# BARAGA AREA SCHOOLS
# BARAGA, MICHIGAN

## FINANCIAL STATEMENTS
## For the Year Ended June 30, 2007

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ANDERSON, TACKMAN & COMPANY, P.L.C.
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# INDEPENDENT AUDITORS' REPORT

Board of Education
Baraga Area Schools
210 Lyons Street
Baraga, Michigan 49908

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

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

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

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

The management's discussion and analysis and budgetary comparison information on pages 6 through 11 and 32, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



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Board of Education
Baraga Area Schools
Baraga, Michigan 49908

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Baraga Area School's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of 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 Baraga Area Schools. The combining and individual fund financial statements, schedules and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tackman & Company, PLC*
Certified Public Accountants

October 2, 2007

## Baraga Area Schools

## Management's Discussion and Analysis (Unaudited)

Our discussion and analysis of Baraga Area Schools financial performance provides an overview of the School District's financial activities for the year ended June 30, 2007. Please read it in conjunction with the financial statements, which begin on page 12.

### FINANCIAL HIGHLIGHTS

- Net assets for Baraga Area Schools as a whole were reported at $865,896, comprised of 100% governmental activities.

- During the year, the Baraga Area Schools expenses were $6,180,956, while revenues from all sources totaled $5,813,466, resulting in a decrease in net assets of $367,490.

- The general fund reported a decrease of $66,354 before other financing sources (uses). This is $117,671 or 64% lower than the forecasted decrease of $184,025. This was a result of revenues being $44,992 higher and expenses being $72,679 lower than forecasted, both of which are immaterial when compared with budgeted revenues of $5,091,700 and budgeted expenditures of $5,275,725.

### 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 Baraga Area Schools financially as a whole. The *District-wide Financial Statements* Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities the School District as a whole and present a longer-term view of those finances. The fund financial statements present the next level of detail and start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statements also report the School District's operations in more detail than the district-wide statements by providing information about the School District's most significant funds – the General Fund, with all other funds presented in one column as nonmajor 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.

**Reporting the School District as a Whole – *District-wide Financial Statements***
Our analysis of the Baraga Area Schools as a whole begins on page 7. One of the most important questions asked about the School District's finances is "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in them. The School District's net assets – the difference between assets and liabilities – is one way to measure the School District's financial health, or financial 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 private-sector companies do. One must consider other non-financial factors, such as the quality of education provided, the safety of the schools and the condition of the School District's capital assets, to assess the overall financial health of the School District.

The Statement of Net Assets and Statement of Activities report the governmental activities for the School District, which encompass all the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

**Reporting the School District's Most Significant Funds – *Fund Financial Statements***
Our analysis of the School District's major funds begins on page 9. The fund financial statements begin on page 14 and provide detailed information on 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's Board has established other funds to help it control and manage money for particular purposes. The School District's two kinds of funds - *governmental* and *proprietary* – use different accounting methods.

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

**The School District as Trustee – Reporting the School District's Fiduciary Responsibilities**
The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

**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:

**Table 1**
**Net Assets**

| | Governmental Activities – 2006 | Governmental Activities – 2006 |
|---|---|---|
| Current and other assets | $ 2,501,832 | $ 2,556,108 |
| Capital assets, net | 3,460,617 | 3,598,977 |
| Total Assets | 5,962,449 | 6,155,085 |
| Current liabilities | 703,275 | 682,785 |
| Long-term liabilities | 4,393,278 | 4,238,914 |
| Total Liabilities | 5,096,553 | 4,921,699 |
| Net Assets: | | |
| Invested in capital assets, net of related debt | (846,345) | (599,976) |
| Restricted | 31,738 | 36,202 |
| Unrestricted | 1,680,503 | 1,797,160 |
| Total Net Assets | $ 865,896 | $ 1,233,386 |

The School District's net assets were $865,896 at June 30, 2007. Capital assets, net of related debt totaling $(846,345), 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 are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets of $1,680,503 was unrestricted.

The $1,680,503 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for 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 and 2006.

Table 2
Change in Net Assets

| | Governmental Activities – 2007 | Governmental Activities – 2006 |
|---|---|---|
| **Revenues** | | |
| Program revenues: | | |
| Charges for services | $ 147,234 | $ 123,454 |
| Operating grants and contributions | 1,345,278 | 1,439,108 |
| Capital grants and contributions | 2,869 | 4,520 |
| General revenues: | | |
| Property taxes | 895,751 | 864,167 |
| State sources not restricted to specific program | 3,226,881 | 3,067,930 |
| Investment earnings | 70,894 | 65,490 |
| Miscellaneous | 124,560 | 44,678 |
| Total Revenues | 5,813,467 | 5,609,347 |
| Program Expenses: | | |
| Instruction | 3,110,773 | 3,292,769 |
| Supporting services | 1,889,323 | 2,157,090 |
| Payments to other governmental agencies | 3,250 | 3,250 |
| Facilities acquisitions | 50,878 | 45,978 |
| Food service activities | 236,027 | 215,298 |
| Athletic activities | 115,999 | 155,401 |
| Bookstore activities | 229 | 809 |
| Interest on retirement of debt | 540,220 | 499,825 |
| Depreciation – unallocated | 234,258 | 229,017 |
| Total Expenses | 6,180,957 | 6,599,437 |
| Increase (decrease) in net assets | (367,490) | (990,090) |
| Net assets, beginning | 1,233,386 | 2,223,476 |
| Net Assets, Ending | $ 865,896 | $ 1,233,386 |

As reported in the Statement of Activities, the cost of all of our governmental activities this year was $6,180,957. Certain activities were partially funded from those who benefited from the programs $147,234 or by other governments and organizations that subsidized certain programs with grants and contributions $1,348,147. We paid for the remaining "public benefit" portion of our governmental activities with $895,751 in taxes, $3,226,881 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced a decrease in net assets for the year of $367,490.

Key reasons for the change in net assets were as follows:

- Net decrease in governmental fund balances of ($174,045).
- Depreciation charged to expense of ($234,258).
- Purchase of capital assets in the amount of $95,899.
- Proceeds from debt issues in the amount of ($273,072) and payments of principal on debt of $165,063.
- Change in compensated absences $52,923.

Table 3 presents the cost of each of the School District's largest activities as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the School District's operation.

**Table 3**
**Governmental Activities**

| | Total Cost Of Services | Net Cost Of Services |
|---|---|---|
| Instruction | $ 3,110,772 | $ 1,867,289 |
| Supporting services | 1,889,323 | 1,889,323 |
| Interest on retirement of debt | 540,220 | 540,220 |
| Food service activities | 236,027 | 5,079 |
| Depreciation - Unallocated | 234,258 | 234,258 |

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of the School District's 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 financial resources.

## The School District's Funds

As 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 to it and may provide more insight into the School District's overall financial health.

As the School District completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of $1,869,828, a decrease of $174,045 from the beginning of the year.

This was due to the following:

1. Higher than expected number of retiring employees resulting in a larger than planned payoff to retirees.
2. Less State Aid revenue than initially projected.
3. A $100,000 plus deduction in State Aid due to a recapture of Downtown Development Authority payments made the previous fiscal year.
4. Expenses planned for but not budgeted for by the outgoing administration.

## General Fund Budgetary Highlights

Over the course of the year, the School District's Board revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. 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.

Changes to the General Fund original budget were as follows:

Budgeted revenues were increased by $239,221. This was due to the following:
1. Larger than expected Impact Aid revenues.
2. Unexpected Delinquent Tax revenues.

Budget expenditures were increased by $61,640. This was due to the following:
1. Higher than normal and unexpected substitute costs.
2. Unexpected retirement incentive payoffs.

Reasons for variances between the final budget and final actual amounts were as follows;

Revenues were $44,992 higher than budgeted. This was due to the following:
1. Unexpected delinquent tax collection.
2. Unanticipated revenues from a donation made by the KBIC Tribal Council.

Expenditures were $72,679 lower than budgeted. This was due to the following:
1. Conservative efforts were used to minimize expenses right up to the last day of the fiscal year.

## Capital Asset and Debt Administration

### *Capital Assets*

At June 30, 2007, the School District had $3,460,617 invested in a variety of capital assets including land, buildings, and machinery and equipment. (See table 4 below)

**Table 4**
**Capital Assets at Year End**
**(Net of Depreciation)**

| | 2007 | 2006 |
|---|---|---|
| Land | $ 700 | $ 700 |
| Site improvements | 755,682 | 787,950 |
| Buildings | 2,437,340 | 2,505,553 |
| Equipment | 182,655 | 199,785 |
| Vehicles and buses | 84,240 | 104,989 |
| Construction-in-progress | - | - |
| Totals | $ 3,460,617 | $ 3,598,977 |

We anticipate capital additions for the 2007-2008 fiscal year will be comparable to the 2006-2007 fiscal year. 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 $4,306,962 in bonds outstanding as depicted in Table 5 below.

**Table 5**
**Outstanding Debt at Year End**

| | Governmental Activities – 2007 | Governmental Activities – 2006 |
|---|---|---|
| General obligation bonds | $ 174,799 | $ 339,862 |
| State Bond Loan Program | 4,132,163 | 3,859,091 |
| Totals | $ 4,306,962 | $ 4,198,953 |

There were no new additions of long-term debt this year, except for payment of old debt through the State Bond Loan Program which amounted to $273,072. We present more detailed information about our long-term debt in the notes to the financial statements.

## Economic Factors and Next Year's Budgets

Our elected officials and administration consider many factors when setting the School District's fiscal year 2007-2008 budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2007-2008 fiscal year budget was adopted in June 2007, based on an estimate of students that will be enrolled in September 2007. Approximately 75 percent to 80 percent of total General Fund revenues are from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general obligations. As a result, the district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2007-2008 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2006-2007 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget, if actual district resources are not sufficient to fund original appropriations.

The State budget continues to be an area of concern for local school districts. State revenues are falling short of projections, which could mean reduced funding at the local level.

## Contacting the School District's Financial Management

This financial report is designated to provide the School District's citizens, taxpayers, customers, and 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 questions about this report or need additional financial information, contact the Baraga Area Schools, 210 Lyons Street, Baraga, Michigan, 49908.

**Baraga Area Schools**

**Statement of Net Assets**

**June 30, 2007**

| | Governmental Activities |
|---|---|
| **ASSETS:** | |
| **Current assets:** | |
| Cash and cash equivalents | $ 784,490 |
| Investments | 801,336 |
| Receivables: | |
| Accounts receivable | 39,109 |
| Delinquent property taxes | 69,913 |
| Due from other governmental units | 703,488 |
| Inventories | 26,235 |
| Prepaid expense | 77,261 |
| **TOTAL CURRENT ASSETS** | 2,501,832 |
| **Non-current assets:** | |
| Land and construction in progress | 700 |
| Capital assets | 7,263,666 |
| Less accumulated depreciation | (3,803,749) |
| **TOTAL NON-CURRENT ASSETS** | 3,460,617 |
| **TOTAL ASSETS** | 5,962,449 |
| **LIABILITIES:** | |
| **Current liabilities:** | |
| Accounts payable | 101,480 |
| Accrued liabilities | 437,250 |
| Deferred revenue | 93,274 |
| Current portion of long term debt obligations | 71,271 |
| **TOTAL CURRENT LIABILITIES** | 703,275 |
| **Non-current liabilities:** | |
| Non-current portion of employee benefit obligations | 157,587 |
| Non-current portion of long term debt obligations | 4,235,691 |
| **TOTAL NON-CURRENT LIABILITIES** | 4,393,278 |
| **TOTAL LIABILITIES** | 5,096,553 |
| **NET ASSETS:** | |
| Invested in capital assets net of related debt | (846,345) |
| Restricted: | |
| Debt Service | 31,738 |
| Unrestricted | 1,680,503 |
| **TOTAL NET ASSETS** | $ 865,896 |

The accompanying notes are an integral part of these financial statements.

**Baraga Area Schools**

**Statement of Activities**

**For the Year Ended June 30, 2007**

| Function / Programs | Expenses | Program Revenue: Charges for Services | Program Revenue: Operating Grants and Contributions | Program Revenue: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Assets |
|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | |
| Instruction | $ 3,110,773 | $ - | $ 1,243,484 | $ - | $ (1,867,289) |
| Supporting services | 1,889,323 | - | - | - | (1,889,323) |
| Payments to other governmental agencies | 3,250 | - | - | - | (3,250) |
| Facilities acquisitions | 50,878 | - | - | 2,869 | (48,009) |
| Food service activities | 236,027 | 129,154 | 101,794 | - | (5,079) |
| Athletic activities | 115,999 | 17,715 | - | - | (98,284) |
| Bookstore activities | 229 | 365 | - | - | 136 |
| Interest on retirement of debt | 540,220 | - | - | - | (540,220) |
| Depreciation - unallocated | 234,258 | - | - | - | (234,258) |
| **TOTAL GOVERNMENTAL ACTIVITIES** | 6,180,957 | 147,234 | 1,345,278 | 2,869 | (4,685,576) |

| | |
|---|---|
| **General revenues and transfers:** | |
| Taxes: | |
| Property taxes, levied for general purposes | 469,759 |
| Property taxes, levied for debt services | 425,992 |
| Federal and State aid not restricted to specific purposes: | |
| General | 3,226,881 |
| Interest and investment earnings | 70,894 |
| Miscellaneous | 124,560 |
| Transfers | - |
| **TOTAL GENERAL REVENUE AND TRANSFERS** | 4,318,086 |
| **CHANGES IN NET ASSETS** | (367,490) |
| Net Assets , July 1 | 1,233,386 |
| **NET ASSETS, JUNE 30** | $ 865,896 |

The accompanying notes are an integral part of these financial statements.

**Baraga Area Schools**

**Governmental Funds**

**Balance Sheet**

**June 30, 2007**

| | General Fund | Non-Major Governmental Funds | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 734,486 | $ 50,004 | $ 784,490 |
| Investments | 800,521 | 815 | 801,336 |
| Receivables: | | | |
| Accounts receivable | 33,980 | 5,129 | 39,109 |
| Delinquent property taxes | 47,605 | 22,308 | 69,913 |
| Due from other governmental units | 703,488 | - | 703,488 |
| Inventories | 23,948 | 2,287 | 26,235 |
| Prepaid expense | 77,261 | - | 77,261 |
| **TOTAL ASSETS** | $ 2,421,289 | $ 80,543 | $ 2,501,832 |
| **LIABILITIES AND FUND BALANCES** | | | |
| **LIABILITIES:** | | | |
| Accounts payable | $ 82,948 | $ 18,532 | $ 101,480 |
| Accrued liabilities | 437,250 | - | 437,250 |
| Deferred revenue | 70,966 | 22,308 | 93,274 |
| **TOTAL LIABILITIES** | 591,164 | 40,840 | 632,004 |
| **FUND BALANCES:** | | | |
| Reserved for: | | | |
| School service activities | - | 7,965 | 7,965 |
| Retirement of debt | - | 31,738 | 31,738 |
| Unreserved: | | | |
| Undesignated | 1,830,125 | - | 1,830,125 |
| **TOTAL FUND BALANCES** | 1,830,125 | 39,703 | 1,869,828 |
| **TOTAL LIABILITIES AND FUND BALANCES** | $ 2,421,289 | $ 80,543 | $ 2,501,832 |

The accompanying notes are an integral part of these financial statements.

**Baraga Area Schools**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**

**June 30, 2007**

| | | |
|---|---|---|
| **Total Fund Balances for Governmental Funds** | | $ 1,869,828 |
| *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 in the funds. | | |
| Cost of capital assets | 7,264,366 | |
| Accumulated depreciation | (3,803,749) | |
| | | 3,460,617 |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds. Long-term liabilities at year-end consist of: | | |
| Bonds payable - current | 71,271 | |
| Bonds payable - long term | 4,235,691 | |
| Employee benefits payable | 157,587 | |
| | | (4,464,549) |
| **NET ASSETS OF GOVERNMENTAL ACTIVITIES** | | **$ 865,896** |

The accompanying notes are an integral part of these financial statements.

**Baraga Area Schools**

**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balance**

**For the Year Ended June 30, 2007**

| | General Fund | Non-Major Governmental Funds | Total |
|---|---|---|---|
| **REVENUES:** | | | |
| Property taxes | $ 469,759 | $ 425,992 | $ 895,751 |
| Federal sources | 794,858 | 101,794 | 896,652 |
| State Aid | 3,675,507 | - | 3,675,507 |
| Local sources | 127,428 | 147,234 | 274,662 |
| Interest | 69,140 | 1,754 | 70,894 |
| **TOTAL REVENUES** | 5,136,692 | 676,774 | 5,813,466 |
| **EXPENDITURES:** | | | |
| Current: | | | |
| Instruction | 3,163,130 | - | 3,163,130 |
| Supporting services | 1,985,788 | - | 1,985,788 |
| Payments to other governmental agencies | 3,250 | - | 3,250 |
| Facilities acquisitions | 50,878 | - | 50,878 |
| Food service activities | - | 236,027 | 236,027 |
| Athletic activities | - | 115,999 | 115,999 |
| Bookstore activities | - | 229 | 229 |
| Debt Service: | | | |
| Principal | - | 165,063 | 165,063 |
| Interest | - | 540,220 | 540,220 |
| **TOTAL EXPENDITURES** | 5,203,046 | 1,057,538 | 6,260,584 |
| **EXCESS OF REVENUES OVER (UNDER) EXPENDITURES** | (66,354) | (380,764) | (447,118) |
| **OTHER FINANCING SOURCES (USES):** | | | |
| Transfers in (out) | (87,000) | 87,000 | - |
| Proceeds from sale of bonds | - | 273,073 | 273,073 |
| **TOTAL OTHER FINANCING SOURCES (USES)** | (87,000) | 360,073 | 273,073 |
| **NET CHANGE IN FUND BALANCES** | (153,354) | (20,691) | (174,045) |
| Fund Balance, July 1 | 1,983,479 | 60,394 | 2,043,873 |
| **FUND BALANCE, JUNE 30** | $ 1,830,125 | $ 39,703 | $ 1,869,828 |

The accompanying notes are an integral part of these financial statements.

**Baraga Area Schools**

**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities**

**For the Year Ended June 30, 2007**

| | | |
|---|---|---|
| **Net Change in Fund Balances - Total Governmental Funds** | | $ (174,045) |
| *Amounts reported for governmental activities in the statement of activities are different because:* | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. | | |
| Depreciation expense | (234,258) | |
| Capital outlays - facilities acquisition | - | |
| Capital outlays - supporting services | 95,899 | |
| Capital outlays - instruction | - | (138,359) |
| Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets. | | (273,072) |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. | | 165,063 |
| Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| Change in sick and vacation leave - (support services) | 566 | |
| Change in sick and vacation leave- (instruction) | 52,357 | 52,923 |
| **Change in Net Assets of Governmental Activities** | | $ (367,490) |

The accompanying notes are an integral part of these financial statements.

**Baraga Area Schools**

**Fiduciary Funds**

**Statement of Fiduciary Net Assets**

**June 30, 2007**

| | Totals |
|---|---|
| **ASSETS:** | |
| Cash and cash equivalents | $ 75,725 |
| **TOTAL ASSETS** | $ 75,725 |
| **LIABILITIES:** | |
| Due to groups, organizations and activities | $ 75,725 |
| **TOTAL LIABILITIES** | $ 75,725 |

The accompanying notes are an integral part of these financial statements.

## NOTE A - THE FINANCIAL REPORTING ENTITY:

The School District operates under an elected Board of Education of seven (7) members, which are elected across the District to establish programs and policies.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the financial position of the Baraga Area Schools. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Based upon the application of these criteria, the financial statements of the Baraga Area Schools contain all the funds controlled by the School District's Board of Education as no other entity meets the criteria to be considered a component unit of the School District nor is the School District a component unit of another entity.

## NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the School District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

### BASIS OF PRESENTATION

*District-Wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the School District as a whole. They include all funds of the School District except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other non-exchange revenues. All of the School District's district-wide activities are considered to be governmental activities.

*Fund Financial Statements:*

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the School District are considered major if it meets the following criteria:

a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

## NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The School District reports the General Fund as its major governmental fund in accordance with the above criteria. The funds of the School District are described below:

Governmental Funds

**General Fund** – The General Fund is the main operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** – The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects). The special revenue funds for the Baraga Area Schools are the Food Service, Athletics and Bookstore Funds.

**Debt Service Fund** – The Debt Service Fund is used to account for the accumulation of resources such as taxes, state aid and interest revenue for the payment of general long-term debt principal, interest, and related costs.

## MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

### Measurement Focus

On the district-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resource measurement focus as defined in item (b) below. In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.

### Basis of Accounting

In the district-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Agency Funds financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

Cash and Equivalents

The School District cash and cash equivalents as reported in the Statement of Net Assets are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with maturities of three months or less.

## NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Investments
Investments are carried at market value.

Receivables
All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due From and To Other Funds
Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Inventory
Inventories are stated at cost, on a first-in, first-out basis, which approximates market value. Inventories recorded in the General Fund consist of centrally warehoused teaching and operating supplies for the School District. The School Lunch Fund consists of food and paper goods. For other funds, expenditures are recorded at the time of use.

Capital Assets
Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than $5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

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

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-Term Debt
In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the district-wide statements.

Compensated Absences
The School District' policies regarding compensated absences permits employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the district-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

## NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Deferred Revenues
In the district-wide statements, deferred revenue is recognized when cash, receivables or other assets are received prior to their being earned. In the governmental fund statements, deferred revenue is recognized when revenue is unearned or unavailable. The School District has reported deferred revenue of $188,980 in the General Fund and $14,222 in the Debt Service Fund for grant funding that has been received but is unearned and delinquent property taxes receivable.

Equity Classification
*District-Wide Statements*
Equity is classified as net assets and displayed in three components:

1. Invested in Capital Assets, Net of Related Debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

2. Restricted Net Assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.

3. Unrestricted Net Assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

*Fund Statements*
Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated, if appropriate.

Revenues
*District-Wide Statements*
In the district-wide Statement of Activities, revenues are segregated by activity, and are classified as either program revenue or general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

*Fund Statements*
In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the School District's policy to use the restricted resources first.

Property Taxes
Property taxes are levied on December 1, on behalf of the District by various taxing units and are payable without penalty by February 28. The District recognizes property tax revenue when levied to the extent they result in current receivables (collected within sixty days of the end of the fiscal year). Property taxes that are not collected within sixty days of the end of the fiscal year are recognized as revenue when collected.

Expenses/Expenditures
*District-Wide Statements*
In the district-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

## NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*Fund Statements*
In the governmental fund financial statements, expenditures are classified by character such as current operations, debt service and capital outlay.

Interfund Activity
As a general rule, the effect of interfund activity has been eliminated from the district-wide statements. Exceptions to this rule are (1) activities between funds reported as governmental activities and funds reported as business-type activities; and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Assets.

Budgets and Budgetary Accounting
The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
b. Public hearings are conducted to obtain taxpayer comments.
c. Prior to July 1, the budget is approved by the Board of Education.
d. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Education.
e. All annual appropriations lapse at fiscal year end.

Use of Estimates
The preparation of financial statements in conformity with U.S. 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

## NOTE C – DEPOSITS AND INVESTMENTS:

Cash Equivalents
The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government and fiduciary funds from the Statement of Net Assets.

| | Primary Government | Fiduciary Funds | Total |
|---|---|---|---|
| Unrestricted: | | | |
| Cash and cash equivalents | $ 784,490 | $ 75,725 | $ 860,215 |
| Investments | 801,336 | - | 801,336 |
| TOTALS | $ 1,585,826 | $ 75,725 | $ 1,661,540 |

## NOTE C – DEPOSITS AND INVESTMENTS (Continued):

*Custodial Credit Risk – Deposits*
Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. State law does not require and the School does not have a deposit policy for custodial credit risk. The carrying amounts of the School's deposits with financial institutions were $860,204 and the bank balance was $821,573. The bank balance is categorized as follows.

| | |
|---|---|
| Amount insured by the FDIC | $ 200,000 |
| Amount uncollateralized and uninsured | 621,573 |
| | $ 821,573 |

Investments
As of June 30, 2007, the School had the following investments.

| | | Investment Maturities (In years) | | | |
|---|---|---|---|---|---|
| | Fair Value | Less than 1 | 1-5 | 6-10 | More than 10 |
| **PRIMARY GOVERNMENT:** | | | | | |
| Unrestricted Investments: | | | | | |
| Michigan Liquid Asset Fund-Mutual funds | $ 801,336 | $ 801,336 | $ - | $ - | $ - |
| TOTAL INVESTMENTS | $ 801,336 | $ 801,336 | $ - | $ - | $ - |

*Interest Rate Risk*
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the School's investments. The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk*
Michigan statutes (Act 196, PA 1997) authorize the School to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The School has no investment policy that would further limit its investment choices. Ratings are not required for the School's investment in U.S. Government Agencies or equity-type funds. The School's investments are in accordance with statutory authority.

*Concentration of Credit Risk*
The School places no limit on the amount the School may invest in any one issuer. There were no investments subject to concentration of credit risk disclosure.

## NOTE D – DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governments consist of $598,951 due from the State of Michigan for State Aid and $104,537 due from other governmental units for the operation of special programs and grant projects.

## NOTE E – ACCRUED LIABILITIES:

A summary of accrued liabilities at June 30, 2007 as follows:

| | Governmental Activities |
|---|---|
| Accrued wages | $ 353,368 |
| MESSA payable | 83,882 |
| Accrued fringes | - |
| Accrued interest | - |
| | $ 437,250 |

## NOTE F – LONG-TERM OBLIGATIONS:

A summary of long-term obligations at June 30, 2007, and transactions related thereto for the year then ended is as follows:

| | Balance July 1, 2006 | Additions | Reductions | Balance June 30, 2007 |
|---|---|---|---|---|
| School Improvement Bond, Series 1998 | $ 44,365 | $ - | $ - | $ 44,365 |
| 1989 Refunding Bonds | 141,298 | - | 43,851 | 97,447 |
| 1991 Issue – School Bond | 154,199 | - | 121,212 | 32,987 |
| State School Bond Loan Program | 3,859,091 | 273,072 | - | 4,132,163 |
| Subtotal | 4,198,953 | 273,072 | 165,063 | 4,306,962 |
| Employee Benefits – Sick and Vacation Leave | 210,511 | - | 52,924 | 157,587 |
| TOTAL LONG-TERM DEBT | $ 4,409,464 | $ 273,072 | $ 217,987 | $ 4,464,549 |

**School Improvement Bonds – Series 1998**
**June 30, 2007**

| | May 15 | | |
|---|---|---|---|
| School Year | Interest | Principal | Total |
| 2007-2008 | $ - | $ - | $ - |
| 2008-2009 | 1,576 | 6,024 | 7,600 |
| 2009-2010 | 1,289 | 6,311 | 7,600 |
| 2010-2011 | 989 | 6,611 | 7,600 |
| 2011-2012 | 4,636 | 18,164 | 22,800 |
| 2012-2013 | 345 | 7,255 | 7,600 |
| Totals | $ 8,835 | $ 44,365 | $ 53,200 |

The School Improvement Bonds, Series 1998 ($108,245) dated November 24, 1998 mature annually on May 15, with interest at a rate of 4.76% per annum. The only revenue source for making the debt service payment on these School Improvement Bonds is an annual appropriation from the State of Michigan.

**1989 Refunding Bonds**
**June 30 , 2007**

| | May 1 | | |
|---|---|---|---|
| School Year | Interest | Principal | Total |
| 2007-2008 | $ 111,716 | $ 38,284 | $ 150,000 |
| 2008-2009 | 103,224 | 31,776 | 135,000 |
| 2009-2010 | 97,613 | 27,387 | 125,000 |
| Totals | $ 312,553 | $ 97,447 | $ 410,000 |

Zero Coupon Bonds ($556,807) dated February 29, 1989 mature annually on May 1 and bear interest at a rate of 7.00% to 7.30% per annum. Interest is paid annually on May 1 of each year.

## NOTE F – LONG-TERM OBLIGATIONS (Continued):

**1991 Issue – School Bond Loan Refunding Bonds**
**June 30, 2007**

| | May 15 | | |
|---|---|---|---|
| School Year | Interest | Principal | Total |
| 2007-2008 | $ 72,013 | $ 32,987 | $ 105,000 |
| Totals | $ 72,013 | $ 32,987 | $ 105,000 |

Capital Appreciation Bonds ($679,461) dated August 29, 1991, maturing annually on May 15 with interest at a rate of 6.75% to 7.05% per annum.

**State School Bond Loan Program**
**June 30, 2007**

| | May 1 | | |
|---|---|---|---|
| July 1, 2006 Balance | Added Interest | Added Principal | June 30, 2007 |
| $ 3,859,091 | $ 184,172 | $ 88,900 | $ 4,132,163 |

The District has borrowed from the State School Bond Loan Program to apply towards maturing principal and interest payments on their serial bonds. The balance owed as of June 30, 2006 is $3,859,091, including accrued interest.

Debt Service Requirements
The annual requirements to pay principal and interest based on debt outstanding at June 30, 2007 (exclusive of employee benefits and State School Bond Loan Program) are as follows:

| Fiscal | Principal | Interest | Total |
|---|---|---|---|
| 2007-2008 | $ 71,271 | $ 183,729 | $ 255,000 |
| 2008-2009 | 37,800 | 104,800 | 142,600 |
| 2009-2010 | 33,698 | 98,902 | 132,600 |
| 2010-2011 | 6,611 | 989 | 7,600 |
| 2011-2012 | 18,164 | 4,636 | 22,800 |
| 2012-2013 | 7,255 | 345 | 7,600 |
| Totals | $ 174,799 | $ 393,401 | $ 568,200 |

## NOTE G – SICK LEAVE AND VACATION LEAVE – COMPENSATED ABSENCES:

The School District accrues the liability for earned sick leave based on the termination method. The liability is accrued as the benefits are earned. The current labor agreements stipulate sick leave must be taken in order to be paid, except at retirement. Teachers and administration personnel have the option of being paid for one-half of accumulated sick leave days, up to a maximum of 180 accumulated days, or they may request payment for the Universal Service Credit up to a maximum of $32,500, upon retirement. Other non-teaching employees may accrue up to 90 sick leave days, and are paid for up to 70 sick leave days upon retirement. As of June 30, 2007, the liability for sick leave is $142,461.

A vacation liability of $15,126 for non-teaching employees is recorded in the statement of net assets.

## NOTE H – CAPITAL ASSETS:

Capital assets activity of the School District's governmental activities was as follows:

| | Balance at 7/01/06 | Additions | Disposals | Balance at 6/30/07 |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $700 | $- | $- | $700 |
| Construction-in-progress | - | - | - | - |
| Total Capital Assets not being Depreciated | 700 | - | - | 700 |
| Capital assets being depreciated: | | | | |
| Site improvements | 1,214,319 | 12,076 | - | 1,226,395 |
| Buildings | 4,962,936 | 31,679 | - | 4,994,615 |
| Equipment | 580,727 | 52,144 | - | 632,871 |
| Vehicles and buses | 409,785 | - | - | 409,785 |
| Total Capital Assets being Depreciated | 7,167,767 | 95,899 | - | 7,263,666 |
| Less accumulated depreciation: | | | | |
| Site improvements | (426,370) | (44,343) | - | 470,713 |
| Buildings | (2,457,383) | (99,893) | - | 2,557,276 |
| Equipment | (380,942) | (69,274) | - | 450,216 |
| Vehicles and buses | (304,795) | (20,749) | - | 325,544 |
| Total Accumulated Depreciation | (3,569,490) | (234,259) | - | 3,803,749 |
| Governmental Activities Capital Assets, Net | $ 3,598,977 | $ (138,360) | $ - | $3,460,617 |

Depreciation expense was charged to governmental activities as follows:

| | |
|---|---|
| Governmental Activities: | |
| Unallocated | $234,259 |
| Total Governmental Activities Depreciation Expense | $234,259 |

## NOTE I – RESERVED AND DESIGNATED FUND EQUITY:

The School District reserves fund equities for the following funds:

School Lunch Fund – The resources of the School Lunch Fund are to be used for the school lunch program. The fund equity is reserved for this purpose.

Debt Service Funds – The resources of the Debt Service Funds have been accumulated for the specific purpose of bond and interest debt retirement. The fund equities are reserved for these purposes.

## NOTE J – STATE REVENUE:

The State of Michigan currently uses a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. The foundation is funded from state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007, the foundation allowance was based on the weighted average of pupil membership counts taken in February and October of 2006.

## NOTE J – STATE REVENUE (Continued):

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2006 - August 2007.

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

## NOTE K – FUND MODIFICATIONS (TRANSFER TO/FROM OTHER FUNDS):

| | | Transfer Out To Other Funds | |
|---|---|---|---|
| | | General Fund | Total Transfers In |
| Transfer In From Other Funds | Lunch Fund | $ 6,000 | $ 6,000 |
| | Athletic Fund | 81,000 | 81,000 |
| | Total Transfers Out | $ 87,000 | $ 87,000 |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to Debt Service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due, and (3) use unrestricted revenue collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## NOTE L – NONMONETARY TRANSACTIONS:

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the School Lunch Fund. The commodities are accounted for on the modified accrual basis and the related revenues and expenditures are recognized as commodities as utilized. The School District recognized $7,686 during fiscal 2007 in revenues and expenditures for USDA commodities.

## NOTE M – PROPERTY TAXES:

The taxable value of real and personal property located in the School District at December 31, 2006 totaled $53,538,411 ($27,354,119 designated as Homestead and $26,184,292 designated as Non-Homestead). The total tax levied consists of 18 mills for the General Fund and 7.9500 mills for debt retirement.

## NOTE N – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:

Substantially all of the School District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPSERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of creditable service or at age sixty while still working with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPSERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date.

The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPSERS also provides death, disability, health, medical, dental, and vision and hearing insurance coverage. Benefits are established by state statute.

The District was required by state statute to contribute 16.34% of covered compensation to the Plan through September 30, 2006 and 17.74% of covered compensation for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2007 was $564,063 which consisted of $483,031 from the School District and $81,032 from employees electing the MIP option. These represent approximately 17% and 3% of covered payroll, respectively. The School Districts contributions to MPSERS for 2006 was $472,141 and for 2005 was $402,214.

Payroll paid to employees covered by the System for the year ended June 30, 2007 was approximately $2,917,506. The School District's total payroll was approximately $3,032,242.

Other Post-Employment Benefits

In addition to pension benefits, MPSERS provides comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of the retiree. The portion provided by MPSERS is factored into the pension contribution rate.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan. MPSERS' issues a publicly available financial report that includes financial statements and required supplementary information for the system. More information may be obtained by writing MPSERS, at MPSERS, P.O. Box 30673, Lansing, Michigan, 48909-8103.

## NOTE O – CONTINGENT LIABILITIES:

Grant Assistance

The School District has received significant assistance from federal and state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School District.

Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The School District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The School District joined together with other units and created a public entity risk pool currently operating as a common risk management and insurance program. The School District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of $500,000 for each insured event.

The School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The School District is unable to provide an estimate of the amounts of additional assessments that may be required to make the pool self-sustaining.

## NOTE P – ECONOMIC DEPENDENCY:

The School District received approximately 80 percent of its revenue through state and federal sources to be used for providing elementary and secondary education for the residents of Baraga. The District's Foundation Allowance is set by the state and includes the local contribution from Non Homestead taxes. Increases in the local Non Homestead property tax revenues are offset by a corresponding decrease in state aid on a per pupil basis.

# REQUIRED SUPPLEMENTAL INFORMATION

**Baraga Area Schools**

**General Fund**

**Budgetary Comparison Schedule**

**For the Year Ended June 30, 2007**

| | Budgeted Amounts | | Actual (GAAP Basis) | Variances Positive (Negative) | |
|---|---|---|---|---|---|
| | Original | Final | | Original Budget to Final Budget | Final Budget to Actual |
| **REVENUES:** | | | | | |
| Local sources | $ 534,362 | $ 622,335 | $ 666,327 | $ 87,973 | $ 43,992 |
| State sources | 3,641,519 | 3,675,087 | 3,675,507 | 33,568 | 420 |
| Federal sources | 676,598 | 794,278 | 794,858 | 117,680 | 580 |
| **TOTAL REVENUES** | 4,852,479 | 5,091,700 | 5,136,692 | 239,221 | 44,992 |
| **EXPENDITURES:** | | | | | |
| **Instruction:** | | | | | |
| Basic Programs | 2,705,357 | 2,613,990 | 2,574,407 | 91,367 | 39,583 |
| Added Needs | 775,817 | 585,096 | 582,485 | 190,721 | 2,611 |
| Adult/Continuing education | - | 6,240 | 6,238 | (6,240) | 2 |
| **Total Instruction** | 3,481,174 | 3,205,326 | 3,163,130 | 275,848 | 42,196 |
| **Supporting Services:** | | | | | |
| Pupil services | 79,813 | 287,008 | 287,487 | (207,195) | (479) |
| Instructional staff | 118,581 | 200,794 | 200,778 | (82,213) | 16 |
| Administration | 644,360 | 637,127 | 631,290 | 7,233 | 5,837 |
| Business services | 10,121 | 15,509 | 15,173 | (5,388) | 336 |
| Operation and maintenance | 816,836 | 863,808 | 851,060 | (46,972) | 12,748 |
| **Total Supporting Services** | 1,669,711 | 2,004,246 | 1,985,788 | (334,535) | 18,458 |
| **Payments to Other Governmental Agencies** | | | | | |
| Other | - | 12,972 | 3,250 | (12,972) | 9,722 |
| **Total Payments to Other Government Agencies** | - | 12,972 | 3,250 | (12,972) | 9,722 |
| **Facilities Acquisition** | | | | | |
| Capital Outlay | 63,200 | 53,181 | 50,878 | 10,019 | 2,303 |
| **Total Facilities Acquisition** | 63,200 | 53,181 | 50,878 | 10,019 | 2,303 |
| **TOTAL EXPENDITURES** | 5,214,085 | 5,275,725 | 5,203,046 | (61,640) | 72,679 |
| **EXCESS OF REVENUES OVER (UNDER) EXPENDITURES** | (361,606) | (184,025) | (66,354) | 177,581 | 117,671 |
| **OTHER FINANCING SOURCES** | | | | | |
| Transfers out | (120,550) | (91,162) | (87,000) | 29,388 | 4,162 |
| **NET CHANGE IN FUND BALANCE** | (482,156) | (275,187) | (153,354) | 206,969 | 121,833 |
| Fund Balance, July 1 | 1,983,479 | 1,983,479 | 1,983,479 | - | - |
| **FUND BALANCE, JUNE 30** | $ 1,501,323 | $ 1,708,292 | $ 1,830,125 | $ 206,969 | $ 121,833 |

# OTHER SUPPLEMENTAL INFORMATION

**Baraga Area Schools**

**General Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2007**

| | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|
| **REVENUES:** | | | |
| Local Sources: | | | |
| Taxes and Penalties: | | | |
| Property tax levy | $ 480,449 | $ 469,759 | $ (10,690) |
| Other Local Sources: | | | |
| Rental of school facilities | 9 | 9 | - |
| Donations | 2,869 | 2,869 | - |
| Other local revenue | 70,331 | 124,550 | 54,219 |
| Income from investments | 68,677 | 69,140 | 463 |
| **TOTAL LOCAL SOURCES** | 622,335 | 666,327 | 43,992 |
| State Sources: | | | |
| Unrestricted: | | | |
| Proposal A Obligation | 3,214,087 | 3,214,087 | - |
| Discretionary Payment | 12,793 | 12,794 | 1 |
| Restricted: | | | |
| At Risk | 127,633 | 127,625 | (8) |
| Alternative Education | 145,685 | 145,686 | 1 |
| Adult Education | 9,987 | 10,412 | 425 |
| Special Education - Head lee | 131,343 | 131,343 | - |
| Bilingual and Compensatory Education | 14,435 | 14,436 | 1 |
| Non-Durant Settlement | 10,824 | 10,824 | - |
| MI Profile Healthy Youth | 8,300 | 8,300 | - |
| **TOTAL STATE SOURCES** | 3,675,087 | 3,675,507 | 420 |
| Federal Sources: | | | |
| Restricted: | | | |
| Title VII - Indian Education | 69,123 | 69,703 | 580 |
| Public Law 81-874 | 490,601 | 490,601 | - |
| Schools & Roads | 15,855 | 15,855 | - |
| REAP | 1,477 | 1,477 | |
| Restricted - received through the state: | | | |
| E.I.C.I.A. Title I | 142,923 | 145,866 | 2,943 |
| E.I.C.I.A. Title V | 1,942 | 1,942 | - |
| Handicapped Preschool | - | 3,760 | 3,760 |
| E.I.C.I.A. Title II, Part A | 46,562 | 46,562 | - |
| E.I.C.I.A. Title II, Part D | 1,440 | 1,440 | - |
| Tech Literacy Challenge | - | - | - |
| Freedom to Learn | 6,722 | - | (6,722) |
| E.I.C.I.A. Title III, Part A | 17,633 | 17,652 | 19 |
| Restricted - received through the CCISD: | - | - | - |
| **TOTAL FEDERAL SOURCES** | 794,278 | 794,858 | 580 |
| **TOTAL REVENUES** | 5,091,700 | 5,136,692 | 44,992 |

**Baraga Area Schools**

**General Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2007**

| | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|
| **EXPENDITURES:** | | | |
| **Instruction:** | | | |
| **Elementary:** | | | |
| Salaries | $ 807,906 | $ 785,949 | $ 21,957 |
| Fringe benefits | 406,266 | 405,604 | 662 |
| Purchased services | 23,432 | 23,430 | 2 |
| Supplies and materials | 30,781 | 28,704 | 2,077 |
| Capital outlay | - | - | - |
| Other expenses | 2,754 | 2,753 | 1 |
| **TOTAL ELEMENTARY** | 1,271,139 | 1,246,440 | 24,699 |
| **Secondary:** | | | |
| Salaries | 827,190 | 813,685 | 13,505 |
| Fringe benefits | 441,112 | 441,088 | 24 |
| Purchased services | 13,329 | 13,328 | 1 |
| Supplies and materials | 51,124 | 49,772 | 1,352 |
| Capital outlay | 4,194 | 4,194 | - |
| Other expenses | 5,902 | 5,900 | 2 |
| **TOTAL SECONDARY** | 1,342,851 | 1,327,967 | 14,884 |
| **Summer School:** | | | |
| Salaries | 3,000 | 3,000 | - |
| Fringe benefits | - | - | - |
| Purchased services | - | - | - |
| Supplies and materials | - | - | - |
| Capital outlay | - | - | - |
| Other expenses | - | - | - |
| **TOTAL SUMMER SCHOOL** | 3,000 | 3,000 | - |
| **Special Education:** | | | |
| Salaries | 252,885 | 248,882 | 4,003 |
| Fringe benefits | 134,143 | 132,598 | 1,545 |
| Purchased services | 89 | 88 | 1 |
| Supplies and materials | 7,061 | 7,057 | 4 |
| Capital outlay | - | - | - |
| Other expenses | - | - | - |
| **TOTAL SPECIAL EDUCATION** | 394,178 | 388,625 | 5,553 |

**Baraga Area Schools**

**General Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2007**

| | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|
| **Compensatory Education:** | | | |
| Salaries | $ 85,900 | $ 88,842 | $ (2,942) |
| Fringe benefits | 82,749 | 82,758 | (9) |
| Purchased services | 10,873 | 10,871 | 2 |
| Supplies and materials | 6,629 | 6,622 | 7 |
| Capital outlay | 1,767 | 1,767 | - |
| Other expenses | - | - | - |
| **TOTAL COMPENSATORY EDUCATION** | 187,918 | 190,860 | (2,942) |
| **Alternative Education** | | | |
| Salaries | 4,880 | 4,880 | - |
| Fringe benefits | 1,303 | 1,302 | 1 |
| Purchased services | 25 | 25 | - |
| Supplies and materials | 32 | 31 | 1 |
| Capital outlay | - | - | - |
| Other expenses | - | - | - |
| **TOTAL ALTERNATIVE EDUCATION** | 6,240 | 6,238 | 2 |
| **TOTAL INSTRUCTION** | 3,205,326 | 3,163,130 | 42,196 |
| **Supporting Services:** | | | |
| **Pupil Services:** | | | |
| **Truancy/Absenteeism** | | | |
| Salaries | - | - | - |
| Fringe benefits | - | - | - |
| Purchased services | 3,474 | 3,473 | 1 |
| Supplies and materials | - | - | - |
| Capital outlay | - | - | - |
| Other expenses | - | - | - |
| **TOTAL TRUANCY/ABSENTEEISM** | 3,474 | 3,473 | 1 |
| **Guidance:** | | | |
| Salaries | 120,800 | 122,005 | (1,205) |
| Fringe benefits | 55,117 | 55,111 | 6 |
| Purchased services | 908 | 908 | - |
| Supplies and materials | 831 | 1,106 | (275) |
| Capital outlay | - | - | - |
| Other expenses | - | - | - |
| **TOTAL GUIDANCE** | 177,656 | 179,130 | (1,474) |

**Baraga Area Schools**

**General Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2007**

| | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|
| **Health:** | | | |
| Salaries | $ 15,887 | $ 13,830 | $ 2,057 |
| Fringe benefits | 19,226 | 19,225 | 1 |
| Purchased services | 1,306 | 1,306 | - |
| Supplies and materials | 6,240 | 6,732 | (492) |
| Capital outlay | - | - | - |
| Other expenses | - | - | - |
| **TOTAL HEALTH** | 42,659 | 41,093 | 1,566 |
| **Home School Coordinator/Social Work:** | | | |
| Salaries | 22,550 | 23,128 | (578) |
| Fringe benefits | 29,389 | 29,387 | 2 |
| Purchased services | 3,810 | 3,808 | 2 |
| Supplies and materials | 1,413 | 1,412 | 1 |
| Capital outlay | - | - | - |
| Other expenses | - | - | - |
| **TOTAL HOME SCHOOL COORDINATOR/SOCIAL WORK** | 57,162 | 57,735 | (573) |
| **Other Pupil Service:** | | | |
| Salaries | 4,838 | 4,838 | - |
| Fringe benefits | 1,219 | 1,218 | 1 |
| Purchased services | - | - | - |
| Supplies and materials | - | - | - |
| Capital outlay | - | - | - |
| Other expenses | - | - | - |
| **TOTAL OTHER PUPIL SERVICES** | 6,057 | 6,056 | 1 |
| **TOTAL PUPIL SERVICES** | 287,008 | 287,487 | (479) |
| **Instructional Staff:** | | | |
| **Improvement of Instruction:** | | | |
| Salaries | - | - | - |
| Fringe benefits | - | - | - |
| Purchased services | - | - | - |
| Supplies and materials | - | - | - |
| Capital outlay | - | - | - |
| Other expenses | - | - | - |
| **TOTAL IMPROVEMENT OF INSTRUCTION** | - | - | - |

**Baraga Area Schools**

**General Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2007**

| | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|
| **Library:** | | | |
| Salaries | $ 67,756 | $ 67,755 | $ 1 |
| Fringe benefits | 39,112 | 39,110 | 2 |
| Purchased services | 4,589 | 4,589 | - |
| Supplies and materials | 6,549 | 6,546 | 3 |
| Capital outlay | - | - | - |
| Other expenses | - | - | - |
| **TOTAL LIBRARY** | 118,006 | 118,000 | 6 |
| **Technology Assisted Instruction** | | | |
| Salaries | - | - | - |
| Fringe benefits | - | - | - |
| Purchased services | - | - | - |
| Supplies and materials | - | - | - |
| Capital outlay | - | - | - |
| Other expenses | - | - | - |
| **TOTAL TECHNOLOGY ASSISTED INSTRUCTION** | - | - | - |
| **Supervision and Direction of Instructional Staff** | | | |
| Salaries | 62,632 | 62,629 | 3 |
| Fringe benefits | 11,558 | 11,554 | 4 |
| Purchased services | 7,114 | 7,111 | 3 |
| Supplies and materials | - | - | - |
| Capital outlay | - | - | - |
| Other expenses | 1,484 | 1,484 | - |
| **TOTAL SUPERVISION AND DIRECTION OF INSTRUCTIONAL STAFF** | 82,788 | 82,778 | 10 |
| **TOTAL INSTRUCTIONAL STAFF** | 200,794 | 200,778 | 16 |
| **Administration:** | | | |
| **Board of Education:** | | | |
| Salaries | - | - | - |
| Fringe benefits | 31 | 31 | - |
| Purchased services | 31,750 | 34,479 | (2,729) |
| Supplies and materials | 1,271 | 2,704 | (1,433) |
| Capital outlay | - | - | - |
| Other expenses | 4,173 | 4,172 | 1 |
| **TOTAL BOARD OF EDUCATION** | 37,225 | 41,386 | (4,161) |

**Baraga Area Schools**

**General Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2007**

| | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|
| **Executive Administration:** | | | |
| Salaries | $ 164,878 | $ 164,875 | $ 3 |
| Fringe benefits | 85,581 | 85,578 | 3 |
| Purchased services | 10,920 | 10,919 | 1 |
| Supplies and materials | 10,999 | 8,991 | 2,008 |
| Capital outlay | 5,325 | 266 | 5,059 |
| Other expenses | 3,163 | 2,163 | 1,000 |
| **TOTAL EXECUTIVE ADMINISTRATION** | 280,866 | 272,792 | 8,074 |
| **Offices of Principals:** | | | |
| Salaries | 206,845 | 206,842 | 3 |
| Fringe benefits | 101,329 | 101,083 | 246 |
| Purchased services | 3,573 | 3,421 | 152 |
| Supplies and materials | 2,685 | 1,563 | 1,122 |
| Capital outlay | - | - | - |
| Other expenses | 4,604 | 4,203 | 401 |
| **TOTAL OFFICE OF PRINCIPALS** | 319,036 | 317,112 | 1,924 |
| **TOTAL ADMINISTRATION** | 637,127 | 631,290 | 5,837 |
| **Business Services:** | | | |
| **Fiscal Services:** | | | |
| Salaries | - | - | - |
| Fringe benefits | 11,500 | 11,164 | 336 |
| Purchased services | - | - | - |
| Supplies and materials | - | - | - |
| Capital outlay | - | - | - |
| Other expenses | - | - | - |
| **TOTAL FISCAL SERVICES** | 11,500 | 11,164 | 336 |
| **Other Business Services:** | | | |
| Salaries | - | - | - |
| Fringe benefits | - | - | - |
| Purchased services | 4,009 | 4,009 | - |
| Supplies and materials | - | - | - |
| Capital outlay | - | - | - |
| Other expenses | - | - | - |
| **TOTAL OTHER BUSINESS SERVICES** | 4,009 | 4,009 | - |
| **TOTAL BUSINESS SERVICES** | 15,509 | 15,173 | 336 |

**Baraga Area Schools**

**General Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2007**

| | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|
| **Operation and Maintenance:** | | | |
| **Operating Building Maintenance** | | | |
| Salaries | $ 134,504 | $ 133,712 | $ 792 |
| Fringe benefits | 111,253 | 111,250 | 3 |
| Purchased services | 124,940 | 124,934 | 6 |
| Supplies and materials | 200,481 | 194,303 | 6,178 |
| Capital outlay | 11,300 | 11,299 | 1 |
| Other expenses | 25 | 25 | - |
| **TOTAL OPERATING BUILDING MAINTENANCE** | 582,503 | 575,523 | 6,980 |
| **Transportation:** | | | |
| Salaries | 83,741 | 79,228 | 4,513 |
| Fringe benefits | 65,202 | 65,201 | 1 |
| Purchased services | 15,594 | 15,592 | 2 |
| Supplies and materials | 42,487 | 42,484 | 3 |
| Capital outlay | 17,375 | 17,375 | - |
| Other expenses | 384 | 384 | - |
| **TOTAL TRANSPORTATION** | 224,783 | 220,264 | 4,519 |
| **Staff/Personnel Services** | | | |
| Salaries | - | - | - |
| Fringe benefits | - | - | - |
| Purchased services | 1,475 | 1,375 | 100 |
| Supplies and materials | - | - | - |
| Capital outlay | - | - | - |
| Other expenses | - | - | - |
| **TOTAL STAFF/PERSONNEL SERVICES** | 1,475 | 1,375 | 100 |
| **Central Services** | | | |
| Salaries | 16,191 | 16,088 | 103 |
| Fringe benefits | 4,054 | 4,051 | 3 |
| Purchased services | 600 | 600 | - |
| Supplies and materials | 7,385 | 6,343 | 1,042 |
| Capital outlay | - | - | - |
| Other expenses | 26,817 | 26,816 | 1 |
| **TOTAL CENTRAL SERVICES** | 55,047 | 53,898 | 1,149 |
| **TOTAL OPERATIONS AND MAINTENANCE** | 863,808 | 851,060 | 12,748 |
| **TOTAL SUPPORT SERVICES** | 2,004,246 | 1,985,788 | 18,458 |

**Baraga Area Schools**

**General Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2007**

| | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|
| **Payments to Other Governmental Agencies** | | | |
| L'Anse Area Schools - Tuition | $ - | $ - | $ - |
| Community Schools | - | - | - |
| Michigan Technology University - Tuition | - | - | - |
| Copper Country Intermediate School District | 6,722 | - | 6,722 |
| Arvon Township Schools - Transportation | 6,250 | 3,250 | 3,000 |
| **TOTAL PAYMENTS TO OTHER GOVERNMENTAL AGENCIES** | 12,972 | 3,250 | 9,722 |
| **Facilities Acquisition** | | | |
| Capital Outlay | 53,181 | 50,878 | 2,303 |
| **TOTAL FACILITIES ACQUISITION** | 53,181 | 50,878 | 2,303 |
| **TOTAL EXPENDITURES** | 5,275,725 | 5,203,046 | 72,679 |
| **EXCESS REVENUES (EXPENDITURES)** | (184,025) | (66,354) | 117,671 |
| **Other Financing Sources (Uses):** | | | |
| **Transfers Out:** | | | |
| Lunch Fund | (81,440) | (81,000) | 440 |
| Athletic Fund | (9,722) | (6,000) | 3,722 |
| Bookstore Fund | - | - | - |
| **TOTAL OTHER FINANCING USES** | (91,162) | (87,000) | 4,162 |
| **NET CHANGE IN FUND BALANCE** | (275,187) | (153,354) | 121,833 |
| Fund Balance, July 1 | 1,983,479 | 1,983,479 | - |
| **FUND BALANCE, JUNE 30** | $ 1,708,292 | $ 1,830,125 | $ 121,833 |

**Baraga Area Schools**

**Non-Major Governmental Funds**

**Combining Balance Sheet**

**June 30, 2007**

| | Special Revenue | Debt Service | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 18,380 | $ 31,624 | $ 50,004 |
| Investments | - | 815 | 815 |
| Accounts receivable | 5,129 | - | 5,129 |
| Delinquent Taxes Receivable | - | 22,308 | 22,308 |
| Inventory | 2,287 | - | 2,287 |
| **TOTAL ASSETS** | $ 25,796 | $ 54,747 | $ 80,543 |
| **LIABILITIES AND FUND BALANCES** | | | |
| **LIABILITIES:** | | | |
| Accounts payable | $ 17,831 | $ 701 | $ 18,532 |
| Deferred revenue | - | 22,308 | 22,308 |
| **TOTAL LIABILITIES** | 17,831 | 23,009 | 40,840 |
| **FUND BALANCES:** | | | |
| Reserved for: | | | |
| School service activities | 7,965 | - | 7,965 |
| Retirement of debt | - | 31,738 | 31,738 |
| Unreserved | - | - | - |
| **TOTAL FUND BALANCES** | 7,965 | 31,738 | 39,703 |
| **TOTAL LIABILITIES AND FUND BALANCES** | $ 25,796 | $ 54,747 | $ 80,543 |

**Baraga Area Schools**

**Non-Major Governmental Funds**

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance**

**For the Year Ended June 30, 2007**

| | Special Revenue | Debt Service | Total |
|---|---|---|---|
| **REVENUES:** | | | |
| Property taxes | $ - | $ 425,992 | $ 425,992 |
| School lunch activities | 129,154 | - | 129,154 |
| Athletic activities | 17,715 | - | 17,715 |
| Bookstore activities | 365 | - | 365 |
| Interest | - | 1,754 | 1,754 |
| State aid | - | - | - |
| Federal sources | 101,794 | - | 101,794 |
| **TOTAL REVENUES** | 249,028 | 427,746 | 676,774 |
| **EXPENDITURES:** | | | |
| School lunch activities | 236,027 | - | 236,027 |
| Athletic activities | 115,999 | - | 115,999 |
| Bookstore activities | 229 | - | 229 |
| Debt service activities | | | |
| Principal | - | 165,063 | 165,063 |
| Interest and fees | - | 540,220 | 540,220 |
| **TOTAL EXPENDITURES** | 352,255 | 705,283 | 1,057,538 |
| **EXCESS OF REVENUES OVER (UNDER) EXPENDITURES** | (103,227) | (277,537) | (380,764) |
| **OTHER FINANCING SOURCES (USES):** | | | |
| Proceeds from sale of bond | - | 273,073 | 273,073 |
| Transfers in | 87,000 | - | 87,000 |
| **TOTAL OTHER FINANCING SOURCES (USES)** | 87,000 | 273,073 | 360,073 |
| **NET CHANGE IN FUND BALANCE** | (16,227) | (4,464) | (20,691) |
| Fund Balance, July 1 | 24,192 | 36,202 | 60,394 |
| **FUND BALANCE, JUNE 30** | $ 7,965 | $ 31,738 | $ 39,703 |

**Baraga Area Schools**

**Non-Major Special Revenue Funds**

**Combining Balance Sheet**

**June 30, 2007**

| | School Lunch Fund | Athletic Fund | Bookstore Fund | Total |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 14,579 | $ 1,770 | $ 2,031 | $ 18,380 |
| Accounts receivable | 5,129 | - | - | 5,129 |
| Inventory | 1,978 | - | 309 | 2,287 |
| **TOTAL ASSETS** | $ 21,686 | $ 1,770 | $ 2,340 | $ 25,796 |
| **LIABILITIES AND FUND BALANCES** | | | | |
| **LIABILITIES:** | | | | |
| Accounts payable | $ - | $ 17,831 | $ - | $ 17,831 |
| **TOTAL LIABILITIES** | - | 17,831 | - | 17,831 |
| **FUND BALANCES:** | | | | |
| Reserved for school service activities | 21,686 | (16,061) | 2,340 | 7,965 |
| **TOTAL LIABILITIES AND FUND BALANCES** | $ 21,686 | $ 1,770 | $ 2,340 | $ 25,796 |

**Baraga Area Schools**

**Non-Major Special Revenue Funds**

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance**

**For the Year Ended June 30, 2007**

| | School Lunch Fund | Athletic Fund | Bookstore Fund | Total |
|---|---|---|---|---|
| **REVENUES:** | | | | |
| Athletic activities | $ - | $ 17,715 | $ - | $ 17,715 |
| School lunch activities | 129,154 | - | - | 129,154 |
| Bookstore activities | - | - | 365 | 365 |
| State aid | - | - | - | - |
| Federal sources | 101,794 | - | - | 101,794 |
| **TOTAL REVENUES** | 230,948 | 17,715 | 365 | 249,028 |
| **EXPENDITURES:** | | | | |
| School lunch activities | 236,027 | - | - | 236,027 |
| Athletic activities | - | 115,999 | - | 115,999 |
| Bookstore activities | - | - | 229 | 229 |
| **TOTAL EXPENDITURES** | 236,027 | 115,999 | 229 | 352,255 |
| **EXCESS OF REVENUES OVER (UNDER) EXPENDITURES** | (5,079) | (98,284) | 136 | (103,227) |
| **OTHER FINANCING SOURCES (USES):** | | | | |
| Transfers in | 6,000 | 81,000 | - | 87,000 |
| **TOTAL OTHER FINANCING SOURCES (USES)** | 6,000 | 81,000 | - | 87,000 |
| **NET CHANGE IN FUND BALANCE** | 921 | (17,284) | 136 | (16,227) |
| Fund Balance, July 1 | 20,765 | 1,223 | 2,204 | 24,192 |
| **FUND BALANCE, JUNE 30** | $ 21,686 | $ (16,061) | $ 2,340 | $ 7,965 |

**Baraga Area Schools**

**School Lunch Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2007**

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|
| **REVENUES:** | | | |
| School lunch activities | $ 104,059 | $ 129,154 | $ 25,095 |
| State aid | 21,533 | - | (21,533) |
| Federal sources | 101,794 | 101,794 | - |
| **TOTAL REVENUES** | 227,386 | 230,948 | 3,562 |
| **EXPENDITURES:** | | | |
| School lunch activities: | | | |
| Salaries | 72,972 | 72,722 | 250 |
| Fringe benefits | 58,359 | 61,844 | (3,485) |
| Purchased services | 130 | 130 | - |
| Supplies and materials | 95,653 | 100,290 | (4,637) |
| Capital outlay | 500 | 500 | - |
| Other expenses | 1,039 | 541 | 498 |
| **TOTAL EXPENDITURES** | 228,653 | 236,027 | (7,374) |
| **EXCESS REVENUES OVER (UNDER) EXPENDITURES** | (1,267) | (5,079) | (3,812) |
| **OTHER FINANCING SOURCES (USES):** | | | |
| Transfers in | 7,610 | 6,000 | (1,610) |
| **TOTAL OTHER FINANCING SOURCES (USES):** | 7,610 | 6,000 | (1,610) |
| **NET CHANGE IN FUND BALANCE** | 6,343 | 921 | (5,422) |
| Fund Balance, July 1 | 20,765 | 20,765 | - |
| **FUND BALANCE, JUNE 30** | $ 27,108 | $ 21,686 | $ (5,422) |

**Baraga Area Schools**

**Athletic Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2007**

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|
| **REVENUES:** | | | |
| Athletic activities | $ 13,613 | $ 17,715 | $ 4,102 |
| **TOTAL REVENUES** | 13,613 | 17,715 | 4,102 |
| **EXPENDITURES:** | | | |
| Athletic activities: | | | |
| Salaries | 53,307 | 53,525 | (218) |
| Fringe benefits | 13,733 | 12,581 | 1,152 |
| Purchased services | 34,496 | 38,049 | (3,553) |
| Supplies and materials | - | - | - |
| Capital outlay | 10,918 | 10,913 | 5 |
| Other expenses | 1,886 | 931 | 955 |
| **TOTAL EXPENDITURES** | 114,340 | 115,999 | (1,659) |
| **EXCESS REVENUES OVER (UNDER) EXPENDITURES** | (100,727) | (98,284) | 2,443 |
| **OTHER FINANCING SOURCES (USES):** | | | |
| Transfers in | 81,440 | 81,000 | (440) |
| **TOTAL OTHER FINANCING SOURCES (USES)** | 81,440 | 81,000 | (440) |
| **NET CHANGE IN FUND BALANCE** | (19,287) | (17,284) | 2,003 |
| Fund Balance, July 1 | 1,223 | 1,223 | - |
| **FUND BALANCE, JUNE 30** | $ (18,064) | $ (16,061) | $ 2,003 |

**Baraga Area Schools**

**Bookstore Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2007**

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|
| **REVENUES:** | | | |
| Bookstore revenue | $ 365 | $ 365 | $ - |
| **TOTAL REVENUES** | 365 | 365 | - |
| **EXPENDITURES:** | | | |
| Bookstore activities: | | | |
| Salaries | - | - | - |
| Fringe benefits | - | - | - |
| Purchased services | - | - | - |
| Supplies and materials | 500 | 206 | 294 |
| Capital outlay | - | - | - |
| Other expenses | 22 | 23 | (1) |
| **TOTAL EXPENDITURES** | 522 | 229 | 293 |
| **EXCESS OF REVENUES OVER (UNDER) EXPENDITURES** | (157) | 136 | 293 |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfer in | - | - | - |
| **TOTAL OTHER FINANCING SOURCES (USES)** | - | - | - |
| **NET CHANGE IN FUND BALANCE** | (157) | 136 | 293 |
| Fund Balance, July 1 | 2,204 | 2,204 | - |
| **FUND BALANCE, JUNE 30** | $ 2,047 | $ 2,340 | $ 293 |

**Baraga Area Schools**

**Debt Service Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2007**

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|
| **REVENUES:** | | | |
| Taxes and penalties | $ 402,967 | $ 425,992 | $ 23,025 |
| State aid | - | | - |
| Interest | 1,398 | 1,754 | 356 |
| **TOTAL REVENUES** | 404,365 | 427,746 | 23,381 |
| **EXPENDITURES:** | | | |
| Principal payments | 281,212 | 165,063 | 116,149 |
| Interest and agent fees | 239,858 | 540,220 | (300,362) |
| **TOTAL EXPENDITURES** | 521,070 | 705,283 | (184,213) |
| **EXCESS OF REVENUES OVER (UNDER) EXPENDITURES** | (116,705) | (277,537) | (160,832) |
| **OTHER FINANCING SOURCES (USES):** | | | |
| Proceeds from sale of bond | 88,900 | 273,073 | 184,173 |
| **TOTAL OTHER FINANCING SOURCES (USES)** | 88,900 | 273,073 | 184,173 |
| **NET CHANGE IN FUND BALANCE** | (27,805) | (4,464) | 23,341 |
| Fund Balance, July 1 | 36,202 | 36,202 | - |
| **FUND BALANCE, JUNE 30** | $ 8,397 | $ 31,738 | $ 23,341 |

**Baraga Area Schools**

**Student Activity Agency Fund**

**Statement of Changes in Assets and Liabilities**

**For the Year Ended June 30, 2007**

| | Balance July 1 | Additions | Deductions | Balance June 30 |
|---|---|---|---|---|
| **ASSETS:** | | | | |
| Cash and cash equivalents | $ 83,322 | $ 131,680 | $ 139,277 | $ 75,725 |
| **TOTAL ASSETS** | $ 83,322 | $ 131,680 | $ 139,277 | $ 75,725 |
| **LIABILITIES:** | | | | |
| Due to others | $ 83,322 | $ 131,680 | $ 139,277 | $ 75,725 |
| **TOTAL LIABILITIES** | $ 83,322 | $ 131,680 | $ 139,277 | $ 75,725 |

# COMPLIANCE SECTION

ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA ROBERT J. DOWNS, CPA, CVA DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

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

Board of Education
Baraga Area Schools
210 Lyons Street
Baraga, Michigan 49908

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

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Baraga Area 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 Baraga Area School's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Baraga Area 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 Baraga Area School's financial statements that is more than inconsequential will not be prevented or detected by the Baraga Area School's internal control. We consider the deficiencies described in the accompanying report to management to be significant deficiencies in internal control over financial reporting listed as item 07-01.

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 Baraga Area School's internal control.



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Board of Education
Baraga Area Schools
Baraga, Michigan 49908

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

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

*Anderson, Tackman & Company, PLC*
Certified Public Accountants

October 2, 2007

ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Education
Baraga Area Schools
210 Lyons Street
Baraga, Michigan 49908

## Compliance

We have audited the compliance of Baraga Area School's 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. Baraga Area School'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 Baraga Area Schools' management. Our responsibility is to express an opinion on Baraga Area 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 Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Baraga Area School'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 Baraga Area School's compliance with those requirements.

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

## Internal Control Over Compliance

The management of Baraga Area Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Baraga Area School'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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Baraga Area School'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



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

Baraga Area School's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Baraga Area School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, school board, others within the entity, state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLC*
Certified Public Accountants

October 2 , 2007

BARAGA AREA SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2007

| Federal Grantor Pass Through Grantor Program Title Grant Number | | Federal CFDA Number | Approved Grant Award Amount | (Memorandum Only) Prior Year Expenditures | Accrued (Deferred) Revenue 38,899 | Current Year Expenditures | Current Year Cash Receipts | Accrued (Deferred) Revenue 39,263 |
|---|---|---|---|---|---|---|---|---|
| U.S. DEPARTMENT OF AGRICULTURE: | | | | | | | | |
| Direct Award | | | | | | | | |
| Bonus Commodities | 07020 | 10.550 | $ 159 | $ 378 | $ - | $ 159 | $ 159 | $ - |
| Entitlement Commodities | 07020 | 10.550 | 7,527 | 8,116 | - | 7,527 | 7,527 | - |
| | Sub-Total | | 7,686 | 8,494 | - | 7,686 | 7,686 | - |
| Passed Through the Michigan Department of Education: | | | | | | | | |
| National School Breakfast Program | 071970 | 10.553 | 14,233 | 11,613 | - | 14,233 | 14,233 | - |
| | Sub-Total | | 14,233 | 11,613 | - | 14,233 | 14,233 | - |
| Passed Through the Michigan Department of Education: | | | | | | | | |
| Section 4 - All Lunches | 071950 | 10.555 | 11,969 | 10,713 | - | 11,969 | 11,969 | - |
| Section 11 - Free & Reduced Lunches | 071960 | 10.555 | 65,409 | 56,585 | - | 65,409 | 65,409 | - |
| | Sub-Total | | 77,378 | 67,298 | - | 77,378 | 77,378 | - |
| Direct Award | | | | | | | | |
| Schools & Road Grant | N/A | 10.665 | 12,283 | 14,802 | - | 12,283 | 12,283 | - |
| | Sub-Total | | 12,283 | 14,802 | - | 12,283 | 12,283 | - |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | 111,580 | 102,207 | - | 111,580 | 111,580 | - |
| U.S. DEPARTMENT OF EDUCATION | | | | | | | | |
| Passed Through Michigan Department of Education: | | | | | | | | |
| Title I, Part A | 061530-0607 | 84.010 | 152,866 | 147,322 | 67,803 | 5,543 | 73,346 | - |
| Title I, Part A | 071530-0607 | 84.010 | 140,323 | - | - | 140,323 | 54,500 | 85,823 |
| | Sub-Total | | 293,189 | 147,322 | 67,803 | 145,866 | 127,846 | 85,823 |
| Passed Through Michigan Department of Education: | | | | | | | | |
| Handicapped Preschool & School Prog | 06440-SPSR | 84.027 | 3,760 | 3,760 | - | 3,760 | 3,760 | - |
| | Sub-Total | | 3,760 | 3,760 | - | 3,760 | 3,760 | - |
| Direct Award: | | | | | | | | |
| P.L. 81-874 Title VIII of ESEA Impact Aid | 32-MI-2007-1013 | 84.041 | 390,992 | - | - | 390,992 | 390,992 | - |
| P.L. 81-874 Title VIII of ESEA Impact Aid | 32-MI-2004-1013 | 84.041 | 99,609 | - | - | 99,609 | 99,609 | - |
| | Sub-Total | | 490,601 | - | - | 490,601 | 490,601 | - |
| Direct Award: | | | | | | | | |
| P.L. 107-110 ESEA | B060A050439 | 84.060A | 56,559 | 23,024 | (17,176) | 33,535 | 16,359 | - |
| P.L. 107-110 ESEA | S060A060439 | 84.060A | 52,806 | - | - | 36,168 | 52,806 | (16,638) |
| | Sub-Total | | 109,365 | 23,024 | (17,176) | 69,703 | 69,165 | (16,638) |

| Federal Grantor<br>Pass Through Grantor<br>Program Title Grant Number | | Federal<br>CFDA<br>Number | Approved<br>Grant Award<br>Amount | (Memorandum<br>Only)<br>Prior Year<br>Expenditures | Accrued<br>(Deferred)<br>Revenue<br>38,899 | Current<br>Year<br>Expenditures | Current<br>Year Cash<br>Receipts | Accrued<br>(Deferred)<br>Revenue<br>39,263 |
|---|---|---|---|---|---|---|---|---|
| Passed Through the Michigan Department of Education: | | | | | | | | |
| Title V, Part A - LEA Allocation | 060250-0506 | 84.298 | $ 4,007 | $ 4,007 | $ 3,188 | $ - | $ 3,188 | $ - |
| Title V, Part A - LEA Allocation | 070250-0607 | 84.298 | 1,942 | - | - | 1,942 | 1,942 | - |
| | Sub-Total | | 5,949 | 4,007 | 3,188 | 1,942 | 5,130 | - |
| Passed Through the Michigan Department of Education: | | | | | | | | |
| Title II Part D | 064290-0506 | 84.318 | 2,852 | 2,852 | 1,918 | - | 1,918 | - |
| Title II Part D | 074290-0607 | 84.318 | 1,440 | - | - | 1,440 | 1,440 | - |
| | Sub-Total | | 4,292 | 2,852 | 1,918 | 1,440 | 3,358 | - |
| Direct Award: | | | | | | | | |
| REAP Small Rural School Achievement Program | S358A065639 | 84.358 | 1,477 | 1,477 | - | 1,477 | 1,477 | - |
| | Sub-Total | | 1,477 | 1,477 | - | 1,477 | 1,477 | - |
| Passed Through the Michigan Department of Education: | | | | | | | | |
| Title III - Limited English | 060580-0506 | 84.365 | 24,784 | 24,784 | 24,784 | - | 24,784 | - |
| Title III - Limited English | 060580-0607 | 84.365 | 19 | - | - | 19 | - | 19 |
| Title III - Limited English | 070580-0607 | 84.365 | 17,633 | - | - | 17,633 | 10,000 | 7,633 |
| | Sub-Total | | 42,436 | 24,784 | 24,784 | 17,652 | 34,784 | 7,652 |
| Passed Through the Michigan Department of Education: | | | | | | | | |
| Title II, Part A | 060520-0506 | 84.367 | 47,185 | 47,185 | 47,185 | - | 47,185 | - |
| Title II, Part A | 070520-0607 | 84.367 | 46,562 | - | - | 46,562 | 35,500 | 11,062 |
| | Sub-Total | | 93,747 | 47,185 | 47,185 | 46,562 | 82,685 | 11,062 |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | 1,044,816 | 254,411 | 127,702 | 779,003 | 818,806 | 87,899 |
| GRAND TOTAL | | | $ 1,156,397 | $ 356,618 | $ 127,702 | $ 890,583 | $ 930,387 | $ 87,899 |

BARAGA AREA SCHOOLS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2007

**NOTE A – OVERSIGHT AGENCY:**

The U.S. Department of Education is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the School District's federal awards.

**NOTE B – BASIS OF ACCOUNTING:**

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

**NOTE C – STATE GRANTS:**

The following state grants were reported on Form R7120, Grants Section Auditors Report for the year ending June 30, 2007 and are not included on the Schedule of Federal Awards.

| Description | Project Number | State Expenditures |
|---|---|---|
| School Breakfast | 066320 M-24 | $ 2,497 |

**NOTE D – FINAL COST REPORT - FORM DS4044:**

The final cost reports are not due until 60 days after the end of the grant period. The reports for the current year were not completed as of the date of our report. However, we reviewed the reports filed for the prior year grants and noted that they agreed with either the prior year audited figures or the prior year and current year audit figures combined.

**NOTE E – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RECONCILIATION:**

The amounts reported as current payments on the R7120, Grant Section Auditors Report, reconcile with the Schedule of Expenditures of Federal Awards as follows:

| | | |
|---|---|---|
| Current payments per R7120 | | $ 351,671 |
| Add – payments not on R7120: | | |
| Direct programs | $ 574,064 | |
| Pass through CCISD | - | |
| Bonus and entitlement commodities | 7,686 | 581,750 |
| Minus – state grants on R7120: | | |
| School Breakfast – non-program | (2,497) | (2,497) |
| Adjustments: | | |
| Rounding | | |
| Accrued (deferred) revenue – BOY | (144,878) | |
| Accrued (deferred) revenue – EOY | 104,537 | (40,341) |
| **Per the Schedule of Expenditures of Federal Awards** | | $ 890,583 |

**NOTE E – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RECONCILIATION (Continued):**

A reconciliation of expenditures on the Schedule of Federal Awards to federal revenue is as follows:

| | |
|---|---|
| GENERAL FUND: | |
| Total Federal Revenue Sources Reported in the Financial Statements | $ 896,652 |
| Less: Revenue in lieu of taxes (Commercial Forest Reserve) | (3,572) |
| SCHOOL LUNCH SPECIAL REVENUE FUND: | |
| Less: State School Breakfast | (2,497) |
| | $ 890,583 |

## A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the general purpose financial statements of Baraga Area Schools.

2. There were no reportable conditions disclosed during the audit of the financial statements.

3. There were no instances of noncompliance material to the financial statements of Baraga Area Schools disclosed during the audit.

4. No reportable conditions relating to the audit of the major federal award programs is reported in this schedule.

5. The auditors' report on compliance for the major federal award programs for Baraga Area Schools expresses an unqualified opinion.

6. No audit findings relative to the major federal award program for Baraga Area Schools were disclosed during the audit.

7. The programs tested as major programs were:

   P.L. 81-874 Title VIII of ESEA Impact Aid 84.041

8. The threshold for distinguishing Types A and B programs was $300,000.

9. Baraga Area Schools was determined to be a low-risk auditee.

## B. FINDINGS – FINANCIAL STATEMENTS AUDIT

**07-01 – ASSIST IN PREPARING FINANCIAL STATEMENTS AND FOOTNOTES**

**Condition/Criteria:** Statement on Auditing Standards #112 requires us to communicate in writing when a client requires assistance to prepare the financial statements and footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

**Effect:** We assisted management with the external financial reporting responsibility to ensure their financial statements are in accordance with GAAP.

**Cause of Condition:** The staff of the district does not have adequate time to prepare all the information included in the annual financial statements. Therefore, we assisted in the preparing the financial statements and related footnotes.

**Recommendation:** We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

**Management Response – Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - Sue Wilson, Business Manager
- Corrective Action Planned:
  - We are aware of this deficiency and believe it is not cost beneficial in our situation to allocate the time need to prepare the audit report in the current fiscal year.
- Anticipated Completion Date:
  - June 30, 2008

## C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAMS AUDIT

NONE

BARAGA AREA SCHOOLS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year June 30, 2006

NONE

ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

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MILWAUKEE

***Baraga Area Schools***
*Report to Management Letter*
*For the Year Ended June 30, 2007*

Board of Education
Baraga Area Schools
210 Lyons Street
Baraga, MI 49908

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Baraga Area Schools as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Baraga Area School's internal control over financial reporting (internal control) 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 Baraga Area School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Baraga Area School' internal control.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph 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 that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.



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**07-01 – ASSIST IN PREPARING FINANCIAL STATEMENTS AND FOOTNOTES.**

**Condition/Criteria:** Statement on Auditing Standards #112 requires us to communicate in writing when a client requires assistance to prepare the financial statements and footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

**Effect:** We assisted management with the external financial reporting responsibility to ensure their financial statements are in accordance with GAAP.

**Cause of Condition:** The staff of the district does not have adequate time to prepare all the information included in the annual financial statements. Therefore, we assisted in the preparing the financial statements and related footnotes.

**Recommendation:** We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

**Management Response – Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - Sue Wilson, Business Manager
- Corrective Action Planned:
  - We are aware of this deficiency and believe it is not cost beneficial in our situation to allocate the time need to prepare the audit report in the current fiscal year.
- Anticipated Completion Date:
  - June 30, 2008

This communication is intended solely for the information and use of the management, audit committee, Baraga Area School's Board of Education, and others within the organization, and is not intended to be and should not be and should not be used by anyone other than these specified parties.

We appreciate and would like to thank the Baraga Area School's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

*Anderson, Tackman & Company, PLC*
Certified Public Accountants

October 2, 2007

ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS
JOHN W. BLEMBERG, CPA ROBERT J. DOWNS, CPA, CVA DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

October 2, 2007

Board of Education
Baraga Area Schools
P.O. Box 428
Baraga, Michigan 49908

We have audited the financial statements of the Baraga Area Schools for the year ended June 30, 2007, and have issued our report thereon dated October 2, 2007. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133**

As stated in our engagement letter 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 our audit, we considered Baraga Area School's 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 Baraga Area School's 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 statement 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 Baraga Area School's compliance with the types of compliance requirements described in the *U.S. Office 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 Baraga Area School's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Baraga Area School's compliance with those requirements.

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## Significant Accounting Policies

Management is responsible 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 the accounting policies and their application. The significant accounting policies used by the Baraga Area Schools are described in Footnotes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Baraga Area Schools 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.

## Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the 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 Baraga Area School's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Baraga Area Schools, either individually or in the aggregate, indicate matters that could have a significant effect on the Baraga Area School'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 auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

## Consultation 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 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.

Board of Education
Baraga Area Schools

**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 Baraga Area School's 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 significant difficulties in dealing with management in the performance of our audit.

**Conclusion**

This information is intended solely for the use of the Baraga Area Schools Board and management and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLC*
Board of Education
Baraga Area Schools
Certified Public Accountants