Part D Education Technology		074290 0607	10,316
			<u>51,508</u>
Improving Teacher Quality State Grants	84.367		
Title II A - Teacher Training		050520 0506	28,055
Title II A - Teacher Training		060520 0506	326,099
Title II A - Teacher Training		060520 0607	9,276
Title II A - Teacher Training		070520 0607	329,731
			<u>693,161</u>
Hurricane Education Recovery	84.938		
Emergency Impact Aid - Hurricane Katrina Grant		064120-1	3,932
			<u>3,932</u>
Total Michigan Department of Education (MDE)			<u>3,653,899</u>
Passed through Macomb Intermediate School District:			
Special Education - Grants to States	84.027		
Michigan Integrated Behavior and Learning and Support Initiative		0506	24,000
		0607	9,000
			<u>33,000</u>
Total U.S. Department of Education			<u>3,686,899</u>
<u>Corporation for National and Community Service</u>			
Passed through Michigan Department of Labor & Economic Growth			
Federal CNS Learn & Serve	94.006	MCSC/SBLS/F-129-07	6,000
			<u>6,000</u>
Total			<u>6,000</u>
Total Federal Awards			<u>\$ 6,271,085</u>

\* Major Program

Accrued or (Deferred) Revenue at June 30, 2006	Prior Year (s) Federal Expenditures	Current Year		Accrued or (Deferred) Revenue at June 30, 2007	Total Federal Expenditures
		Receipts (Cash Basis)	Federal Expenditures		
2,941	6,841	2,941	-	-	6,841
-	-	-	1,331	1,331	1,331
<u>2,941</u>	<u>6,841</u>	<u>2,941</u>	<u>1,331</u>	<u>1,331</u>	<u>8,172</u>
696	15,649	698	2	-	15,651
-	-	3,098	3,098	-	3,098
-	-	6,615	8,788	2,173	8,788
<u>696</u>	<u>15,649</u>	<u>10,411</u>	<u>11,888</u>	<u>2,173</u>	<u>27,537</u>
8,055	28,055	8,055	-	-	28,055
31,214	321,214	36,099	4,885	-	326,099
-	-	9,276	9,276	-	9,276
-	-	226,773	287,458	60,685	287,458
<u>39,269</u>	<u>349,269</u>	<u>280,203</u>	<u>301,619</u>	<u>60,685</u>	<u>650,888</u>
3,932	3,932	3,932	-	-	3,932
<u>3,932</u>	<u>3,932</u>	<u>3,932</u>	<u>-</u>	<u>-</u>	<u>3,932</u>
90,274	1,699,991	1,564,219	1,627,515	153,570	3,327,506
(11,049)	12,951	-	11,049	-	24,000
-	-	9,000	6,770	(2,230)	6,770
<u>(11,049)</u>	<u>12,951</u>	<u>9,000</u>	<u>17,819</u>	<u>(2,230)</u>	<u>30,770</u>
79,225	1,712,942	1,573,219	1,645,334	151,340	3,358,276
-	-	-	1,315	1,315	1,315
-	-	-	1,315	1,315	1,315
-	-	-	1,315	1,315	1,315
<u>\$ 110,293</u>	<u>\$ 2,883,843</u>	<u>\$ 2,962,527</u>	<u>\$ 3,053,659</u>	<u>\$ 201,425</u>	<u>\$ 5,937,502</u>

The accompanying notes are an integral part of this statement.

Alpena Public Schools

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE 1--SIGNIFICANT ACCOUNTING POLICIES.**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Alpena Public Schools, Alpena, Michigan. The Alpena Public Schools' reporting entity is defined in Note 1 to the School District's financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies are included on the schedule.

In June 1997, the Office of Management and Budget revised OMB Circular A-133, re-titled *Audits of States, Local Governments, and Non-Profit Organizations*. The revised circular established a risk-based approach to determine which Federal programs were major programs. This risk-based approach included consideration of: current and prior audit experience, oversight by Federal agencies and pass-through entities, and the inherent risk of the Federal program. Major program determination was performed and is defined in Section 520 of the circular.

For the audit period ended June 30, 2007, the Alpena Public Schools dollar threshold for larger Federal programs, which were regarded as Type A programs, were programs with Federal awards expended during the audit period which exceeded \$300,000. All other Federal programs were regarded as Type B programs. For the year ended June 30, 2007, the Alpena Public Schools qualified as a low risk auditee as defined in Section 530 of the circular. No federal programs were considered to be high-risk and the determination was made that major programs were all Type A programs to encompass at least 25% of the total federal awards expended. During the year ended June 30, 2007, Alpena Public Schools expended 46% of its total expenditures of Federal Awards under Type A programs audited as Major Programs.

**NOTE 2--BASIS OF ACCOUNTING.**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the School District's financial statements.

**NOTE 3--CFDA.**

This refers to the Catalog of Federal Domestic Assistance.

**NOTE 4--RELATIONSHIP TO FINANCIAL STATEMENTS.**

Revenues from federal sources are reported in the Alpena Public Schools' financial statements as follows:

	<u>Federal Revenues</u>
General Fund	\$ 2,121,251
Special Revenue Funds:	
Food Service Fund	<u>    932,408</u>
Total Federal Revenues	<u>\$ 3,053,659</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 3,053,659</u>

Alpena Public Schools

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE 5--RECONCILIATION TO MICHIGAN DEPARTMENT OF EDUCATION GRANT SECTION AUDITORS REPORT.**

The following shows a reconciliation of current year receipts per the Schedule of Expenditures of Federal Awards to current payments per Michigan Department of Education:

Current year receipts passed through Michigan Department of Education:	
U.S. Department of Education	\$ 1,564,219
U.S. Department of Agriculture	<u>834,903</u>
	<u>\$ 2,399,122</u>
 Add:	
Commodities food distribution reported on the Recipient Entitlement Balance Report (PAL)	100,478
 Workforce Investment Act receipts Passed through Northeast Michigan Consortium	453,927
 Michigan Integrated Behavior and Learning and Support Initiative Passed through Macomb Intermediate School District	<u>9,000</u>
 Cash Basis Receipts	<u>\$ 2,962,527</u>

**NOTE 6--RECEIPTS.**

Current year receipts represent cash/payments-in-kind received from Federal sources during the period July 1, 2006 through June 30, 2007.

**NOTE 7--SOURCE DOCUMENTATION.**

When possible, project expenditures are vouched to various other supporting documentation, such as MDE Form DS-4044. The amounts reported on MDE R7120, Grant Section Auditors Report, reconcile with the schedule. Instances, if any, where the federal expenditures do not agree with supporting documents, have been reported as a finding.

Alpena Public Schools

**REPORT ON PRIOR AUDIT FINDINGS**

For the year ended June 30, 2007

There were no findings or questioned costs in the prior year.



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To the Board of Education  
**Alpena Public Schools**  
Alpena, Michigan

**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.**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Alpena Public Schools, Alpena, Michigan**, as of and for the year ended June 30, 2007, which collectively comprise the **Alpena Public Schools, Alpena, Michigan's** basic financial statements and have issued our report thereon dated October 26, 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 **Alpena Public School's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the **Alpena Public School's** internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the **Alpena Public School'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 **Alpena Public School's** financial statements that is more than inconsequential will not be prevented or detected by the **Alpena Public School's** internal control.

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

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

We noted certain matters that we reported to management of **Alpena Public School's, Alpena, Michigan**, in a separate letter dated October 26, 2007.

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

*Straley, Isley & Lamp P.C.*

October 26, 2007



Certified Public Accountants

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To the Board of Education  
**Alpena Public Schools**  
Alpena, Michigan

### **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND SUPPLEMENTAL SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE.**

#### Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB 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 could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Alpena Public Schools, Alpena, Michigan's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on **Alpena Public Schools, Alpena, Michigan's** compliance with those requirements.

In our opinion, **Alpena Public Schools, Alpena, Michigan**, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal financial assistance programs for the year ended June 30, 2007.

#### Internal Control Over Compliance

The management of the **Alpena Public Schools, Alpena, Michigan**, 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 the **Alpena Public Schools, Alpena, Michigan's** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of **Alpena Public Schools, Alpena, Michigan'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, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

#### Schedule of Federal Financial Assistance

We have audited the financial statements of the governmental activities , each major fund, and the aggregate remaining fund information of the **Alpena Public Schools, Alpena, Michigan**, as of and for the year ended June 30, 2007, which collectively comprise the **Alpena Public Schools, Alpena, Michigan's** basic financial statements and have issued our report thereon dated October 26, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the **Alpena Public Schools, Alpena, Michigan's**, basic financial statements. The accompanying schedule of Federal Financial Assistance is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Straley, Isley & Lamp P.C.*

October 26, 2007

Alpena Public Schools

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the year ended June 30, 2007

A. Summary of Audit Results

1. The Auditors' report expresses an unqualified opinion on the financial statements of the Alpena Public Schools.
2. No reportable conditions relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. The results of our tests disclosed no instances of noncompliance material to the financial statements of the Alpena Public Schools that are required to be reported under Government Auditing Standards.
4. No reportable conditions in internal control over Major Programs are reported in the Report on Compliance with Requirements Applicable to each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and Supplementary Schedule of Expenditures of Federal Awards.
5. The Auditors' Report on Compliance for Major Programs expresses an unqualified opinion.
6. The Auditors' report disclosed no instances of findings relative to the major federal award programs required to be reported under OMB Circular A-133.
7. Programs tested as major programs:

Workforce Investment Act (W.I.A.)	CFDA #17.259
Title I Grants to Local Educational Agencies	CFDA #84.010
8. The threshold for distinguishing Type A and Type B Programs was \$300,000.
9. Alpena Public Schools qualified as a low-risk auditee under criteria in Section 530 of (OMB) Circular A-133.

B. Summary of Findings Relating to the Financial Statements.

There were no findings relating to the financial statements which are required to be reported under generally accepted government auditing standards.

C. Findings and Questioned Costs of Major Federal Award Programs.

There were no findings or questioned costs related to the major federal award programs for the year ended June 30, 2007.

Alpena Public Schools

**CORRECTIVE ACTION PLAN**

For the year ended June 30, 2007

A Corrective Action Plan is not required since there are no findings or questioned costs.



Certified Public Accountants

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October 26, 2007

To the Board of Education  
Alpena Public Schools  
Alpena, Michigan

We have audited the financial statements of Alpena Public Schools for the year ended June 30, 2007, and have issued our report thereon dated October 26, 2007. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under Generally Accepted Auditing Standards and OMB Circular A-133**

As stated in our engagement letter dated July 3, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing an audit, we considered the Alpena Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the Alpena Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the Alpena Public Schools' compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the Alpena Public Schools' compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Alpena Public Schools' compliance with those requirements.

### **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Alpena Public Schools are described in Note 1 to the financial statements. No new accounting policies were adapted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Management's estimate of the depreciation expense is based on management's assumptions about the useful lives of its fixed assets. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the governmental unit's financial reporting process (that is, cause future financial statement to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the governmental unit, either individually or in the aggregate, indicate matters that could have a significant effect on the governmental unit's financial reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's general purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Alpena Public Schools' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## **Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management in performing and completing our audit.

## **Reportable Conditions**

Reportable conditions involve matters coming to our attention, under standards established by the American Institute of Certified Public Accountants, relating to significant deficiencies in the design or operations of the internal control structure that, in our judgment, could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose of financial statements. We discovered no reportable conditions that should be communicated to management. Our consideration of the internal control structure would not necessarily disclose all matters that might be reportable conditions.

## **Other Matters**

1. **Recent Pronouncements.** The Governmental Accounting Standards Board (GASB), in its continuing process of updating the accounting principles that all governmental units must adhere to, has issued the following recent pronouncements that will have an impact on the way the Alpena Public Schools maintains its financial records:
  - A. **GASB Statement No. 50 – Pension Disclosures.** This statement will require governmental units to disclose the funded status of the retirement plan as of the most recent actuarial valuation date. The note to financial statements must disclose legal or contractual maximum contribution rates. The requirements of this statement are effective for financial statements of the District for the year ended June 30, 2008.
  - B. **GASB Statement No. 45 - Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.** This statement will require governmental units to record the cost of benefits (such as health insurance, life insurance, etc) in the periods when the related services are received by the employer if these benefits are not provided for through a pension plan. This will require the District to accrue and report an actuarially computed liability for any future postemployment benefit other than pensions. The requirements of this statement are effective for financial statements of the District for the year ended June 30, 2009.
  - C. **GASB Statement No. 43 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.** This statement establishes uniform reporting standards for other postemployment benefit plans. The financial statements focus on reporting current financial information about plan net assets and required note disclosures include a brief plan description, a summary of significant accounting policies, and information about contributions and legally required reserves. The requirements of this statement are effective for financial statements of the District for the year ended June 30, 2008.
2. **Issues Likely to Impact Schools.**
  - A. **Michigan Department of Education changes enforcement of Budgeting Act.** The Michigan Department of Education (MDE) has indicated it will aggressively pursue violations of the Uniform Budgeting and Accounting Act by school districts beginning with the retroactive enforcement to the 2004-05 fiscal year. For that year, the Department is only focusing on the General Fund and will only act upon *Total Expenditures* violations that exceed 1% of the Total Expenditures budget and *Total Other Financing Uses* violations that exceed 1% of the Total Other Financing Uses budget.

Currently identified violations of the Act include, but are not limited to:

- Incurring expenditures in excess of the appropriation approved by the school board (overspending your budget),
- Ending the fiscal year with a deficit (negative fund balance), and
- Adopting a budget that, when implemented, would put the district in a deficit.

Also, based on their interpretation of Section 17(2) of the Act, the MDE is currently considering that a violation of the Act also includes the situation where a district did not achieve their full revenue budget and, at the same time, depleted the district fund balance beyond what had been approved by their school board.

To date, the Alpena Public Schools has not made any material violations of the Budget Act, but the MDE is recommending that all school districts should amend their budgets for the 2006-07 fiscal year and beyond to comply with this new interpretation.

Districts should:

- Review and adjust their budgets to ensure that: your actual revenues will exceed their revenue budgets, including other financing sources
- Their actual expenditures will not exceed your functional level budgets, including other financing uses
- Ensure that the district does not budget a negative fund balance

**B. Financial Issues.** Over the past few years, and potentially for a few years beyond, the Alpena Public Schools will be impacted by a number of significant financial issues. With the decline in the economy, financial markets, and declining tax collections, schools are likely to see a freeze or a minimal increase in State appropriations. Also, because pension contributions are based upon actuarial assumptions of the pension fund's asset base and earnings, future years will most likely require increased contributions. The School District's contributions to the MPERS plan for the years ended June 30, 2007, 2006 and 2005 were \$3,985,535, \$3,925,844, and \$3,444,853, respectively. Unrelated to the financial markets, the cost of health insurance premiums will most likely continue rising at double digit rates. Obviously, schools will be challenged by these fiscal obligations.

We wish to thank the staff of Alpena Public Schools for their assistance during the audit.

This report is intended solely for the information and use of Alpena Public Schools Board of Education, Michigan Department of Education, Management, and others within the governmental unit and is not intended to be and should not be used by anyone other than these specified parties.

We commend the School for its excellent recordkeeping system and appreciate the opportunity to serve the Alpena Public Schools. If you have any questions, or if we can be of further service, please do not hesitate to contact us.

*Straley, Irlby & Lamp P.C.*