L'ANSE AREA SCHOOLS
L'ANSE, MICHIGAN

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL FINANCIAL INFORMATION

June 30, 2007

L'ANSE AREA SCHOOLS

JUNE 30, 2007

ADMINISTRATION

Superintendent	Ray Pasquali
High School Principal	Henry P. Moore
Middle School Principal	Robert Willman
Elementary Principal	Thomas Sprague

BOARD OF EDUCATION

President	Carrie Lou Thomas
Vice President	Betty Ann Pyhtila
Treasurer	Anne Koski
Secretary	Joan Bugni
Trustee	Lester Drift
Trustee	Warren Jenkins
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Bruce A Rukkila, CPA, PC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
L'Anse Area Schools
L'Anse, Michigan

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of L'Anse 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 a report dated September 27, 2007 on our consideration of L'Anse Area Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 7 through 13 and 34, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express any opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise L'Anse Area School's basic financial statements. The additional information on pages 36 to 48 is presented for purposes of additional analysis and is not a required part of the basic financial statement. The accompanying schedule 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. This additional information has been subject 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

Bruce A. Rukkila, CPA, PC

September 27, 2007

Certified Public Accountants

This section of the L'Anse Area Schools annual financial report presents management's discussion and analysis of the District's financial performance during the year ended June 30, 2007. Please read it in conjunction with the District's financial statements, which immediately follows this section.

Financial Highlights

In the 2006-2007 fiscal year, the L'Anse Area School District showed a decrease in student membership. This reduced the full time equivalent (FTE) used for state funding calculations from 833.16 to 819.52. This was a decrease of 13.64 FTE's reflects a decrease unrestricted state aid by $96,953.

The fund balance for the District increased $49,076 for the 2006-2007 fiscal year. This brings the fund balance closer to the Board of Education policy of ten (10) percent fund balance to maintain programming.

The District also continued to purchase new textbooks to increase the academic performance of its student population. The District expended funds for technology purchases to maintain the technology infrastructure throughout the District.

Overview of the Financial Statements

The annual report consists of a series of financial statements including other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

- The Government-wide Financial Statements consists of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the District as a whole and represent an overall view of the District's finances.

  Statement of Net Assets and the Statement of Activities

  These statements provide information that help determine how the District is doing financially as a result of the year's activities. The statements are shown using a full accrual basis.

  The District's net assets and the changes in the net assets during the year are reported by these two statements. Increases or decreases in the District's net assets is one way to determine if the financial position of the District is improving or deteriorating. However, non-financial factors will need to be considered as well to determine the overall financial position of the District.

- The Statement of Fiduciary Net Assets, presents financial information about activities for which the District acts solely as an agent for the benefit of students and parents.

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

- Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. These statements also report the District's operations in more detail than the Government-wide Financial Statements by providing information about the most significant funds.

Overview of the Financial Statements - Continued

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

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

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

Major Funds: Under GASB Statement 34, the audit focus has shifted from type of governmental fund to major funds. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. This allows the reader to see more detailed activity of the major funds. For the District, the General Fund and Debt Retirement Fund meet this requirement.

Non-major Funds: In the basic financial statements, non-major funds are consolidated into one column. These are smaller funds. Detailed information about non-major funds can be found after the notes to the financial statements.

- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

- Required supplementary information, other than Management Discussion and Analysis, provides information about the required budgetary comparison information on the general fund.

- Other supplementary information provides detailed information about the General, Debt Service, Capital Projects, School Food Service, Community Services and Athletic Funds.

Summary of Net Assets

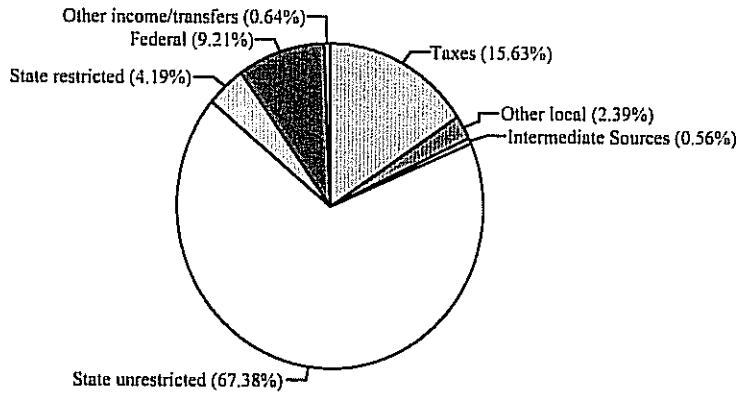
	2007	2006
Assets		
Current and other assets	$ 2,536,606	$ 2,282,800
Restricted cash and investments	8,161,415	8,191,883
Capital assets - Net of accumulated depreciation	7,495,417	7,739,024
Total Assets	$ 18,193,438	$ 18,213,707
Liabilities		
Current liabilities	$ 2,207,152	$ 2,022,981
Long-term liabilities	8,382,861	8,696,546
Total Liabilities	10,590,013	10,719,527
Net Assets		
Invested in property and equipment - net of related debt	(697,846)	(651,150)
Restricted	8,165,663	8,201,751
Reserved	62,665	0
Unrestricted	72,943	(56,421)
Total net assets	7,603,425	7,494,180
Total Liabilities and Net Assets	$ 18,193,438	$ 18,213,707

Results of Operations in Governmental Activities

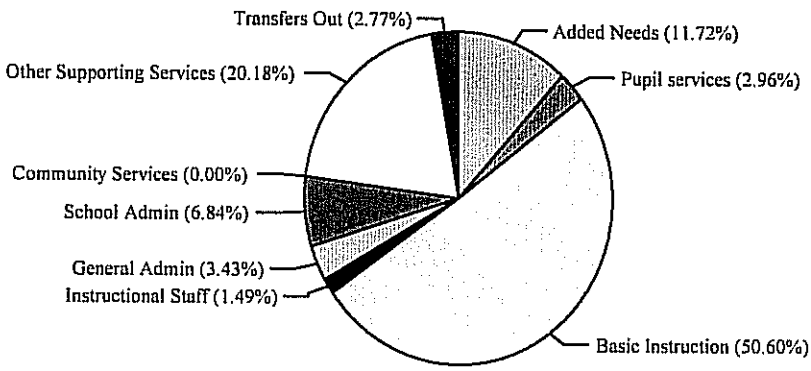
	2007	2006
Program Revenue:		
Charges for services	$ 148,709	$ 134,790
Grants and contributions	1,158,162	1,103,442
General Revenue:		
Property taxes	1,719,308	1,708,440
State foundation allowance	4,635,086	4,588,176
Other	524,586	226,098
Total Revenue	8,185,851	7,760,946
Functions/Program Expenses		
Instruction	4,357,915	4,173,661
Support services	2,185,842	2,324,148
Capital projects	14,180	0
School food services	276,787	274,843
Athletics	133,341	155,481
Community services	114,601	103,982
Interest on long-term debt	741,018	487,531
Other debt	252,922	79,286
Total Expenses	8,076,606	7,598,932
Change in Net Assets	109,245	162,014
Net Assets - Beginning	7,494,180	7,332,166
Net Assets - Ending	$ 7,603,425	$ 7,494,180

The following charts highlight the District's General Fund activities:

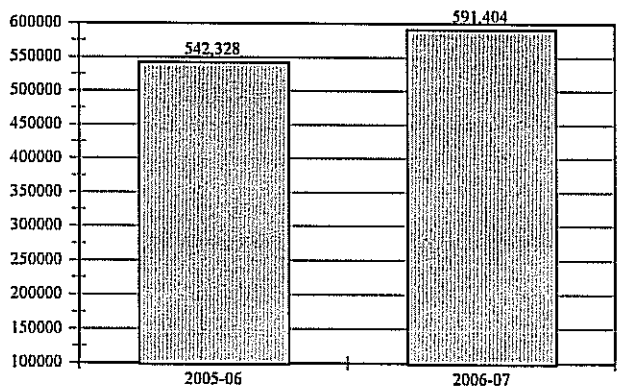
2006-07 Revenues



2006-07 Expenditures



Fund Balance Comparison



Significant Transactions and Changes in Individual Funds

The overall financial position of the individual Governmental funds of the District did not change significantly from the previous year. A comparison of revenues/transfers, expenditures/transfers and fund balances is as follows:

	Current Year	Prior Year	Change
General Fund:			
Revenues/Transfers	$ 6,879,447	$ 6,638,876	$ 240,571
Expenditures/Transfers	$ 6,830,371	$ 6,598,338	$ 232,033
Fund Balance	$ 591,404	$ 542,328	$ 49,076
Debt Retirement Fund:			
Revenues/Transfers	$ 977,844	$ 8,614,614	$ (7,636,770)
Expenditures/Transfers	$ 1,013,932	$ 820,514	$ 193,418
Fund Balance	$ 8,165,663	$ 8,201,751	$ (36,088)
Capital Projects Fund:			
Revenues/Transfers	$ 25,300	$ 391	$ 24,909
Expenditures/Transfers	$ 14,180	$ 0	$ 14,180
Fund Balance	$ 27,671	$ 16,551	$ 11,120
Community Service Fund:			
Revenues/Transfers	$ 118,369	$ 107,425	$ 10,944
Expenditures/Transfers	$ 118,369	$ 107,425	$ 10,944
Fund Balance	$ 0	$ 0	$ 0
School Food Service Fund:			
Revenues/Transfers	$ 289,612	$ 289,381	$ 231
Expenditures/Transfers	$ 286,212	$ 284,268	$ 1,944
Fund Balance	$ 85,476	$ 82,076	$ 3,400
Athletic Fund:			
Revenues/Transfers	$ 141,921	$ 150,023	$ (8,102)
Expenditures/Transfers	$ 141,921	$ 150,023	$ (8,102)
Fund Balance	$ 0	$ 0	$ 0

General Fund - For the fiscal year 2006-07 The General Fund showed an increase in revenues as in expenditures. Local revenue increased by $122,313. One quarter of this increase was derived from the Keweenaw Bay Indian Community in the form of 2% "Net Win" funds. Non-homestead school operating tax and interest income also increased. State revenue increased by $58,638. This increase was a combination of state aid and At-Risk funding. Federal revenue increased by $43,282 – the major portion of this increase came from Impact Aid.

Expenditures increased by $232,033. Instructional cost represent 80% of the total increase in expenditures. The Middle School showed an increase in administrative costs of $28,293 which reflected the principal's position return to full time with the Athletic Director portion removed from the position. Support services increased by $59,760 while transfers out of the general fund decreased by $85,922. Fund balance increased by $49,076 during the 2006-2007 fiscal year. This brings the total fund balance in General Fund to $591,404.

Debt Service Fund - The 2005-2006 fiscal year reflects the refunding bond issues.

Capital Projects Fund - The Capital Projects Fund is used for the purpose of setting aside money from the General Fund for future capital purchases. This year, engineering fees for future development represent the expenditures.

Community Service - Expenditures represent computers purchased for the public library.

Significant Transactions and Changes in Individual Funds (Continued)

School Food Service - This fund showed little change in revenue and expenses from the previous fiscal year. The increase in expenditures is mostly due to an increase in staff benefit costs. Fund balance showed a small increase of $3,400

Athletic - Both revenues and expenses declined in 2006-2007 reducing the amount necessary to be transferred from General Fund.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the annual budget prior to the start of the fiscal year. Any amendments to the original budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the fiscal year ended June 30, 2007, the original budget was adopted on June 16, 2006. Since the original budget is adopted two months before school is in session, we often have many unknowns such as the number of students we will have for the year. Since much of the District's revenue is determined based on the number of students enrolled, this unknown could have a significant impact on the budget. Often there are a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances. Therefore, the District amended its budget during the fiscal year.

	Original Budget	Final Budget	Actual	Variance with final budget	% Variance
Revenues	$ 6,680,486	$ 6,844,637	$ 6,835,124	$ (9,513)	-0.1%
Expenditures					
Instruction	$ 4,169,090	$ 4,331,454	$ 4,257,081	$ 74,373	1.7%
Supporting services	2,468,104	2,522,951	2,384,223	138,728	5.8%
Total expenditures	$ 6,637,194	$ 6,854,405	$ 6,641,304	$ 213,101	3.2%
Other financing sources (uses)	$ (210,742)	$ (171,460)	$ (144,744)	$ (26,716)	18.5%

Capital Assets and Debt Administration

Capital Assets: The District's net investment in capital assets decreased by $243,607 during the fiscal year. The additions were copiers, a floor scrubber, a server, and football field improvements. No debt was issued for these additions. A bus was sold and various pieces of computer equipment were disposed of.

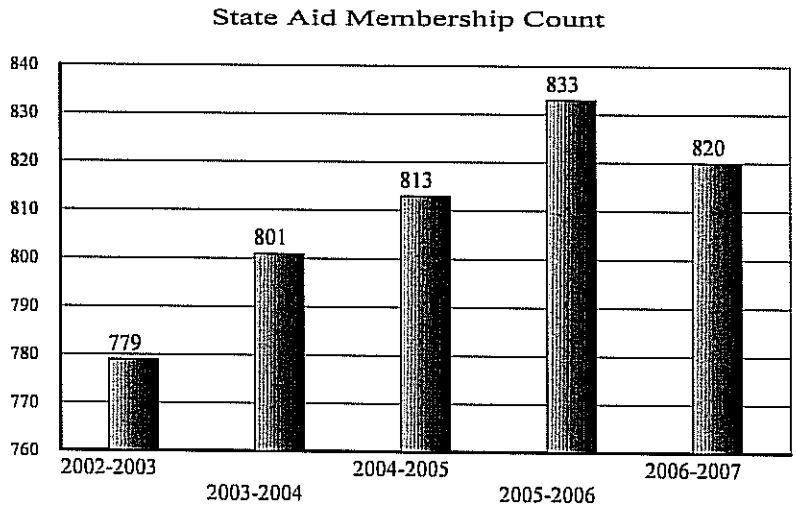
Additional information on the District's capital assets can be found on page 26 of this report.

Long-term Debt: At the end of the current fiscal year, the Districts total debt was $8,762,206. This total amount is backed by the full faith and credit of the District. The District's total debt decreased by $325,344 during the fiscal year.

Additional information on the District's long-term debt can be found starting on page 28 of this report.

Known Facts, Decisions, or Conditions Having Significant Affect on Future Operations

The graph depicts a decrease of 13 students enrolled from the previous year, using the State Aid Membership Count.



Our elected officials and administration consider many factors when setting the District's fiscal year 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.

Approximately 67 percent of total General Fund revenues are from the foundation allowance. Under State law, the District cannot assess additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations.

Contacting the District's Financial Management

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

L'ANSE AREA SCHOOLS
STATEMENT OF NET ASSETS
June 30, 2007

	Governmental Activities
ASSETS:	
CURRENT ASSETS:	
Cash and cash equivalents	$ 703,481
Investments	649,843
Taxes receivable	80,998
Accounts receivable	35,417
Inventory	62,665
Prepaid expense	17,083
Due from other governmental units	987,119
TOTAL CURRENT ASSETS	2,536,606
NON-CURRENT ASSETS:	
Restricted cash	134,318
Restricted investment	8,027,097
Capital assets	9,927,661
Less: Accumulated depreciation	(2,432,244)
Net Capital Assets	7,495,417
TOTAL NON-CURRENT ASSETS	15,656,832
TOTAL ASSETS	$ 18,193,438
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	$ 145,253
Accrued expenses	505,814
Accrued interest	114,345
Deferred revenue	406,706
Due to other government units	762,110
Other liabilities	7,924
Bonds payable within one year	265,000
TOTAL CURRENT LIABILITIES	2,207,152
NON-CURRENT LIABILITIES:	
Bonds payable, due in more than one year	7,813,918
Compensated absences	568,943
TOTAL NON-CURRENT LIABILITIES	8,382,861
TOTAL LIABILITIES	10,590,013
NET ASSETS:	
Invested in capital assets, net of related debt	(697,846)
Restricted for debt service	8,165,663
Reserved	62,665
Unreserved	72,943
TOTAL NET ASSETS	7,603,425
TOTAL LIABILITIES AND NET ASSETS	$ 18,193,438

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

L'ANSE AREA SCHOOLS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Governmental Activities: Net (Expense) Revenue and Changes in Net Assets
Government Activities:				
Instruction and instructional support	$ 4,357,915	$ 17,570	$ 923,737	$ (3,416,608)
Support services	2,187,092	-	-	(2,187,092)
Capital projects	14,180	-	-	(14,180)
School food service	276,787	101,614	186,754	11,581
Athletics	133,341	28,996	1,918	(102,427)
Community services	114,601	529	45,753	(68,319)
Interest on long-term debt	741,018	-	-	(741,018)
Other debt service	252,922	-	-	(252,922)
Total Governmental Activities	$ 8,077,856	$ 148,709	$ 1,158,162	(6,770,985)

General Revenues:	
Taxes	
Property taxes, levied for general operations	1,075,442
Property taxes, levied for debt service	606,591
Other taxes	37,275
State school aid - unrestricted	4,635,086
Interest and investment earnings	382,850
Sale of fixed assets	1,250
Gain (Loss) on disposals of fixed assets	(35,137)
Other	135,710
Prior period adjustments	23,633
Transfers	17,530
Total general revenues and transfers	6,880,230
Change in Net Assets	109,245
Net Assets - Beginning	7,494,180
Net Assets - Ending	$ 7,603,425

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

L'ANSE AREA SCHOOLS
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2007

	General	Debt Service Fund	Other Non-major Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	$ 617,799	$ -	$ 85,682	$ 703,481
Investments	649,843	8,027,097	-	8,676,940
Taxes receivable	49,809	31,189	-	80,998
Accounts receivable	26,051	-	9,366	35,417
Prepaid expense	16,068	-	1,015	17,083
Inventory	59,162	-	3,503	62,665
Due from other governmental units	927,764	876	58,479	987,119
Due from other funds	32,399	135	-	32,534
Restricted cash	-	134,318	-	134,318
TOTAL ASSETS	$ 2,378,895	$ 8,193,615	$ 158,045	$ 10,730,555
LIABILITIES:				
Accounts payable	$ 131,619	$ 1,013	$ 12,621	$ 145,253
Accrued expenses	502,224	-	3,590	505,814
Due to other funds	135	3,054	29,345	32,534
Due to other government units	762,768	-	(658)	762,110
Deferred revenue	382,821	23,885	-	406,706
Other liabilities	7,924	-	-	7,924
TOTAL LIABILITIES	1,787,491	27,952	44,898	1,860,341
FUND BALANCES:				
Reserved	59,162	8,165,663	3,503	8,228,328
Unreserved	532,242	-	109,644	641,886
TOTAL FUND BALANCES	591,404	8,165,663	113,147	8,870,214
TOTAL LIABILITIES AND FUND BALANCES	$ 2,378,895	$ 8,193,615	$ 158,045	

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.	7,495,417
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(8,647,861)
Accrued interest is not included as a liability in governmental funds	(114,345)
Net assets of governmental activities	$ 7,603,425

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

L'ANSE AREA SCHOOLS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended June 30, 2007

	General Fund	Debt Service Fund	Other Non-major Governmental Funds	Totals
REVENUES:				
Local sources	$ 1,239,709	$ 977,844	$ 136,778	$ 2,354,331
Intermediate sources	38,552	-	-	38,552
Unrestricted Political Subdivision	-	-	36,763	36,763
State sources	4,923,308	-	19,409	4,942,717
Federal sources	633,555	-	175,157	808,712
Total revenues	6,835,124	977,844	368,107	8,181,075
EXPENDITURES:				
Instruction	4,257,081	-	-	4,257,081
Supporting services	2,384,223	-	-	2,384,223
Debt service	-	763,932	-	763,932
Capital projects	-	-	14,180	14,180
School service	-	-	270,042	270,042
Athletics	-	-	141,921	141,921
Community services	-	-	114,601	114,601
Total expenditures	6,641,304	763,932	540,744	7,945,980
Excess (deficiency) of revenue over expenditures	193,820	213,912	(172,637)	235,095
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	(178,147)	-	178,147	-
Incoming transfers - other schools	19,442	-	12,776	32,218
Transfers to other districts	(10,920)	-	(3,768)	(14,688)
Bond payments	-	(250,000)	-	(250,000)
Sale of fixed assets	1,250	-	-	1,250
Prior period adjustment	23,631	-	2	23,633
Total other financing sources (uses)	(144,744)	(250,000)	187,157	207,587
NET CHANGE IN FUND BALANCE	49,076	(36,088)	14,520	27,508
FUND BALANCES - BEGINNING OF YEAR	542,328	8,201,751	98,627	
FUND BALANCES - END OF YEAR	$ 591,404	$ 8,165,663	$ 113,147	

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

Governmental funds do not record depreciation and report capital outlays as expenditures; in the statement of activities, these costs are capitalized and allocated over their estimated useful lives as depreciation	(243,607)
Accrued expenses are recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	75,344
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	250,000
Change in net assets of governmental activities	$ 109,245

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

L'ANSE AREA SCHOOLS
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2007

		Fiduciary Fund
ASSETS		
Cash and investments	$	79,844
Investments		243,682
Accounts receivable		400
TOTAL ASSETS	$	323,926
LIABILITIES		
Due to student groups	$	72,840
Due to other governmental units		7,004
Scholarship funds		244,082
TOTAL LIABILITIES	$	323,926

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

The L'Anse Area Schools (the "District) is governed by the L'Anse Area School Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United State of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Numbers 14 and 39.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

The District first utilizes restricted resources to finance qualifying activities.

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

The District does not allocate indirect costs.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Property taxes, unrestricted State aid, intergovernmental grants, and interest income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government unit.

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting.

The District reports the following major governmental funds:

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

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

Other non-major funds:

Special Revenue Funds - Special Revenue Funds are used to account for the activities of specific school service revenue sources such as the School Food Service, Athletic Activities, and Community Service Activities.

Capital Projects Fund - The Capital Projects Fund is used to account for all revenues and expenditures associated with the District's capital structures.

Fiduciary Funds:

Fiduciary Fund types are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has the following Fiduciary Funds: Trust and Agency, Scholarship Fund, and Tax Collection Fund.

Fiduciary funds are not included in the government-wide statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrual Method

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

Modified Accrual Method

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

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

State Revenue

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

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

State revenue recognized during the foundation period (currently the fiscal year) is as follows:

2006-07 Foundation		$ 7,085.00
Less Local Support:		
Non-Homestead Tax Value	59,773,659	
Multiplied by mills	0.018	
Total Local Support	1,075,926	
Divided by General Education K-12 membership	791.96	
Calculated Local Support		(1,358.56)
2006-07 Foundation Grant Allowance Per Pupil		$ 5,726.44

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash and cash equivalents

Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40, Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statues authorizes the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, banker's acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Property Taxes

Property tax revenue is recognized in the year for which taxes have been levied, provided they are available to finance expenditures of the current period in accordance with the National Council on Governmental Accounting Interpretation No. 3, Revenue Recognition - Property Taxes. Property taxes are levied by the District from the five townships of Bohemia, Covington, Duncan, Laird, and L'Anse on July 1 and become due September 14.

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

Fund	Mills
General fund - Non-homestead	17.9892
Debt service fund - Homestead and non-homestead	5.60

Receivables and Payables

Activity between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of allowance for uncollectibles.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

The District reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40, Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standard also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

Michigan law authorizes the District to deposit and invest in:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bill or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
2. Certificates of deposits issued by the State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States, United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
5. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
6. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

Inventory

Inventory in the District's General Fund consists of various school and office supplies totaling $59,162.

Inventory in the District's School Food Service Fund consists of food, non-food items, and USDA Commodities totaling $3,503. The District utilizes the consumption method of recording inventories of food supplies in the School Food Service Fund. Under the consumption method, inventories are recorded as expenditures when they are used. Inventory is valued at cost.

Fixed Assets

Fixed assets, which include land, buildings, equipment, site improvements, and vehicles are reported in the applicable governmental activities column in the district wide financial statements. Fixed assets are defined by the government as assets with an initial individual cost of more than $3,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair & maintenance that do not add to the value or materially extend asset lives are not capitalized.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued).

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

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

Accrued Benefits

The liabilities for accrued benefits reported in the district wide statements in the amount of $568,943, consisted of vacation, sick leave, and early retirement/sick leave payout balances. The District, as part of the various employment contracts with its personnel, allows annual sick and vacation days. Each employment contract specifies an accumulation policy for unused sick and vacation days, as follows:

Vacation Days - Various employees of the District are allowed to accumulate vacation days in the year when they are earned. Liability of the District for the employees' unused vacation days at June 30, 2007 is $17,685

Sick Leave - The various employment contracts with District personnel stipulate different methods of accumulating and paying for unused sick leave. In general, under all methods, employees are allowed to accumulate unused sick leave and receive a terminal leave payment for unused sick leave. In order to receive payment upon retirement, the employee must have worked in the District for at least five years. Unused sick leave payable at June 30, 2007 is $478,176.

Early Retirement Payout - On March 22, 2004, the District set into place a Voluntary Retirement Incentive Plan for teachers who meet the retirement rules and regulations for the State of Michigan, had been employed by the District for at least 12 consecutive years, and had been actively employed during the 2003-2004 school year. Accrued early retirement payout at June 30, 2007 is $73,082.

Long-term Obligations

In the district wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Reclassification

Certain items in the prior year financial statements have been reclassified to conform with the current year presentation.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978) enacted at a regular meeting by School Board approval. The Act provides that a local unit shall not incur expenditures in excess of the amount appropriated.
4. During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.
7. Budget appropriations lapse at the end of the fiscal year.

In the body of the financial statements, the School's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Violations, if any, for the general fund are noted in the required supplementary information section.

NOTE C - CASH AND INVESTMENTS

As of June 30, 2007 the District had the following investments in both governmental and fiduciary funds:

Investment Type	Fair Value	Rating	%
MILAF - CMC	$ 92	AAA	0.00%
MILAF - MAX	861,395	AAA	9.66%
Trust U.S. Treasury Notes	7,198	AAA	0.08%
Certificate of Deposit	5,000	AAA	0.06%
Trust Preferred Stock	2,625	AAA	0.03%
Trust Indices	17,215	AAA	0.19%
U.S. Treasury Notes	8,027,097	AAA	89.98%
Total fair value	$ 8,920,622		100.00%

Interest Rate Risk - In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit Risk - State law limits investments in commercial paper corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

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

Custodial Credit Risk - Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, $523,296 of the District's bank balance of $947,943 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

NOTE C - CASH AND INVESTMENTS (Continued)

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

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

At year-end, the District's cash deposits (checking, savings and certificates of deposit) and investments were reported in the basic financial statements in the following categories and breakdown between deposits and investments for the District is as follows:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Unrestricted cash	$ 703,481	$ 0	$ 703,481
Restricted cash	134,318	72,840	207,158
Total cash and cash equivalents	837,799	72,840	910,639
Investments	649,843	0	649,843
Restricted investments	8,027,097	243,682	8,270,779
Total investments	8,676,940	243,682	8,920,622
Total deposits and investments	$ 9,514,739	$ 316,522	$ 9,831,261

NOTE D - FIXED ASSETS

Fixed Asset activity of the District's governmental activities was as follows:

	Balance 06/30/06	Additions	Deletions	Balance 06/30/07
Land	$ 137,142	$ 0	$ 0	$ 137,142
Building and additions	8,048,503	0	0	8,048,503
Improvements other than building	627,421	14,180	0	641,601
Equipment	440,718	53,313	116,630	377,401
Furniture	50,880	0	0	50,880
Software	36,529	0	0	36,529
Vehicles	43,043	0	0	43,043
School buses	648,266	0	55,704	592,562
Subtotal	10,032,502	$ 67,493	$ 172,334	9,927,661
Accumulated depreciation:				
Building and additions	1,289,099	$ 161,415	$ 0	1,450,514
Improvements other than building	246,177	31,622	55,704	222,095
Equipment	198,076	31,373	80,243	149,206
Furniture	16,152	2,871	0	19,023
Software	21,635	3,653	0	25,288
Vehicles	43,043	0	0	43,043
School buses	479,296	43,779	0	523,075
	2,293,478	$ 274,713	$ 135,947	2,432,244
Net capital assets	$ 7,739,024			$ 7,495,417

NOTE D - FIXED ASSETS (Continued)

Depreciation expense was charged to activities of the District as follows:

Governmental activities	
Athletic Fund	$ 5,600
School Food Service	6,745
General Fund:	
Instructional	204,866
Supporting Services	3,748
Operations	8,575
Transportation	45,179
Total governmental activities	$ 274,713

NOTE E - RECEIVABLES

Receivables from governmental units at June 30, 2007 consist of the following:

	General Fund	School Service	Athletic	Community Service	Debt Service	Total
State	$ 835,792	$ 0	$ 0	$ 19,997	$ 0	$ 855,789
Local	36,708	0	17,830	0	876	55,414
Federal	55,264	20,652	0	0	0	75,916
	$ 927,764	$ 20,652	$ 17,830	$ 19,997	$ 876	$ 987,119

NOTE F - INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

Amounts due from (to) other funds represent the balance of monies due from or to other funds for expenditures made or fund balance transfers approved. The amounts of inter-fund receivables and payables as of June 30, 2007 are as follows:

Fund	Inter-fund Receivable	Fund	Inter-fund Payable
General	$ 32,399	General	$ 135
Debt Retirement	135	Debt Retirement	3,054
School Food Service	0	School Food Service	4,226
Athletic	0	Athletic	9,548
Community Services	0	Community Services	15,571
TOTAL	$ 32,534	TOTAL	$ 32,534

Fund	Transfer In	Fund	Transfer Out
General	$ 16,170	General	$ 194,317
Capital Projects	25,000	Debt Service	0
School Food Service	0	School Food Service	16,170
Athletic	98,077	Athletic	0
Community Services	71,240	Community Services	0
TOTAL	$ 210,487	TOTAL	$ 210,487

NOTE G - LONG TERM DEBT

1998 Building and Site Bonds

On August 24, 1998, the District issued $9,855,000 of general obligation - unlimited tax bonds for the purpose of remodeling, refurnishing and re-equipping the Jr./Sr. High School and in part for improving the library; erecting, furnishing, and equipping an addition to the Jr./Sr. High School in part for music, cafeteria, gymnasium and middle school purposes; partially remodeling, refurnishing and re-equipping the C.J. Sullivan Elementary School; and acquiring and installing additional educational technology systems and developing and improving playgrounds and sites.

The bond issue (denominations of $5,000) matures as indicated below with interest at varying rates of 4.50% to 4.85% per annum. Interest payments are payable semi-annually on May 1 and November 1 as indicated. The bonds are to be both term and serial.

These bonds are being defeased with the 2006 Advance Refunding.

Fiscal Year	November 1 Interest	May 1 Interest	May 1 Principal	Total
2007-2008	$ 193,704	$ 193,704	$ 265,000	$ 652,408

2006 Advance Refunding

On December 20, 2005 the District issued $7,760,000 of general obligation unlimited tax refunding bonds to advance refund $7,975,000 of outstanding unlimited tax and obligation bonds. The proceeds of the bonds will be used to provide for the payment of the principal of, interest on and redemption premium on the 1998 Building and Site Bonds. The Escrow Fund will be held by an escrow agent and will be used to pay, when due, the principal and interest, and call premiums coming due on the refunded bonds, whether by maturity or by redemption on May 1, 2008.

The bond issue matures as indicated below with interest at varying rates of 3.5% to 4.25% per annum. Interest payments started on November 1, 2006, and are payable semi-annually on May 1, and November 1 as indicated. The bonds are to be both term and serial.

Optional Redemption: The Bonds or portions of the Bonds in multiples of $5,000 maturing on or after May 1, 2017, are subject to redemption at the option of the District in such order as the District may determine and by lot within any maturity, on any date occurring on or after May 1, 2016, at par plus accrued interest to the date fixed for redemption.

The Bonds due May 1, 2018 are term bonds subject to mandatory redemption in part, by lot, on the redemption dates and in the principal amounts set forth below and at the redemption price equal to the principal amount thereof, without premium, together with interest thereon to the redemption date.

Redemption Dates	Principal
May 1, 2017	$400,000
May 1, 2018 (maturity)	$410,000

NOTE G - LONG TERM DEBT (Continued)

Fiscal Year	November 1 Interest	May 1 Interest	May 1 Principal	Total
2007-2008	$ 155,294	$ 155,294	$ 0	$ 310,588
2008-2009	155,294	155,294	295,000	605,588
2009-2010	150,131	150,131	305,000	605,262
2010-2011	144,794	144,794	320,000	609,588
2011-2012	138,394	138,394	330,000	606,788
2012-2013	131,794	131,794	345,000	608,588
2013-2018	549,769	549,769	1,930,000	3,029,538
2018-2023	347,369	347,369	2,110,000	2,804,738
2023-2028	133,608	133,608	2,125,000	2,392,216
	$ 1,906,447	$ 1,906,447	$ 7,760,000	$ 11,572,894

Durant Bonds

As part of the Durant settlement non plaintiff school districts entitled to receive amounts greater than $75,000 were offered a bonding option. The District participated in the bonding option and on November 24, 1998 issued $131,554 of school improvement bonds for the purpose of adding two rooms to the C.J. Sullivan Elementary building.

The bond issue matures as indicated below with interest not to exceed 8% per annum. Interest payments began on May 15, 1999 and are payable annually thereafter on May 15 as indicated. The annual payments will be appropriated by the State of Michigan and will be the only revenue source for making the annual debt service payment on the bonds. The District is under no obligation to make the annual payment in any year the legislature fails to appropriate the proper amount of funds.

The bonds are not subject to redemption prior to maturity and the District will not issue any other bonds or obligations for the purpose of refunding these bonds. Even though the State of Michigan will be appropriating funds to pay the principal and interest, the bonds are the obligation of the District, not the State.

As part of the State of Michigan Executive Budget Recommendation for fiscal year 2007, the bonds were "refunded." The debt service payment schedules for the districts that chose to bond have changed. However, the refunding did not change the total payments for any of the borrowers.

DURANT BOND ISSUE

Payable School Year	May 15 Interest	May 15 Principal	Total
2008-2009	$ 1,917	$ 7,321	$ 9,238
2009-2010	1,568	7,670	9,238
2010-2011	1,203	8,035	9,238
2011-2012	5,638	22,075	27,713
2012-2013	420	8,817	9,237
TOTAL	$ 10,746	$ 53,918	$ 64,664

NOTE G - LONG TERM DEBT (Continued)

The following is a summary of the changes in the general long-term debt for the year ended June 30, 2007:

	Balance June 30, 2006	Increase	Decrease	Balance June 30, 2007	Current Portion
2006 Refunding Bonds	$ 7,760,000	$ 0	$ 0	$ 7,760,000	$ 0
1998 Bonds	515,000	0	250,000	265,000	265,000
Durant Bond	53,918	0	0	53,918	0
	8,328,918	0	250,000	8,078,918	$ 265,000
Accrued Interest	134,337	0	19,992	114,345	
Accrued Benefits	624,295	0	55,352	568,943	
TOTAL	$ 9,087,550	$ 0	$ 325,344	$ 8,762,206	

As of June 30, 2007, the aggregate maturities of long-term debt for the next ten years and thereafter are as follows:

	Principal	Interest	Total
2007-2008	$ 265,000	$ 697,996	$ 962,996
2008-2009	302,321	312,505	614,826
2009-2010	312,670	301,830	614,500
2010-2011	328,035	290,791	618,826
2011-2012	352,075	282,426	634,501
2012-2013	353,817	264,008	617,825
2013-2018	1,930,000	1,099,538	3,029,538
2018-2023	2,110,000	694,738	2,804,738
2023-2028	2,125,000	267,216	2,392,216
	$ 8,078,918	$ 4,211,048	$ 12,289,966

NOTE H - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Substantially all of the 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 with at least 10 years of credited service; or at age 60 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 attaining age fifty-five 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, vision, and hearing insurance coverage. Benefits are established by state statute.

NOTE H - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

The District was required by the state statute to contribute 16.34% of covered compensation through September 30, 2006 and 17.74% of covered compensation to the Plan for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2007 was $647,070 and equaled the required contributions.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employees' service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPSERS' fund status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among MPSERS and employers. The MPSERS does not make separate measurements of assets and pension benefit obligations for individual districts.

As of September 30, 2006 for the MPSERS as a whole, the actuarial accrued liability was $48.2 billion. The pension plan net assets were $43 billion, resulting in a ratio of assets at market value to the actuarial accrued liability of 89%. Employer contributions are based upon level-percent-of-payroll principles so that the contribution rates do not have to increase over decades of time. The District's 2007 contribution represented less than 1% of total contributions required of all participating entities.

Ten year historical trend information showing the MPSERS' progress in accumulating sufficient assets to pay benefits when due is presented in the MPSERS' September 30, 2006 annual report.

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

Retirees have the option of health coverage which is funded on a cash disbursement basis by the employer. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to Medicare Part B premiums.
2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

NOTE I - RESERVE FUND BALANCES

According to generally accepted accounting principles, reserved fund balances are reported separately in the fund balance section. Debt Service fund balance is reserved for retirement of debt. Reserve fund balances in the General Fund and School Food Service Fund are reserved for inventory.

NOTE J - CONTINGENT LIABILITIES -RISK POOL

L'Anse Area Schools is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The District joined together with other school districts currently operating a common risk management and insurance program. The 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.

NOTE J - CONTINGENT LIABILITIES - RISK POOL (Continued)

L'Anse Area Schools 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 District is unable to provide an estimate of the amounts of additional assessments.

The MASB-SEG Property & Casualty Pool has published its own financial report for the year ended June 30, 2007, which can be obtained through the District.

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

L'ANSE AREA SCHOOLS
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES:				
Local sources	$ 1,185,876	$ 1,246,171	$ 1,278,261	$ 32,090
State sources	4,929,559	4,934,817	4,923,308	(11,509)
Federal sources	565,051	663,649	633,555	(30,094)
TOTAL REVENUE	6,680,486	6,844,637	6,835,124	(9,513)
EXPENDITURES:				
Instruction	4,169,090	4,331,454	4,257,081	74,373
Supporting services	2,468,104	2,522,951	2,384,223	138,728
TOTAL EXPENDITURES	6,637,194	6,854,405	6,641,304	213,101
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	43,292	(9,768)	193,820	(203,588)
OTHER FINANCING SOURCES (USES):				
Incoming transfers and other transactions	18,777	18,778	20,692	1,914
Operating transfers in (out)	(189,099)	(202,318)	(178,147)	24,171
Outgoing transfers and other transactions	(40,420)	(10,920)	(10,920)	-
Prior period adjustment	-	23,000	23,631	631
Total other financing sources (uses)	(210,742)	(171,460)	(144,744)	26,716
NET CHANGE IN FUND BALANCE	$ (167,450)	$ (181,228)	49,076	$ (176,872)
FUND BALANCE - BEGINNING OF YEAR			542,328	
FUND BALANCE - END OF YEAR			$ 591,404	

SUPPLEMENTAL FINANCIAL INFORMATION

L'ANSE AREA SCHOOLS
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended June 30, 2007

	BUDGET	ACTUAL	VARIANCE	2006
REVENUES:				
Local sources:				
Taxes	$ 1,085,824	$ 1,075,442	$ 10,382	$ 1,025,866
Other local sources:				
Investment revenue	40,000	49,742	(9,742)	32,520
Penalties and interest	4,000	8,592	(4,592)	6,789
Rentals	-	-	-	431
Contributions	-	1,960	(1,960)	999
Other	78,347	103,973	(25,626)	81,278
Total other local sources	122,347	164,267	(41,920)	122,017
Intermediate sources	38,000	38,552	(552)	8,065
Total local sources	1,246,171	1,278,261	(32,090)	1,155,948
State sources:				
Unrestricted grant - State Aid	4,631,715	4,635,086	(3,371)	4,588,176
Restricted grants:				
Special Education	165,582	154,895	10,687	163,982
Bilingual	11,316	7,602	3,714	12,774
At-risk	119,461	118,912	549	81,821
Vocational education	6,743	6,813	(70)	4,762
Durant settlement	-	-	-	13,155
Total restricted grants	303,102	288,222	14,880	276,494
Total state sources	4,934,817	4,923,308	11,509	4,864,670
Federal sources:				
Title I	126,302	116,341	9,961	100,784
Title II	40,514	36,846	3,668	45,552
Title III	37,923	33,418	4,505	38,495
Title V	2,163	1,991	172	8,095
Title VII	60,054	40,514	19,540	52,519
Special education	-	4,000	(4,000)	-
Impact Aid	265,000	266,966	(1,966)	205,995
Ottawa National Forest	88,000	98,912	(10,912)	101,257
Other federal sources	43,693	34,567	9,126	37,576
Total federal sources	663,649	633,555	30,094	590,273
TOTAL REVENUES	6,844,637	6,835,124	9,513	6,610,891
EXPENDITURES:				
Instruction:				
Basic program:				
Elementary School	1,478,221	1,457,475	20,746	1,360,611
Middle School	950,376	856,899	93,477	868,162
High School	1,082,203	1,141,866	(59,663)	991,580
Total basic program	3,510,800	3,456,240	54,560	3,220,353

L'ANSE AREA SCHOOLS
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)
Year Ended June 30, 2007

	BUDGET	ACTUAL	VARIANCE	2006
Added needs:				
Special Education	517,364	517,614	(250)	473,279
Compensatory education	200,017	177,006	23,011	219,831
Vocational Education	103,273	106,221	(2,948)	101,761
Total added needs	820,654	800,841	19,813	794,871
Total instruction	4,331,454	4,257,081	74,373	4,015,224
Supporting services:				
Pupil:				
Attendance	17,883	18,317	(434)	21,374
Guidance	108,523	94,713	13,810	96,319
Health	28,503	28,650	(147)	27,227
Other pupil services	54,775	60,549	(5,774)	59,534
Total pupil services	209,684	202,229	7,455	204,454
Instructional staff:				
Improvement of instruction	12,551	6,301	6,250	10,174
Library	40,575	30,556	10,019	21,880
Supervison/direction instructional staff	69,561	64,662	4,899	62,237
Total instructional staff	122,687	101,519	21,168	94,291
General administration:				
Board of education	42,306	34,781	7,525	33,586
Executive administration	203,021	199,396	3,625	189,244
Total general administration	245,327	234,177	11,150	222,830
School administration:				
Elementary School	172,779	164,807	7,972	159,546
Middle School	123,075	125,675	(2,600)	97,382
High School	178,509	176,876	1,633	163,281
Total school administration	474,363	467,358	7,005	420,209
Community services	409	241	168	420
Other supporting services:				
Business-fiscal services	145,508	136,590	8,918	137,558
Operation & maintenance	833,686	794,324	39,362	740,567
Pupil transportation	345,386	315,968	29,418	384,093
Staff/Personnel services	400	2,716	(2,316)	1,095
Technology	145,501	129,101	16,400	118,946
Total other supporting services	1,470,481	1,378,699	91,782	1,382,259
Total supporting services	2,522,951	2,384,223	138,728	2,324,463

L'ANSE AREA SCHOOLS
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)
Year Ended June 30, 2007

	BUDGET	ACTUAL	VARIANCE	2006
TOTAL EXPENDITURES	6,854,405	6,641,304	213,101	6,339,687
EXCESS OF REVENUES OVER EXPENDITURES	(9,768)	193,820	(203,588)	271,204
OTHER FINANCING SOURCES (USES):				
Incoming transfers - other schools	18,778	19,442	(664)	19,985
Operating transfer in (out)	(202,318)	(178,147)	(24,171)	(206,788)
Sale of fixed assets	-	1,250	(1,250)	8,000
State Aid adjustment	-	-	-	(49,263)
Other outgoing transfers	(10,920)	(10,920)	-	(2,600)
Prior period adjustment	23,000	23,631	631	-
TOTAL OTHER FINANCING SOURCES (USES)	(171,460)	(144,744)	(26,716)	(230,666)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	$ (181,228)	49,076	$ (230,304)	40,538
FUND BALANCE, BEGINNING OF YEAR		542,328		501,790
FUND BALANCE, END OF YEAR		$ 591,404		$ 542,328

L'ANSE AREA SCHOOLS
DEBT SERVICE FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended June 30, 2007

	BUDGET	ACTUAL	VARIANCE	2006
REVENUES:				
Local sources:				
Current taxes	$ 608,851	$ 606,591	$ 2,260	$ 645,003
Interest income	331,977	331,167	810	71,972
Other taxes	37,000	37,275	(275)	37,571
State sources	-	-	-	43,595
Penalties & interest on delinquent taxes	-	2,811	(2,811)	2,742
TOTAL REVENUES	977,828	977,844	(16)	800,883
EXPENDITURES:				
Interest on bonds	761,010	761,010	-	426,101
Other expenses	5,000	2,922	2,078	79,286
TOTAL EXPENDITURES	766,010	763,932	2,078	505,387
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	211,818	213,912	(2,094)	295,496
OTHER FINANCING SOURCES (USES):				
Redemption of bond principal	(250,000)	(250,000)	-	(315,127)
Bond proceeds	-	-	-	(7,760,000)
Transfer from General Fund	-	-	-	53,731
TOTAL OTHER FINANCING SOURCES	$ (250,000)	(250,000)	$ -	(7,498,604)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES		(36,088)		7,794,100
FUND BALANCE, BEGINNING OF YEAR		8,201,751		407,651
FUND BALANCE, END OF YEAR		$ 8,165,663		$ 8,201,751

L'ANSE AREA SCHOOLS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
June 30, 2007

	Capital Projects	School Food Service	Athletic	Community Services	Totals Memorandum Only 2007	Totals Memorandum Only 2006
ASSETS AND OTHER DEBITS:						
Cash	$ 27,671	$ 57,791	$ 116	$ 104	$ 85,682	$ 72,707
Receivables	-	7,627	1,739	-	9,366	9,267
Inventory	-	3,503	-	-	3,503	2,806
Prepaid expenses	-	1,015	-	-	1,015	978
Due from other funds	-	-	-	-	-	8,227
Due from other governmental units	-	20,652	17,830	19,997	58,479	48,517
TOTAL ASSETS	$ 27,671	$ 90,588	$ 19,685	$ 20,101	$ 158,045	$ 142,502
LIABILITIES:						
Accounts payable	$ -	$ 575	$ 10,137	$ 1,909	$ 12,621	$ 12,785
Accrued expenses	-	311	-	2,621	2,932	3,738
Due to other funds	-	4,226	9,548	15,571	29,345	27,352
TOTAL LIABILITIES	-	5,112	19,685	20,101	44,898	43,875
FUND EQUITY:						
Fund balance - reserved	-	3,503	-	-	3,503	2,806
Fund balance - unreserved	27,671	81,973	-	-	109,644	95,821
TOTAL LIABILITIES AND FUND EQUITY	$ 27,671	$ 90,588	$ 19,685	$ 20,101	$ 158,045	$ 142,502

L'ANSE AREA SCHOOLS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
June 30, 2007

	Capital Projects	School Food Service	Athletic	Community Services	Totals Memorandum Only 2007	Totals Memorandum Only 2006
REVENUES:						
Local sources	$ 300	$ 102,856	$ 30,791	$ 39,594	$ 173,541	$ 166,006
State sources	-	11,597	277	7,535	19,409	19,492
Federal sources	-	175,157	-	-	175,157	178,650
TOTAL REVENUES	300	289,610	31,068	47,129	368,107	364,148
EXPENDITURES:						
Salaries	-	68,771	78,935	56,289	203,995	199,507
Employee benefits	-	47,974	20,002	39,293	107,269	106,619
Purchase services	9,900	1,772	25,093	2,964	39,729	24,767
Supplies, materials, and other	4,280	151,525	17,891	16,055	189,751	191,210
TOTAL EXPENDITURES:	14,180	270,042	141,921	114,601	540,744	522,103
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(13,880)	19,568	(110,853)	(67,472)	(172,637)	(157,955)
OTHER FINANCING SOURCES (USES)						
Operating transfers in (out)	25,000	(16,170)	98,077	71,240	178,147	153,057
Incoming transfers - other schools	-	-	12,776	-	12,776	13,845
Transfer to other entities	-	-	-	(3,768)	3,768	(3,443)
Prior period adjustment	-	2	-	-	2	-
TOTAL OTHER FINANCING SOURCES (USES)	25,000	(16,168)	110,853	67,472	187,157	163,459
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	11,120	3,400	-	-	14,520	5,504
FUND BALANCE, BEGINNING OF YEAR	16,551	82,076	-	-	98,627	93,123
FUND BALANCE, END OF YEAR	$ 27,671	$ 85,476	$ -	$ -	$ 113,147	$ 98,627

L'ANSE AREA SCHOOLS
CAPITAL PROJECTS FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended June 30, 2007

	BUDGET	ACTUAL	VARIANCE	2006
REVENUES:				
Local sources:				
Interest	$ 300	$ 300	$ -	$ 391
EXPENDITURES:				
Professional fees	14,180	14,180	-	-
TOTAL EXPENDITURES	14,180	14,180	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(13,880)	(13,880)	-	391
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	25,000	25,000	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	$ 11,120	11,120	$ -	391
FUND BALANCE, BEGINNING OF YEAR		16,551		16,160
FUND BALANCE, END OF YEAR		$ 27,671		$ 16,551

L'ANSE AREA SCHOOLS
SCHOOL FOOD SERVICE FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended June 30, 2007

	BUDGET	ACTUAL	VARIANCE	2006
REVENUES:				
Local sources:				
Adult lunches	$ 10,100	$ 11,632	$ (1,532)	$ 9,303
A-La-Carte	4,900	5,724	(824)	4,413
Student lunches	79,000	83,352	(4,352)	79,840
Interest	1,000	1,242	(242)	1,384
Miscellaneous	-	906	(906)	3,284
Total local sources	95,000	102,856	(7,856)	98,224
State sources	8,186	11,597	(3,411)	12,507
Federal sources:				
School lunch program	166,854	159,450	7,404	159,428
USDA entitlements	18,000	15,707	2,293	19,222
Total federal sources	184,854	175,157	9,697	178,650
TOTAL REVENUES	288,040	289,610	(1,570)	289,381
EXPENDITURES:				
Salaries	72,344	68,771	3,573	65,418
Employee benefits	49,175	47,974	1,201	47,740
Purchase services	3,500	1,772	1,728	1,134
Supplies, materials, and other	160,750	151,525	9,225	153,806
TOTAL EXPENDITURES	285,769	270,042	15,727	268,098
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,271	19,568	(17,297)	21,283
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	(16,170)	(16,170)	-	(16,170)
Prior period adjustment	-	2	(2)	-
TOTAL OTHER FINANCING SOURCES (USES)	(16,170)	(16,168)	(2)	(16,170)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	$ (13,899)	3,400	$ (17,299)	5,113
FUND BALANCE, BEGINNING OF YEAR		82,076		76,963
FUND BALANCE, END OF YEAR		$ 85,476		$ 82,076

L'ANSE AREA SCHOOLS
ATHLETIC FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended June 30, 2007

	BUDGET	ACTUAL	VARIANCE	2006
REVENUES:				
Local sources:				
Gate receipts	$ 20,000	$ 25,621	$ (5,621)	$ 20,425
Interest income	400	154	246	227
State sources	-	277	(277)	99
Contributions	2,000	1,918	82	6,942
Other	1,500	3,098	(1,598)	4,720
TOTAL REVENUES	23,900	31,068	(7,168)	32,413
EXPENDITURES:				
Salaries	75,840	79,341	(3,501)	79,186
Employee benefits	23,941	24,445	(504)	20,248
Purchase services	18,339	20,244	(1,905)	20,154
Supplies, materials, and other	29,111	17,891	11,220	30,435
TOTAL EXPENDITURES	147,231	141,921	5,310	150,023
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(123,331)	(110,853)	(12,478)	(117,610)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	111,331	98,077	13,254	103,765
Incoming transfers - other schools	12,000	12,776	(776)	13,845
	123,331	110,853	12,478	117,610
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	$ -	-	$ -	-
FUND BALANCE, BEGINNING OF YEAR		-		-
FUND BALANCE, END OF YEAR		$ -		$ -

L'ANSE AREA SCHOOLS
COMMUNITY SERVICE FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended June 30, 2007

	BUDGET	ACTUAL	VARIANCE	2006
REVENUES:				
Local sources:				
Contributions	$ 1,000	$ 1,455	$ (455)	$ 1,227
Interest income	300	245	55	182
Miscellaneous	1,000	1,131	(131)	1,117
Total local sources	2,300	2,831	(531)	2,526
Unrestricted Political Subdivision	31,020	36,763	(5,743)	32,551
State sources	3,780	7,535	(3,755)	6,886
TOTAL REVENUES	37,100	47,129	(10,029)	41,963
EXPENDITURES:				
Salaries	59,120	56,289	2,831	55,694
Employee benefits	38,679	39,293	(614)	38,083
Purchase services	2,784	2,964	(180)	3,236
Supplies, materials, and other	18,192	16,055	2,137	6,969
TOTAL EXPENDITURES	118,775	114,601	4,174	103,982
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(81,675)	(67,472)	(14,203)	(62,019)
OTHER FINANCING SOURCES (USES)				
Transfer to other entities	(3,500)	(3,768)	268	(3,443)
Operating transfers in	85,175	71,240	13,935	65,462
TOTAL OTHER FINANCING SOURCES (USES)	81,675	67,472	14,203	62,019
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	$ -	-	$ -	-
FUND BALANCE, BEGINNING OF YEAR		-		-
FUND BALANCE, END OF YEAR		$ -		$ -

L'ANSE AREA SCHOOLS
AGENCY FUND - STUDENT ACTIVITIES
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended June 30, 2007

	Balance July 1, 2006	Receipts	Disbursements	Balance June 30, 2007
ASSETS:				
Cash	$ 77,383	$ 153,194	$ 157,737	$ 72,840
LIABILITIES:				
Due to Student Groups:				
Elementary School	$ 20,022	$ 26,868	$ 26,692	$ 20,198
High School	57,361	126,326	131,045	52,642
TOTAL LIABILITIES	$ 77,383	$ 153,194	$157,737	$ 72,840

L'ANSE AREA SCHOOLS
SCHOLARSHIP TRUST FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended June 30, 2007

	Balance July 1, 2006	Receipts	Disbursements	Balance June 30, 2007
ASSETS:				
Cash	$ 7,412	$ 0	$ 7,412	$ 0
Investment	225,176	28,159	9,653	243,682
Accounts Receivable	500	400	500	400
TOTAL ASSETS	$ 233,088	$ 28,559	$ 17,565	$ 244,082
LIABILITIES:				
Due to General Fund	$ 4,000	$ 0	$ 4,000	$ 0
Due to Scholarship Funds:				
Berg Memorial	3,318	293	0	3,611
Board of Education	9,619	851	0	10,470
Dubuque	338	26	0	364
Guay	23,983	1,577	0	25,560
Gudegast	(1)	1	0	0
Guy	3,741	107	0	3,848
Higgins	40,708	4,601	1,000	44,309
Juntunen	16,268	1,439	0	17,707
McKindles Award	923	81	100	904
Putula	(330)	291	0	(39)
Roth	32,127	1,523	1,611	32,039
St. John	98,396	8,663	1,750	105,309
Turpeinen	(2)	2	0	0
TOTAL LIABILITIES	$ 233,088	$ 19,455	$ 8,461	$ 244,082

L'ANSE AREA SCHOOLS
TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended June 30, 2007

	Balance July 1, 2006	Receipts	Disbursements	Balance June 30, 2007
ASSETS:				
Cash	$ 6,540	$ 3,060,498	$ 3,060,034	$ 7,004
LIABILITIES:				
Due to other governmental units	$ 6,540	$ 3,060,498	$ 3,060,034	$ 7,004

L'ANSE AREA SCHOOLS
FEDERAL AWARDS
June 30, 2007

Bruce A Rukkila, CPA, PC

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

To the Board of Education
L'Anse Area Schools
L'Anse, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of L'Anse Area Schools as of and for the year then ended June 30, 2007, which collectively comprise the L'Anse Area Schools' basic financial statements and have issued our report thereon dated September 27, 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 L'Anse Area Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of L'Anse Area Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of L'Anse Area Schools' internal control over financial reporting.

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

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

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

Compliance and Other Matters

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

We noted certain other matters that we reported to management of L'Anse Area Schools in a separate letter dated September 27, 2007.

This report is intended solely for the information and use of the District's board of education, management 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.

Bruce A. Rukkila, CPA, PC

September 27, 2007

Certified Public Accountants

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

To the Board of Education
L'Anse Area Schools
L'Anse, Michigan

Compliance

We have audited the compliance of L'Anse Area Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. L'Anse Area Schools' 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 L'Anse Area Schools' management. Our responsibility is to express an opinion on L'Anse Area Schools' compliance based on our audit.

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

In our opinion, L'Anse 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 L'Anse 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 L'Anse Area Schools' 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 L'Anse Area Schools' internal control over compliance.

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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the L'Anse Area Schools' ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of L'Anse Area Schools as of and for the year then ended June 30, 2007, and have issued our report thereon dated September 27, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the L'Anse Area Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the District's board of education, management 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.

Bruce A. Rukkila, CPA, PC

September 27, 2007

Certified Public Accountants

L'ANSE AREA SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) revenue July 1, 2006	Current Year Cash Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2007
U.S. Department of Education:						
Direct						
Indian Education - E-T003E000999	84.003E	$ 483,500	$ (1,000)	$ 0	$ 0	$ (1,000)
Title VII - S060A040658	84.060A	40,514	0	40,514	40,514	0
Small Rural Achievement Grant - REAP	84.358A	10,747	0	10,747	10,747	0
P.L. 874 - Impact Aid S041Z-2443	84.041	266,966	0	266,966	266,966	0
Total Direct		801,727	(1,000)	318,227	318,227	(1,000)
Passed through M.D.E.						
Title I Part A Grant 061530-0506	84.010	108,713	9,015	9,015	0	0
Title I Part A Grant 061530-0607	84.010	108,713	0	17,589	17,589	0
Title I Part A Grant 071530-0607	84.010	108,713	0	83,674	98,752	15,078
		326,139	9,015	110,278	116,341	15,078
Title IIA Improving Teacher Quality 070520-0607	84.367	38,916	0	24,075	35,248	11,173
Title IIA Improving Teacher Quality 060520-0506	84.367	39,583	21,858	21,858	0	0
		78,499	21,858	45,933	35,248	11,173
Title IID 74290-0607	84.367	1,116	0	1,116	1,116	0
Title IID 64290-0607	84.367	2,028	0	482	482	0
		3,144	0	1,598	1,598	0
Service Provider Self Review 070440-0607	84.027A	4,000	0	0	4,000	4,000
Title III English Language 070550-0607	84.365	28,688	0	20,426	24,183	3,757
Title III English Language 060580-0506	84.365	38,182	13,909	13,909	0	0
Title III English Language 060580-0607	84.365	9,235	0	9,235	9,235	0
		76,105	13,909	43,570	33,418	3,757
Title V LEA Allocation 070550-0607	84.298	3,485	0	0	387	387
Title V LEA Allocation 060580-0607	84.298	1,776	0	1,604	1,604	0
		5,261	0	1,604	1,991	387
Total Passed through M.D.E.		493,148	44,782	202,983	192,596	34,395
Passed through Copper Country Mental Health						
Safe and Drug-Free Schools	84.186	1,188	0	1,188	1,188	0
Total U.S. Dept of Education		1,296,063	43,782	522,398	512,011	33,395

U.S. Department of Agriculture:						
Passed Through Michigan Dept of Education						
National School Lunch						
Section 4 - All Lunches	10.555	20,819	0	20,819	20,819	0
Section 11 - Free & Reduced	10.555	78,953	0	78,953	78,953	0
		99,772	0	99,772	99,772	0
Breakfast	10.533	25,835	0	25,835	25,835	0
Fresh Fruit & Vegetable Program	10.582	33,843	0	15,584	33,843	18,259
		159,450	0	141,191	159,450	18,259
Food Distributions- Entitlement Commodities	10.550	15,584	0	15,584	15,584	0
Food Distributions- Bonus Commodities	10.550	123	0	123	123	0
		15,707	0	15,707	15,707	0
		175,157	0	156,898	175,157	18,259
Passed Through Houghton County						
Ottawa National Forest	10.670	98,912	0	98,912	98,912	0
Total U.S. Dept of Agriculture		274,069	0	255,810	274,069	18,259
U.S. Department of Labor:						
Passed Through Western U.P. Manpower Consortium						
Workforce Investment Act (WIA)	17.250	22,632	0	10,983	22,632	11,649
TOTALS		$ 1,592,764	$ 43,782	$ 789,191	$ 808,712	$ 63,303

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

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's expenditures of 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 - 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 grants 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 D - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RECONCILIATION

A reconciliation of expenditures on the Schedule of Expenditures of Federal Awards to federal revenue recognized on page 17 of these financial statements is $808,712. The amounts reported as current payments on the MDE grant reports reconcile with the Schedule of Expenditures of Federal Awards as follows:

Total current payments per MDE reports	$	508,816
Prior year grants reported		(191,165)
Payments received through other sources		445,017
Accrued/deferred grant revenue		46,044
Schedule of Expenditures of Federal Awards	$	808,712

L'ANSE AREA SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2007

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal Control over financial reporting:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 520(a) of Circular A-133?	No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.041	Public Law 874 - Impact Aid

Dollar threshold used to distinguish between type A and type B programs:	$300,000
Auditee qualified as low-risk auditee?	Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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LETTER OF COMMENTS AND RECOMMENDATIONS

Board of Education
L'Anse Area Schools
L'Anse, Michigan 49946

In connection with our audit of the financial statements of the L'Anse Area Schools, as of and for the year ended June 30, 2007, the following concerns regarding the accounting records, procedures, and internal control structure came to our attention.

Our comments are based upon conditions noted during our audit and are not intended to be all inclusive. These comments are submitted as constructive suggestions to assist you in strengthening controls and procedures and are not intended to reflect on the honesty or integrity of any individual.

Public Act 621 - Budget Over Expenditures

Public Act 621 of 1978, as amended, prohibits expenditures in excess of budgeted appropriations. Instances of violations of these provisions are readily ascertainable from the financial statements and the accompanying information. There were no material overages in the individual budgeted funds.

We would like to thank the administrative staff for the cooperation we received during our audit. We appreciate the opportunity to present these comments and recommendations for your consideration and we are prepared to discuss them at your convenience.

It has been a pleasure to provide audit services to the L'Anse Area Schools. Management was prepared for the audit, providing us with all supporting documents requested. Management was friendly, conscientious and very helpful.

We appreciate your business, thank you.

Bruce A. Rukkila, CPA, PC
Certified Public Accountants

September 27, 2007

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September 27, 2007