NEGAUNEE PUBLIC SCHOOLS
NEGAUNEE, MICHIGAN

FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

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

Board of Education
Negaunee Public Schools
Negaunee, Michigan 49866

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2007, on our consideration of the Negaunee Public Schools, Negaunee, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 11 and 35 through 36, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Board of Education
Negaunee Public Schools
Negaunee, Michigan 49866

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Negaunee Public Schools, Negaunee, Michigan's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Negaunee Public Schools, Negaunee, Michigan. The combining and individual fund financial statements and schedules and schedules of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 24, 2007

Negaunee Public Schools

Management's Discussion and Analysis (Unaudited)

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

FINANCIAL HIGHLIGHTS

- Net assets for Negaunee Public Schools as a whole were reported at $4,559,636 Nets assets are comprised of 100% governmental activities.

- During the year, Negaunee Public Schools expenses were $13,726,331, while revenues from all sources totaled $13,967,459, resulting in an increase in net assets of $229,845.

- The general fund reported an increase of $114,639 before other financing sources (uses) and a total decrease of $116,406. This is $182,808 or 61% lower than the forecasted decrease of $299,214. This was a result of revenues and other sources being $59,666 higher than forecasted and expenses and other financing source uses being $123,142 lower than forecasted.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Negaunee Public Schools financially as a whole. The *District-wide Financial Statements* Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities the School District as a whole and present a longer-term view of those finances. The fund financial statements present the next level of detail and start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statements also report the School District's operations in more detail than the district-wide statements by providing information about the School District's most significant funds – the General Fund and the Capital Projects Construction Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Reporting the School District as a Whole – *District-wide Financial Statements*

Our analysis of the Negaunee Public Schools as a whole begins on page 8. One of the most important questions asked about the School District's finances is "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in them. The School District's net assets – the difference between assets and liabilities – is one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net assets – as reported in the Statement of Activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues

and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as private-sector companies do. One must consider other non-financial factors, such as the quality of education provided, the safety of the schools and the condition of the School District's capital assets, to assess the overall financial health of the School District.

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

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

Our analysis of the School District's major funds begins on page 10. The fund financial statements begin on page 14 and provide detailed information on the most significant funds – not the School District as a whole. Some funds are required to be established by State law, and by bond covenants. However, the School District's Board has established other funds to help it control and manage money for particular purposes. The School District's two kinds of funds - *governmental* and *proprietary* – use the following accounting methods.

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

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

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

The School District as a Whole

Table 1 provides a summary of the School District's net assets as of June 30, 2007:

Table 1
Net Assets

	Governmental Activities – 2007	Governmental Activities – 2006
Current and other assets	$5,348,228	$3,026,744
Capital assets, net	6,374,595	5,307,967
Total Assets	11,722,883	8,334,711
Current liabilities	1,980,853	2,429,078
Long-term liabilities	5,182,394	1,575,842
Total Liabilities	7,163,247	4,004,920
Net Assets:		
Invested in capital assets, net of relate debt	2,155,718	3,741,042
Restricted	2,703,088	349,595
Unrestricted	(299,170)	239,154
Total Net Assets	$4,559,636	$4,329,791

The School District's net assets were $4,559,636 at June 30, 2007. Capital assets, net of related debt totaling $2,155,718, compares the original cost, less depreciation of the School District's capital assets to long-term debt, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets of $(299,170) was unrestricted.

The $(299,170) in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2007.

Table 2
Changes in Net Assets

	Governmental Activities – 2007	Governmental Activities – 2006
Revenues:		
Program revenues:		
Charges for services	$1,027,359	$902,822
Operating grants and contributions	1,505,788	1,533,324
General revenues:		
Property taxes	2,117,606	1,973,914
State sources not restricted to specific program	9,099,542	8,922,147
Investment earnings	149,790	71,746
Gain (Loss) on sale of capital assets	2,502	2,553
Miscellaneous	53,589	74,305
Total Revenues	13,956,176	13,480,811

	Governmental Activities – 2007	Governmental Activities – 2006
Program Expenses:		
Instruction	$7,688,133	$7,385,438
Supporting services	4,645,210	4,047,157
Community services	16,303	-
Payments to other governments	93,623	117,092
Facilities acquisition	64,751	-
School lunch activities	518,429	512,142
Athletic activities	231,601	279,071
Interest on long-term debt	148,501	68,391
Depreciation – unallocated	319,780	337,626
Total Expenses	13,726,331	12,746,917
Increase (decrease) in net assets	229,845	733,894
Net assets, beginning	4,329,791	3,595,897
Net Assets, Ending	$4,559,636	$4,329,791

As reported in the Statement of Activities, the cost of all of our governmental activities this year was $13,726,331. Certain activities were partially funded from those who benefited from the programs in the amount of $1,027,359 or by other governments and organizations that subsidized certain programs with grants and categoricals in the amount of $1,505,788. We paid for the remaining "public benefit" portion of our governmental activities with $2,117,606 in taxes, $9,099,542 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net assets for the year of $229,845. The key changes in the net assets were the result of capital purchases in excess of current depreciation of $319,780, net debt activity of $2,643,850 accounted for through Statement of Net Assets but budgeted as fund expenditures and net increase in employee benefit obligation of $401,917.

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

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	$7,688,133	$6,430,849
Supporting services	4,645,210	4,564,911
Payments to other governments	93,623	(425,428)
School lunch activities	518,429	22,403
Athletic activities	231,601	51,114
Totals	$13,176,996	$10,643,849

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

The School District's Funds

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of $3,451,158, an increase of $2,237,087 from the beginning of the year.

During the annual School election in June of 2004, the residents of the School District passed a proposal to establish a Sinking Fund to be used as allowed by law. For the 06-07 school year, $513,920 in revenues was collected from the millage assessed for this purpose. A portion of these revenues have been carried over in the combined fund balance to pay for projects to be completed after June 30, 2007, which increased the School District's fund balance to an amount higher than anticipated. Additionally, the School District received $3,145,000 in proceeds from the issuance of a bond to pay for building renovations and additions that began in 2006-07 and will carry over into future periods.

General Fund Budgetary Highlights

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

With the uncertainty of the revenues coming from the State of Michigan, the administration became very conservative with controllable expenses as the school year came to a close. This action, along with unexpected revenue from many different local sources, has had a positive impact on the School District's General Fund fund balance. These types of local revenues cannot be budgeted as revenue during the school year as we cannot plan on their occurrence because of the types of activities that generate the revenues.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2007, the School District had $6,318,446 invested in a variety of capital assets including land, buildings, and machinery and equipment. (See table 4 below)

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

	Governmental Activities – 2007	Governmental Activities – 2006
Land	$92,536	$92,536
Land improvements	81,943	68,029
Buildings	4,980,872	4,284,234
Equipment and furnishings	612,824	573,512
Construction in progress	550,271	269,655
Totals	$6,318,446	$5,287,966

This year's additions of $1,350,260 included office equipment, technology, building renovations, and a bus.

We anticipate capital additions for the 2007-2008 fiscal year will be comparable to the 2006-2007 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had $4,199,279 in bonds outstanding as depicted in Table 5 below.

Table 5
Outstanding Debt at Year-End

	Governmental Activities – 2007	Governmental Activities – 2006
General obligation bonds	$3,925,000	$1,285,000
Notes payable	167,748	163,898
Durant debt	106,531	106,531
Totals	$4,199,279	$1,555,429

There was a new addition to debt this year in the amount of $60,941 for the purchase of school buses, and the School District received $3,145,000 in proceeds from the issuance of a bond to pay for building renovations and additions. We present more detailed information about our long-term debt in the notes to the financial statements.

Economic Factors and Next Year's Budgets

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

The collection of revenues by the State can also affect the School District's general operation budget as it did in 2007. School districts throughout the state must adjust their budgets if the State decreases the per pupil foundation grant or categorical funding during its fiscal year. While we are optimistic about the 2007-08 school year, the state of the economy on a state and national level will be reflected in our budget.

Contacting the School District's Financial Management

This financial report is designated to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Negaunee Public Schools Administration, 101 South Pioneer Avenue, Negaunee, Michigan, 49866.

Negaunee Public Schools
Statement of Net Assets
June 30, 2007

	Governmental Activities
ASSETS:	
Current assets:	
Cash and cash equivalents	$ 3,062,693
Investments	251,193
Receivables:	
Accounts receivable	9,840
Due from other governmental units	1,981,434
Inventories	1,944
Prepaid expenses	41,184
TOTAL CURRENT ASSETS	5,348,288
Non-current assets:	
Unamortized bond issue costs	56,149
Land	92,536
Construction in progress	550,271
Capital assets	13,630,027
Less accumulated depreciation	(7,954,388)
TOTAL NON-CURRENT ASSETS	6,374,595
TOTAL ASSETS	11,722,883
LIABILITIES:	
Current liabilities:	
Accounts payable	347,836
Accrued liabilities	175,185
Due to other governmental units	130,339
State aid notes payable	1,200,000
Note payable - current portion	58,455
Accrued interest payable	25,268
Deferred revenue	43,770
TOTAL CURRENT LIABILITIES	1,980,853
Non-current liabilities:	
Non-current portion of employee benefit obligations	1,047,240
Non-current portion of note payable	109,293
Non-current portion of bond payable	4,031,531
Less deferred discount on refunding bonds	(5,670)
TOTAL NON-CURRENT LIABILITIES	5,182,394
TOTAL LIABILITIES	7,163,247
NET ASSETS:	
Invested in capital assets net of related debt	2,155,718
Restricted:	
Capital Projects	2,514,153
Debt Service	188,935
Unrestricted	(299,170)
TOTAL NET ASSETS	$ 4,559,636

See Notes to Financial Statements.

Negaunee Public Schools
Statement of Activities
For the Year Ended June 30, 2007

Function / Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:					
Instruction	$ 7,688,133	$ 18,242	$ 1,239,042	$ -	$ (6,430,849)
Supporting services	4,645,210	76,299	4,000	-	(4,564,911)
Community services	16,303	-	-	-	(16,303)
Payments to other governments	93,623	519,051	-	-	425,428
Facilities acquisition	64,751	-	-	-	(64,751)
School lunch activities	518,429	290,381	205,645	-	(22,403)
Athletic activities	231,601	123,386	57,101	-	(51,114)
Interest on retirement of debt	148,501	-	-	-	(148,501)
Depreciation- unallocated	319,780	-	-	-	(319,780)
TOTAL GOVERNMENTAL ACTIVITIES	13,726,331	1,027,359	1,505,788	-	(11,193,184)

General revenues:	
Taxes	
Property taxes, levied for general purposes	1,143,814
Property taxes, levied for debt services	459,872
Property taxes, levied for sinking fund	513,920
State Aid not restricted to specific purposes	
General	9,099,542
Interest and investment earnings	149,790
Gain on sale of capital asset	2,502
Miscellaneous	53,589
TOTAL GENERAL REVENUES AND TRANSFERS	11,423,029
CHANGES IN NET ASSETS	229,845
Net Assets , July 1	4,329,791
NET ASSETS, JUNE 30	$ 4,559,636

See Notes to Financial Statements.

Negaunee Public Schools
Governmental Funds
Balance Sheet
June 30, 2007

	General Fund	Capital Projects: Construction Fund	Other Non-major Governmental Funds	Total
ASSETS:				
Cash and cash equivalents	$ 44,131	$ 2,798,634	$ 219,928	$ 3,062,693
Investments	242,465	5	8,723	251,193
Receivables:				
Accounts receivable	4,888	-	3,363	8,251
Due from other governmental units	1,945,604	-	35,830	1,981,434
Due from other funds	36,182	-	57	36,239
Inventories	-	-	1,944	1,944
Prepaid expenditures	41,085	-	99	41,184
TOTAL ASSETS	$ 2,314,355	$ 2,798,639	$ 269,944	$ 5,382,938
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	$ 27,723	$ 313,325	$ 6,788	$ 347,836
Accrued liabilities	170,174	-	5,011	175,185
Due to other governmental units	130,339	-	-	130,339
Due to other funds	350	-	34,300	34,650
Deferred revenue	37,699	-	6,071	43,770
State aid notes payable	1,200,000	-	-	1,200,000
TOTAL LIABILITIES	1,566,285	313,325	52,170	1,931,780
FUND BALANCES:				
Reserved for:				
Capital projects	-	2,485,314	28,839	2,514,153
Retirement of debt	-	-	188,935	188,935
Unreserved	748,070	-	-	748,070
TOTAL FUND BALANCES	748,070	2,485,314	217,774	3,451,158
TOTAL LIABILITIES AND FUND BALANCES	$ 2,314,355	$ 2,798,639	$ 269,944	$ 5,382,938

See Notes to Financial Statements.

Negaunee Public Schools
Governmental Funds
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2007

Total Fund Balances for Governmental Funds		$	3,451,158
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Cost of capital assets	14,272,834		
Accumulated depreciation	(7,954,388)		
			6,318,446
Unamortized bond issue costs are not financial resources and therefore are not reported in the funds.			56,149
Long-term liabilities are not due and payable in the current period and are not reported in the funds. Long-term liabilities at year-end consist of:			
Bonds payable	4,031,531		
Notes payable	167,748		
Employee benefits payable	1,047,240		
Accrued Interest	25,268		
Deferred discount on refunding bonds	(5,670)		
			(5,266,117)
NET ASSETS OF GOVERNMENTAL ACTIVITIES		$	4,559,636

See Notes to Financial Statements.

Negaunee Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2007

	General Fund	Capital Projects: Construction Fund	Other Non-major Governmental Funds	Total
REVENUES:				
Local sources	$ 1,992,943	$ 79,640	$ 1,463,360	$ 3,535,943
State sources	9,854,700	-	23,971	9,878,671
Federal sources	357,386	-	181,674	539,060
TOTAL REVENUES	12,205,029	79,640	1,669,005	13,953,674
EXPENDITURES:				
Current:				
Instruction	7,698,212	-	-	7,698,212
Supporting services	4,216,578	3,116	84,540	4,304,234
Community services	16,303	-	-	16,303
Payments to other governments	93,623	-	-	93,623
Facilities acquisition	-	630,468	690,703	1,321,171
Debt service	65,674		593,519	659,193
School lunch activities	-	-	518,429	518,429
Athletic activities	-	-	254,421	254,421
TOTAL EXPENDITURES	12,090,390	633,584	2,141,612	14,865,586
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	114,639	(553,944)	(472,607)	(911,912)
OTHER FINANCING SOURCES (USES):				
Proceeds from notes	60,941	-	-	60,941
Proceeds from bonds	-	3,145,000	-	3,145,000
Bond issuance costs	-	(59,444)	-	(59,444)
Sale of fixed assets	2,502	-	-	2,502
Transfers in	-	-	340,786	340,786
Transfers out	(294,488)	(46,298)	-	(340,786)
TOTAL OTHER FINANCING SOURCES (USES)	(231,045)	3,039,258	340,786	3,148,999
NET CHANGE IN FUND BALANCES	(116,406)	2,485,314	(131,821)	2,237,087
Fund Balance, July 1	864,476	-	349,595	1,214,071
FUND BALANCE, JUNE 30	$ 748,070	$ 2,485,314	$ 217,774	$ 3,451,158

See Notes to Financial Statements.

Negaunee Public Schools
Governmental Funds
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds		$	2,237,087
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.			
Depreciation expense	(319,780)		
Capital outlays	1,350,260		1,030,480
Governmental funds do not report capital assets. Therefore, the net book value on the disposal of capital assets is only reported as an expense in the statement of activities.			-
Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.			(3,205,941)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.			562,091
Deferred discount on refunding bonds is reported as expenditures in the governmental funds when incurred. However, for governmental activities those costs are shown in the statement of net assets and amortized over the life of the bond issuance as other costs in the statement of activities.			(2,835)
Unamortized bond issue costs are reported as expenditures in the governmental funds when incurred. However, for governmental activities those costs are shown in the statement of net assets and amortized over the life of the bond issuance as other costs in the statement of activities.			36,148
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.			(25,268)
Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			(401,917)
Change in Net Assets of Governmental Activities		$	229,845

See Notes to Financial Statements.

Negaunee Public Schools
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2007

		Student Activity Agency Fund
ASSETS:		
Cash and equivalents	$	189,907
Due from other funds		350
TOTAL ASSETS	$	190,257
LIABILITIES:		
Due to groups, organizations and activities	$	188,318
Due to other funds		1,939
TOTAL LIABILITIES	$	190,257

See Notes to Financial Statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Negaunee Public Schools conform to accounting principles generally accepted in the United States of America as applicable to school districts. The following is a summary of the more significant policies:

Reporting Entity

In evaluating how to define the School District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the School District and/or its constituents, or whether the activity is conducted within the geographic boundaries of the School District and is generally available to its constituents. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the School District is able to exercise oversight responsibilities.

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

BASIS OF PRESENTATION

District-Wide Financial Statements:

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

Fund Financial Statements:

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the School District are considered major if it meets the following criteria:

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

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

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

Governmental Funds

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

Special Revenue Funds – The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects), such as the School Service and Athletics Funds.

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

Capital Projects Fund – Capital Projects Funds are used to record bond proceeds or other revenue to be used for the acquisition or construction of major capital facilities or other capital assets, including equipment.

Fiduciary Funds

Trust and Agency Fund – The Trust and Agency Fund is used to account for assets held by the School District in a trustee capacity or as an agent for individuals, organizations, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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

Basis of Accounting

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

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

Cash and Equivalents

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

Investments

Investments are carried at market value.

Receivables

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

Due From and To Other Funds

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

Inventory

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than $5,000 and

any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

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

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

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

Long-Term Debt

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

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

Compensated Absences

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

Deferred Revenues

In the district-wide statements, deferred revenue is recognized when cash, receivables or other assets are received prior to their being earned. In the governmental fund statements, deferred revenue is recognized when revenue is unearned or unavailable. The School District has reported deferred revenue of $37,699 in the General Fund and $6,071 in the Athletic Fund for grant funding that has been received but is unearned and delinquent property taxes receivable.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Equity Classification

District-Wide Statements

Equity is classified as net assets and displayed in three components:

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

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

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

Fund Statements

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

Revenues

District-Wide Statements

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

Fund Statements

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

Property Taxes

Property taxes are levied on July 1, on behalf of the District by various taxing units and are payable without penalty by September 14. The District recognizes property tax revenue when levied o the extent they result in current receivables (collected within sixty days of the end of the fiscal year). Property taxes that are not collected within sixty days of the end of the fiscal year are recognized as revenue when collected.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Expenses/Expenditures

District-Wide Statements

In the district-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

Fund Statements

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

Interfund Activity

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

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

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

Budgets and Budgetary Accounting

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

a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

b. Public hearings are conducted to obtain taxpayer comments.

c. Prior to July 1, the budget is approved by the Board of Education.

d. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Education.

e. All annual appropriations lapse at fiscal year end.

Use of Estimates

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

NOTE B – DEPOSITS AND INVESTMENTS:

Cash Equivalents

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

	Primary Government	Fiduciary Funds	Total
Cash and cash equivalents	$3,062,693	$189,907	$3,252,600
Investments	251,193	-	251,193
TOTALS	$3,313,886	$189,907	$3,503,793

Custodial Credit Risk – Deposits
Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State law does not require and the District does not have a deposit policy for custodial credit risk. The carrying amounts of the District's deposits with financial institutions were $3,252,600 and the bank balance was $3,529,609. The bank balance is categorized as follows:

Amount insured by the FDIC	$200,000
Amount uncollateralized and uninsured	3,329,609
	$3,529,609

Investments

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

Investment Type	Fair Value	Investment Maturities Less than 1 Year
Michigan Liquid Asset Fund – Mutual Funds	$251,193	$251,193

Interest Rate Risk

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

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

The District has no investment policy that would further limit its investment choices and has no investments for which ratings are required. The District's investments are in accordance with statutory authority.

NOTE C – DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governmental units consist of $1,648,956 due from the State of Michigan for State Aid and $332,478 due from other governmental units for the operation of special programs and grant projects.

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

The Agency reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, and fiduciary funds. Interfund transactions resulting in interfund receivables and payables are as follows:

		Due From Other Funds			
		General Fund	School Lunch Fund	Agency Fund	Total Due To Other Funds
Due To Other Funds	General Fund	$ -	$ -	$ 350	$ 350
	School Lunch Fund	29,461	-	-	29,461
	Athletic Fund	4,839	-	-	4,839
	Agency Fund	1,882	57	-	1,939
	Total Due From Other Funds	$ 36,182	$ 57	$ 350	$ 36,589

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. See table below.

		Transfer Out To Other Funds		
		General Fund	Construction Fund	Total Transfers In
Transfer In From Other Funds	School Lunch Fund	$ 22,911	$ -	$ 22,911
	Athletic Fund	140,017	-	140,017
	Debt Service Fund	131,560	46,298	177,858
	Total Transfers Out	294,448	$ 46,298	$ 340,786

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

NOTE E – CAPITAL ASSETS:

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

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
Capital assets not being depreciated:				
Land	$92,536	$-	$-	$92,536
Construction in progress	269,655	1,152,460	871,844	550,271
Capital assets being depreciated:				
Land improvements	260,013	24,500	-	284,513
Buildings and additions	9,531,697	871,844	-	10,403,541
Equipment and furniture	1,954,496	112,359	-	2,066,855
School buses	858,520	60,941	44,343	875,118
Total Capital Assets	12,966,917	2,222,104	916,187	14,272,834
Less accumulated depreciation:				
Land improvements	191,984	10,586	-	202,570
Buildings and additions	5,247,464	175,205	-	5,422,669
Equipment and furniture	1,644,341	53,376	-	1,697,717
School buses	595,162	80,613	44,343	631,432
Total Accumulated Depreciation	7,678,951	319,780	44,343	7,954,388
CAPITAL ASSETS, NET	$5,287,966	$1,902,324	$871,844	$6,318,446

Depreciation expense charged to governmental activities was $319,780.

NOTE F – ACCRUED EMPLOYEE BENEFITS:

The School District offers terminal leave benefits for teachers having ten years of service. This payment is based upon the teacher's base salary at retirement and the number of years of service beyond ten years.

There is also an unused sick leave incentive plan provided to teachers eligible to retire under the Michigan Teacher Retirement Act. This payment is based upon the accumulated sick days at a rate of $20 for each day accumulated prior to September 1, 1981 and $47.42 for each day accumulated after September 1, 1981. The sick leave liability has been calculated in accordance with GASB #16.

Accrued vacation represents vacation time that has been earned but not taken. This vacation time must be used by the union employees within three months after their next anniversary date, or it will be forfeited. For administrative/supervisory employees this vacation time is paid out at their next anniversary date.

As of June 30, 2007, accrued employee benefits reported in the Statement of Net Assets consist of the following:

Early Retirement	$-
Terminal Leave	85,100
Sick Leave	949,547
Vacation	12,593
TOTAL	$1,047,240

NOTE G – RESERVED FUND EQUITY:

The School District reserves fund equities for the following funds:

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

Capital Projects Funds – The resources of the Capital Projects Funds have been accumulated for the specific purpose of acquiring fixed assets. The funds are reserved for these purposes.

NOTE H – LONG-TERM DEBT:

The following is a summary of the long-term debt activity for the year ending June 30, 2007:

	Balance July 1, 2006	Additions	Retirements	Balance June 30, 2007
Bonds Payable:				
1997 General Obligation Bonds	$125,000	$-	$125,000	$-
1998 School Improvement Bonds	106,531	-	-	106,531
2002 Refunding Bonds	1,160,000	-	380,000	780,000
2006 General Obligation Bonds	-	3,145,000	-	3,145,000
2005 School Bus Notes Payable	70,850	-	22,789	48,061
2006 School Bus Notes Payable	93,048	-	23,262	69,786
2007 School Bus Notes Payable	-	60,941	11,040	49,901
Employee Benefits Payable	645,323	401,917	-	1,047,240
TOTAL	$2,200,752	$3,607,858	$562,091	$5,246,519

Long-term debt at June 30, 2007 consists of the following:

School Improvement Bonds
Series 1998
June 30, 2007

School Year	Interest	Principal	Total
2007-2008	$-	$-	$-
2008-2009	2,629	10,041	12,670
2009-2010	2,151	10,518	12,669
2010-2011	1,650	11,020	12,670
2011-2012	22,265	62,859	85,124
2011-2013	576	12,093	12,669
	$29,271	$106,531	$135,802

The School Improvement Bonds, Series 1998 ($180,419) dated November 24, 1998 mature annually on May 15, with interest at a rate of 4.75% per annum. The only revenue source for making the debt service payment on these School Improvement Bonds is an appropriation from the State of Michigan.

1997 General Obligation
Refunding Bonds, Series 2002
June 30, 2007

	November 1	May 1		
School Year	Interest	Interest	Principal	Total
2007-2008	$11,700	$11,700	$390,000	$413,400
2008-2009	5,850	5,850	390,000	401,700
	$17,550	$17,550	$780,000	$815,100

NOTE H – LONG-TERM DEBT (Continued):

Refunding Bonds originally issued for $1,890,000 and dated November 13, 2002, mature annually on May 1, 2005 through May 1, 2009 and bear interest at a rate of 3% per annum. Interest is paid semi-annually on May 1 and November 1 each year beginning May 1, 2003.

2006 General Obligation
School Building and Site Bonds
June 30, 2007

	November 1	May 1		
School Year	Interest	Interest	Principal	Total
2007-2008	$64,104	$64,104	$ -	$128,208
2008-2009	64,105	64,105	-	128,210
2009-2010	64,104	64,104	60,000	188,208
2010-2011	62,905	62,905	70,000	195,810
2011-2012	61,504	61,504	75,000	198,008
2012-2017	282,522	282,522	475,000	1,040,044
2017-2022	227,823	227,823	655,000	1,110,644
2022-2027	151,544	151,544	940,000	1,243,088
2027-2032	45,723	45,723	870,000	961,448
	$1,024,334	$1,024,334	$3,145,000	$5,193,668

General Obligation School Building and Site Bonds originally issued for $3,145,000 and dated November 30, 2006 mature annually as scheduled above on May 1, 2007 through May 1, 2031 and bear interest at a rate of 4.0% to 4.2% per annum. Interest is paid semi-annually on May 1 and November 1 each year.

2005 School Bus Notes Payable
June 30, 2007

School Year	Interest	Principal	Total
2007-2008	$1,725	$23,607	$25,332
2008-2009	878	24,454	25,332
	$2,603	$48,061	$50,664

Notes payable originally issued for $114,526 and dated August 10, 2004 mature annually as scheduled above on June 30, 2006 through June 30, 2009 bearing an interest rate of 3.59% per annum.

2006 School Bus Notes Payable
June 30, 2007

School Year	Interest	Principal	Total
2007-2008	$2,645	$23,262	$25,907
2008-2009	1,763	23,262	25,025
2009-2010	882	23,262	24,144
	$5,290	$69,786	$75,076

Notes payable originally issued for $116,310 and dated August 08, 2005 mature annually as scheduled above on May 1, 2006 through May 1, 2010 bearing an interest rate of 3.79% per annum.

NOTE H – LONG-TERM DEBT (Continued):

2007 School Bus Notes Payable
June 30, 2007

School Year	Interest	Principal	Total
2007-2008	$2,470	$11,586	$14,056
2008-2009	1,897	12,160	14,057
2009-2010	1,295	12,762	14,057
2010-2011	663	13,393	14,056
	$6,325	$49,901	$56,226

Notes payable originally issued for $60,941 and dated July 26, 2006 mature annually as scheduled above on May 26, 2007 through May 26, 2011 bearing an interest rate of 4.95% per annum.

As of June 30, 2007 the aggregate maturities of long-term debt are as follows:

School Year	Principal	Interest	Total
2007-2008	$448,455	$158,448	$606,903
2008-2009	459,917	147,077	606,994
2009-2010	106,542	132,536	239,078
2010-2011	94,413	128,123	222,536
2011-2012	137,859	145,273	283,132
2012-2017	487,093	565,620	1,052,713
2017-2022	655,000	455,646	1,110,646
2022-2027	940,000	303,088	1,243,088
2027-2032	870,000	91,446	961,446
	4,199,279	2,127,257	6,326,536
Employee Benefits Payable	1,047,240	-	1,047,240
TOTALS	$5,246,519	$2,127,257	$7,373,776

NOTE I – SHORT TERM DEBT:

The District utilizes short-term borrowing secured with pledged state aid for cash flow purposes due to the timing of state aid payments. A summary of changes in short-term debt for the year ended June 30, 2007 is as follows:

	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007
State Anticipation Note	$1,300,000	$1,200,000	$1,300,000	$1,200,000

NOTE J – FOUNDATION REVENUE AND CONTINGENCY RECEIVABLE AND PAYABLE:

For the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. In previous years, the state utilized a district power equalizing approach. The foundation is funded from state and local sources. Revenue from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007, the foundation allowance was based on a blended count consisting of 25% of the February 2006 pupil count and 75% of the September 2006 pupil count.

NOTE J – FOUNDATION REVENUE AND CONTINGENCY RECEIVABLE AND PAYABLE (Continued):

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

NOTE K – 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 while still working with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

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

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

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

The District was required by state statute to contribute 16.34% of covered compensation to the Plan through September 30, 2006 and 17.74% of covered compensation for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2007 was $1,484,073 which consisted of $1,262,486 from the District and $221,587 from employees electing the MIP option. These represent approximately 18% and 3% of covered payroll, respectively. The District's contribution to MPSERS for 2006 was $1,368,883 and $1,000,641 for 2005.

Payroll paid to employees covered by the System for the year ended June 30, 2007 was approximately $7,189,463. The District's total payroll was approximately $7,302,042.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan. MPSERS' issues a publicly available financial report that includes financial statements and required supplementary information for the system. More information may be obtained by writing MPSERS at MPSERS, P.O. Box 30673, Lansing, Michigan 48909-8173.

NOTE L – CONTINGENT LIABILITIES:

Grant Assistance

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

Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The School District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The School District joined together with other units and created a public entity risk pool currently operating as a common risk management and insurance program. The School District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of $75,000 for each insured event.

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

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

NOTE M – ECONOMIC DEPENDENCY:

The School District receives approximately 80 percent of its revenues through State and Federal sources to be used for providing elementary and secondary education to the students of Negaunee Public Schools.

NOTE N – CAPITAL PROJECT FUNDS:

The Capital Project Fund records capital project activities funded with Sinking Fund millage and the proceeds from bond issuance in the Construction Fund. For this fund, the School District has complied with the applicable provisions of §1212 (1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

NOTE O – PROPERTY TAXES:

The taxable value of real and personal property located in the School District at December 31, 2006 totaled $166,790,020 ($103,596,704 designated as Homestead and $63,193,316 designated as Non-Homestead). The total tax levied consists of 18.0000 mills for the General Fund, 1.9500 for debt retirement, and 2.1853 for the Building and Site Fund.

NOTE P – ACCRUED LIABILITIES:

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

	Governmental Activities
Accrued wages	$36,691
MESSA payable	115,316
Accrued fringes	23,178
	$175,185

NOTE Q – NONMONETARY TRANSACTIONS:

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the School Lunch Fund. The commodities are accounted for on the modified accrual basis and the related revenues and expenditures are recognized as commodities as utilized. The School District recognized $10,296 during fiscal year 2006-07 in revenues and expenditures for USDA commodities.

REQUIRED SUPPLEMENTAL INFORMATION

Negaunee Public Schools
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Local sources	$ 1,784,075	$ 1,914,481	$ 1,992,943	$ 130,406	$ 78,462
State sources	9,968,534	9,868,780	9,854,700	(99,754)	(14,080)
Federal sources	380,022	362,103	357,386	(17,919)	(4,717)
TOTAL REVENUES	12,132,631	12,145,364	12,205,029	12,733	59,665
EXPENDITURES:					
Instruction:					
Basic programs	5,689,883	5,771,916	5,746,262	(82,033)	25,654
Added needs	1,971,546	1,943,597	1,951,950	27,949	(8,353)
Total Instruction	7,661,429	7,715,513	7,698,212	(54,084)	17,301
Supporting Services:					
Pupil services	557,359	595,236	583,723	(37,877)	11,513
Instructional staff	577,815	553,598	573,351	24,217	(19,753)
General administration	262,114	288,328	286,979	(26,214)	1,349
School administration	673,642	689,853	671,716	(16,211)	18,137
Business services	265,956	275,895	267,814	(9,939)	8,081
Operations and maintenance	1,138,267	1,094,337	1,062,594	43,930	31,743
Pupil transportation	739,822	772,579	740,711	(32,757)	31,868
Central support	37,297	29,049	29,690	8,248	(641)
Total Supporting Services	4,252,272	4,298,875	4,216,578	(46,603)	82,297
Community Services:					
Community activities	19,569	19,526	16,303	43	3,223
Total Community Services	19,569	19,526	16,303	43	3,223
Payments to Other Governments					
Payment to other schools	85,200	98,800	93,623	(13,600)	5,177
Total Payments to Other Governments	85,200	98,800	93,623	(13,600)	5,177
Debt Service:					
Principle	57,090	57,090	57,090	-	-
Interest	7,031	8,584	8,584	(1,553)	-
Total Debt Service	64,121	65,674	65,674	(1,553)	-
Facilities Acquisition:					
Capital Outlay	-	-	-	-	-
Total Facilities Acquisition	-	-	-	-	-
TOTAL EXPENDITURES	12,082,591	12,198,388	12,090,390	(115,797)	107,998
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	50,040	(53,024)	114,639	(103,064)	167,663
OTHER FINANCING SOURCES (Uses)					
Proceeds from notes	60,941	60,941	60,941	-	-
Sale of fixed assets	-	2,501	2,502	2,501	1
Transfers in	-	-	-	-	-
Transfers out	(346,924)	(309,632)	(294,488)	37,292	15,144
TOTAL OTHER FINANCING SOURCES (USES)	(285,983)	(246,190)	(231,045)	39,793	15,145
NET CHANGE IN FUND BALANCE	(235,943)	(299,214)	(116,406)	(63,271)	182,808
Fund Balance, July 1	864,476	864,476	864,476	-	-
FUND BALANCE, JUNE 30	$ 628,533	$ 565,262	$ 748,070	$ (63,271)	$ 182,808

Negaunee Public Schools
Capital Projects: Construction Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Local sources	$ -	$ -	$ 79,640	$ -	$ 79,640
State sources	-	-	-	-	-
Federal sources	-	-	-	-	-
TOTAL REVENUES	-	-	79,640	-	79,640
EXPENDITURES:					
Supporting Services:					
Business services	-	-	3,116	-	(3,116)
Total Supporting Services	-	-	3,116	-	(3,116)
Facilities Acquisition:					
Capital Outlay	-	-	630,468	-	(630,468)
Total Facilities Acquisition	-	-	630,468	-	(630,468)
TOTAL EXPENDITURES	-	-	633,584	-	(633,584)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(553,944)	-	(553,944)
OTHER FINANCING SOURCES (Uses)					
Proceeds from bonds	-	-	3,145,000	-	3,145,000
Bond issuance costs	-	-	(59,444)	-	(59,444)
Transfers in	-	-	-	-	-
Transfers out	-	-	(46,298)	-	(46,298)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	3,039,258	-	3,039,258
NET CHANGE IN FUND BALANCE	-	-	2,485,314	-	2,485,314
Fund Balance, July 1	-	-	-	-	-
FUND BALANCE, JUNE 30	$ -	$ -	$ 2,485,314	$ -	$ 2,485,314

OTHER SUPPLEMENTAL INFORMATION

Negaunee Public Schools
Non-major Governmental Funds
Combining Balance Sheet
June 30, 2007

	Special Revenue Funds	Capital Projects: Sinking Fund	Debt Service Funds	Total
ASSETS:				
Cash and equivalents	$ 8,335	$ 28,728	$ 182,865	$ 219,928
Investments	-	-	8,723	8,723
Accounts receivable	3,363	-	-	3,363
Due from other governmental units	35,621	111	98	35,830
Due from other funds	57	-	-	57
Inventories	1,944	-	-	1,944
Prepaid expenses	99	-	-	99
TOTAL ASSETS	$ 49,419	$ 28,839	$ 191,686	$ 269,944
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	$ 4,037	$ -	$ 2,751	$ 6,788
Accrued liabilities	5,011	-	-	5,011
Due to other funds	34,300	-	-	34,300
Deferred Revenue	6,071	-	-	6,071
TOTAL LIABILITIES	49,419	-	2,751	52,170
FUND BALANCES:				
Reserved for:				
Debt service	-	-	188,935	188,935
Capital outlay	-	28,839	-	28,839
Unreserved	-	-	-	-
TOTAL FUND BALANCES	-	28,839	188,935	217,774
TOTAL LIABILITIES AND FUND BALANCES	$ 49,419	$ 28,839	$ 191,686	$ 269,944

Negaunee Public Schools
Non-major Governmental Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2007

	Special Revenue Funds	Capital Projects: Sinking Fund	Debt Service Funds	Total
REVENUES:				
Local sources:				
Taxes and penalties	$ -	$ 513,920	$ 459,871	$ 973,791
School lunch activities	290,381	-	-	290,381
Athletic activities	180,487	-	-	180,487
Interest income	-	3,474	15,227	18,701
State sources	23,971	-	-	23,971
Federal sources	181,674	-	-	181,674
Other sources	-	-	-	-
TOTAL REVENUES	676,513	517,394	475,098	1,669,005
EXPENDITURES:				
Supporting services	66,591	7	17,942	84,540
Debt service	-	-	593,519	593,519
Facilities acquisition	-	690,703	-	690,703
School lunch activities	518,429	-	-	518,429
Athletic activities	254,421	-	-	254,421
TOTAL EXPENDITURES	839,441	690,710	611,461	2,141,612
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(162,928)	(173,316)	(136,363)	(472,607)
OTHER FINANCING SOURCES (USES):				
Transfers in	162,928	-	177,858	340,786
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	162,928	-	177,858	340,786
NET CHANGE IN FUND BALANCE	-	(173,316)	41,495	(131,821)
Fund Balance, July 1	-	202,155	147,440	349,595
FUND BALANCE, JUNE 30	$ -	$ 28,839	$ 188,935	$ 217,774

Negaunee Public Schools
Non-major Special Revenue Funds
Combining Balance Sheet
June 30, 2007

	School Lunch Fund	Athletic Fund	Total
ASSETS:			
Cash	$ 22	$ 8,313	$ 8,335
Accounts receivable	151	3,212	3,363
Due from other governmental units	32,469	3,152	35,621
Due from other funds	57	-	57
Inventories	1,944	-	1,944
Prepaid expenses	-	99	99
TOTAL ASSETS	$ 34,643	$ 14,776	$ 49,419
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts payable	$ 171	$ 3,866	$ 4,037
Accrued liabilities	5,011	-	5,011
Due to other funds	29,461	4,839	34,300
Deferred revenue	-	6,071	6,071
TOTAL LIABILITIES	34,643	14,776	49,419
FUND BALANCES:			
Reserved	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	$ 34,643	$ 14,776	$ 49,419

Negaunee Public Schools
Non-major Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2007

	School Lunch Fund	Athletic Fund	Total
REVENUES:			
School lunch activities	$ 290,381	$ -	$ 290,381
Athletic activities	-	180,487	180,487
State sources	23,971	-	23,971
Federal sources	181,674	-	181,674
TOTAL REVENUES	496,026	180,487	676,513
EXPENDITURES:			
Support services	508	66,083	66,591
School lunch activities	518,429	-	518,429
Athletic activities	-	254,421	254,421
TOTAL EXPENDITURES	518,937	320,504	839,441
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(22,911)	(140,017)	(162,928)
OTHER FINANCING SOURCES (USES):			
Transfers in	22,911	140,017	162,928
Transfers (out)	-	-	-
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance, July 1	-	-	-
FUND BALANCE, JUNE 30	$ -	$ -	$ -

Negaunee Public Schools
Non-Major Special Revenue Fund
School Lunch Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Local sources:			
Student lunches	$ 241,265	$ 243,008	$ 1,743
Student breakfast	10,400	11,072	672
Adult lunches	8,500	10,741	2,241
Ala carte sales	22,000	22,178	178
Milk	1,975	1,999	24
Other food receipts	1,363	1,383	20
Total Local Sources	285,503	290,381	4,878
State sources:			
State aid - restricted	23,969	23,971	2
Total State Sources	23,969	23,971	2
Federal sources:			
Entitlement payments	160,000	171,378	11,378
Donated commodities	-	10,296	10,296
Total Federal Sources	160,000	181,674	21,674
TOTAL REVENUES	469,472	496,026	26,554
EXPENDITURES:			
Support Services	550	508	42
School lunch activities:			
Salaries	161,122	162,355	(1,233)
Employee benefits	65,243	65,192	51
Purchased services	1,073	338	735
Other costs	48,930	51,661	(2,731)
Food and milk	210,000	228,587	(18,587)
Donated commodities	17,000	10,296	6,704
TOTAL EXPENDITURES	503,918	518,937	(15,019)
EXCESS REVENUES (EXPENDITURES)	(34,446)	(22,911)	11,535
OTHER FINANCING (USES):			
Transfers in	34,446	22,911	(11,535)
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance, July 1	-	-	-
FUND BALANCE, JUNE 30	$ -	$ -	$ -

Negaunee Public Schools
Non-Major Special Revenue Fund
Athletics Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Local sources:			
General admission	$ 83,838	$ 83,836	$ (2)
Participation fees	38,926	39,550	624
Other revenues	51,741	57,101	5,360
TOTAL REVENUES	174,505	180,487	5,982
EXPENDITURES:			
Support Services:			
Operations & Maintenance	$ 29,472	$ 27,631	1,841
Transportation	35,626	38,452	(2,826)
Athletic activities:			-
Salaries	95,182	94,983	199
Employee benefits	29,496	29,522	(26)
Purchased services	77,361	77,295	66
Supplies and materials	29,015	31,219	(2,204)
Other	22,289	21,402	887
TOTAL EXPENDITURES	318,441	320,504	(2,063)
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(143,936)	(140,017)	3,919
OTHER FINANCING SOURCES (USES):			
Transfers in	143,936	140,017	(3,919)
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance, July 1	-	-	-
FUND BALANCE, JUNE 30	$ -	$ -	$ -

Negaunee Public Schools
Non-major Capital Projects - Sinking Fund
Balance Sheet
June 30, 2007

ASSETS:		
Cash and equivalents	$	28,728
Due from other governmental units		111
TOTAL ASSETS	$	28,839
LIABILITIES AND FUND BALANCES:		
LIABILITIES:		
Accounts payable	$	-
TOTAL LIABILITIES		-
FUND BALANCES:		
Reserved		28,839
TOTAL LIABILITIES AND FUND BALANCES	$	28,839

Negaunee Public Schools
Non-major Capital Project - Sinking Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2007

REVENUES:		
Local sources:		
Property tax levy	$	512,240
Penalty and interest on delinquent taxes		1,680
Interest income		3,474
TOTAL REVENUES		517,394
EXPENDITURES:		
Supporting services		7
Facilities acquisition		690,703
TOTAL EXPENDITURES		690,710
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		(173,316)
OTHER FINANCING SOURCES (USES):		
Transfers in		-
TOTAL OTHER FINANCING SOURCES (USES)		-
NET CHANGE IN FUND BALANCE		(173,316)
Fund Balance, July 1		202,155
FUND BALANCE, JUNE 30	$	28,839

Negaunee Public Schools
Non-major Debt Service Fund
Balance Sheet
June 30, 2007

ASSETS:	
Cash and equivalents	$ 182,865
Investments	8,723
Due from other governmental units	98
TOTAL ASSETS	$ 191,686
LIABILITIES AND FUND BALANCES:	
LIABILITIES:	
Accounts payable	$ 2,751
TOTAL LIABILITIES	2,751
FUND BALANCES:	
Reserved	188,935
TOTAL LIABILITIES AND FUND BALANCES	$ 191,686

Negaunee Public Schools
Non-major Debt Service Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2007

REVENUES:	
Local sources:	
Property tax levy	$ 458,353
Penalty and interest on delinquent taxes	1,518
Interest income	15,227
Other sources	-
TOTAL REVENUES	475,098
EXPENDITURES:	
Supporting Services:	
Other Business Services:	
Other	17,942
Debt Service:	
Principal	505,000
Interest	87,348
Paying agent fees	1,171
TOTAL EXPENDITURES	611,461
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(136,363)
OTHER FINANCING SOURCES (USES):	
Transfers in	177,858
TOTAL OTHER FINANCING SOURCES (USES)	177,858
NET CHANGE IN FUND BALANCE	41,495
Fund Balance, July 1	147,440
FUND BALANCE, JUNE 30	$ 188,935

Compliance Section

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

PARTNERS
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MICHIGAN
ESCANABA
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KINROSS
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WISCONSIN
GREEN BAY
MILWAUKEE

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

Board of Education
Negaunee Public Schools
Negaunee, Michigan 49866

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Negaunee Public Schools as of and for the year ended June 30, 2007, which collectively comprise the Negaunee Public Schools' basic financial statements and have issued our report thereon dated October 24, 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 Negaunee Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Negaunee Public 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 Negaunee Public 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 Negaunee Public Schools' financial statements that is more than inconsequential will not be prevented or detected by the Negaunee Public 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 Negaunee Public 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 Negaunee Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an

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objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which we reported to management of Negaunee Public Schools, in a separate letter dated October 24, 2007.

****

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

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 24, 2007

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

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MILWAUKEE

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

Board of Education
Negaunee Public Schools
Negaunee, Michigan 49866

Compliance

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

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

In our opinion, Negaunee Public 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.

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Board of Education
Negaunee Public Schools
Negaunee, Michigan 49866

Internal Control Over Compliance

The management of Negaunee Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Negaunee Public 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition, in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the 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.

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 24, 2007

NEGAUNEE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2007

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue 7/1/06	Current Year Expenditures	Current Year Receipts	Accrued (Deferred) Revenue 6/30/07
U.S. Department of Agriculture:							
Nutrition Cluster:							
Food Distribution:							
Entitlement Commodities	10.550	$ 10,122	$ 18,096	$ -	$ 10,122	$ 10,122	$ -
Bonus Commodities	10.550	174	313	-	174	174	-
Sub-total Commodities		10,296	18,409	-	10,296	10,296	-
Passed Through M.D.E.:							
Natl. School Breakfast Program	10.553	17,704	24,825	-	21,675	17,704	3,971
National School Lunch Program:							
Section 4 - Total Serving 1956 & 1957	10.555	33,890	40,391	-	40,130	33,890	6,240
Section 11- Total Serving 1966 & 1967	10.555	91,503	108,545	-	109,166	91,503	17,663
Snacks	10.555	310	455	-	407	310	97
Sub-total National School Lunch		125,703	149,391	-	149,703	125,703	24,000
TOTAL U.S. DEPARTMENT OF AGRICULTURE		153,703	192,625	-	181,674	153,703	27,971
National Endowment for the Arts:							
Passed through Michigan council for Arts and Cultural Affairs:							
Arts Services Grant Agreement							
N/A	45.025	2,600	2,900	-	2,600	2,600	-
TOTAL NATIONAL ENDOWMENT FOR THE ARTS		2,600	2,900	-	2,600	2,600	-
U.S. Department of Education:							
Direct Awards:							
Title VII, Indian Education S060A051215	84.060	-	21,462	3,994	-	3,994	-
Title VII, Indian Education S060A061215	84.060	25,109	-	-	25,109	21,197	3,912
Sub-total Direct Awards		25,109	21,462	3,994	25,109	25,191	3,912
Passed through Michigan Department of Education (M.D.E.):							
E.C.I.A. Title I:							
051530-0506	84.010	17,952	17,952	1,659	-	1,659	-
061530-0506	84.010	172,733	172,733	45,664	-	45,664	-
061530-0607	84.010	16,038	-	-	16,038	16,034	4
071530-0607	84.010	167,042	-	-	167,042	116,678	50,364
Sub-total E.C.I.A. Title I		373,765	190,685	47,323	183,080	180,035	50,368
Handicapped Preschool & Prog							
070440-0607	84.027	4,000	-	-	4,000	4,000	-
Sub-total Handicapped Preschool & Prog		4,000	-	-	4,000	4,000	-
Title V LEA Allocation							
060250-0506	84.298	611	611	611	-	611	-
070250-0607	84.298	311	-	-	-	-	-
Sub-total Title V LEA Allocation		$ 922	$ 611	$ 611	$ -	$ 611	$ -

NEGAUNEE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2007

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue 7/1/06	Current Year Expenditures	Current Year Receipts	Accrued (Deferred) Revenue 6/30/07
Technology Literacy Challenge Grants:							
064290-0506	84.318	$ 3,522	$ 3,522	$ 2,768	$ -	$ 2,768	$ -
074290-0607	84.318	1,715	-	-	1,072	1,072	-
Sub-total Technology Literacy Challenge Grants		5,237	3,522	2,768	1,072	3,840	-
Title IIA, Improving Teacher Quality							
060520-0506	84.367	52,344	52,344	15,939	-	15,939	-
060520-0607	84.367	22,721	-	-	22,721	22,718	3
070520-0607	84.367	74,765	-	-	43,225	21,216	22,009
Sub-total Title IIA, Improving Teacher Quality		149,830	52,344	15,939	65,946	59,873	22,012
TOTAL PASSED THROUGH M.D.E.		533,754	247,162	66,641	254,098	68,368	72,380
Passed Through Marquette-Alger Regional Education Service Agency (MARESA):							
P.L. 94-142 Flow Through:							
060450-0506	84.027	61,077	61,077	17,881	-	17,881	-
070450-0607	84.027	64,616	-	-	62,137	44,955	17,182
Sub-total Flow Through		125,693	61,077	17,881	62,137	62,836	17,182
Carl D. Perkins Vocational and Applied Technologies Education Act:							
073520/7012-2	84.048	12,038	12,243	-	11,658	-	11,658
Sub-total Carl D. Perkins		12,038	12,243	-	11,658	-	11,658
Special Education - Preschool Grants:							
060460-0506	84.173	1,000	1,000	1,000	-	1,000	-
Sub-total Special Education - Preschool Grants		1,000	1,000	1,000	-	1,000	-
Safe & Drug Free Schools & Communities:							
072860-0607	84.186	2,275	3,095	-	2,275	2,275	-
Sub-total Safe & Drug Free Schools & Communities		2,275	3,095	-	2,275	2,275	-
Title II-D Ed Tech							
074240/2-1	84.318	810	-	-	74	74	-
Sub-total Title II-D Ed Tech		$ 810	$ -	$ -	$ 74	$ 74	$ -

NEGAUNEE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2007

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue 7/1/06	Current Year Expenditures	Current Year Receipts	Accrued (Deferred) Revenue 6/30/07
Medicaid FFS-Transportation							
N/A	93.778	$ 2,036	$ 1,236	$ -	$ 2,036	$ 2,036	$ -
Sub-total Medicaid FFS - Transportation		2,036	1,236	-	2,036	2,036	-
TOTAL PASSED THROUGH MARESA		143,852	78,651	18,881	78,180	68,221	28,840
TOTAL U.S. DEPARTMENT OF EDUCATION		702,715	347,275	89,516	357,387	161,780	105,132
TOTAL FEDERAL FINANCIAL ASSISTANCE		$ 859,018	$ 542,800	$ 89,516	$ 541,661	$ 318,083	$ 133,103

NEGAUNEE PUBLIC SCHOOLS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2007

NOTE A – OVERSIGHT AGENCY:

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

NOTE B – BASIS OF ACCOUNTING:

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

NOTE C – FINAL COST REPORT - FORM DS4044:

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

NOTE D – SCHEDULE OF FEDERAL AWARDS:

The amounts reported as current payments on the Grant Auditor Report, reconcile with the Schedule of Federal Awards as follows:

Current Payments per Grant Auditor Report		$ 457,090
Less Payments Grant Auditor Report included in prior years:		
Title II Part D	754	
Title I Part A	127,069	
Title II Part A	36,405	(164,228)
Add payments not on Grant Auditor Report:		
Food distribution commodities	10,296	
National School Lunch Program	171,378	
Art Services Grant	2,600	
Direct Program	25,109	
Passed through MARESA	78,180	287,563
Less Payments on Grant Auditor Report:		
Recorded as receivable at June 30, 2006:		
Title I	45,664	
Title V LEA Allocation	611	
Title II Part D, Technology Literacy	2,768	
Title II A, Improving Teacher Quality	15,939	(64,982)
Add Payments not on Grant Auditor Report:		
Recorded as receivable at June 30, 2007:		
Title I	50,368	
Title II A, Improving Teacher Quality	22,012	72,380

NOTE D – SCHEDULE OF FEDERAL AWARDS (Continued):

Less Payments on Grant Auditor Report:		
Recorded as receivable at June 30, 2007:		
Title I	36,263	
Title II A, Improving Teacher Quality	9,899	(46,162)
TOTAL FEDERAL AWARDS EXPENDITURES REPORTED IN THE SCHEDULE OF FEDERAL AWARDS		$ 541,661

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

GENERAL FUND:		
Total Federal Revenue Sources Reported in the Financial Statements	$357,386	
Federal portion of Art Services Grant passed through State	2,600	$359,986
SCHOOL SERVICE SPECIAL REVENUE FUND:		
Federal Sources - Entitlements and Commodities Reported in the Financial Statements		181,674
ADJUSTMENTS:		
Due to rounding		1
TOTAL FEDERAL AWARD EXPENDITURES REPORTED IN THE SCHEDULE OF FEDERAL AWARDS		$541,661

NEGAUNEE PUBLIC SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year June 30, 2007

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Negaunee Public Schools.

2. No reportable conditions relating to the audit of the financial statements are reported in this schedule.

3. Instances of noncompliance material to the financial statements of the Negaunee Public Schools are reported in this schedule.

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

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

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

7. The programs tested as major programs were:

E.C.I.A. Title I	CFDA 84.010

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

9. Negaunee Public Schools was determined to be a low-risk auditee.

B. FINDINGS – FINDINGS FINANCIAL STATEMENTS AUDIT

The following instance of noncompliance was noted:

07 – 01 **Condition:** The School Bus Inventory Report SE-4107 was not updated for the 2006-07 fiscal year activity.

Criteria: The School Bus Inventory must be edited July 1, 2007 for all data changes, corrections, additions or deletions for the 2006-07 fiscal year.

Effect: The School Bus Inventory report does not properly reflect the changes in the district's inventory as the district disposed of one bus and added one bus.

Recommendation: Management should be aware of the deadline to complete the SE-4107 and make the appropriate changes throughout the year to ensure that the district will comply with the deadline.

Management Response: Management concurs.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAMS AUDITS

- **NONE**

NEGAUNEE PUBLIC SCHOOLS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year June 30, 2007

There were no findings and questioned costs for major federal awards in the prior year.

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

PARTNERS

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MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

Negaunee Public Schools
Report to Management Letter
For the Year Ended June 30, 2007

Board of Education
Negaunee Public Schools
Negaunee, MI 49866

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Negaunee Public Schools for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Negaunee Public Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

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

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

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

Instances of Noncompliance
07-01: The Michigan Department of Education requires all school districts to annually update their School Bus Inventory Report SE-4107. For the 2006-07 fiscal year this report was required to be edited by July 1, 2007. Negaunee Public Schools failed to make the appropriate additions and disposals to its SE-4107 to properly reflect its school bus

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inventory at the end of the fiscal year. We recommend that management remain aware of the deadline in the future to ensure that the SE-4107 is updated timely.

* * * * * * * * * *

This communication is intended solely for the information and use of management of Negaunee Public Schools, the Board of Education, and others within the organization, and other legislative or regulatory bodies, and is not intended to be and should not be used by anyone other than these specified parties.

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

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 24, 2007

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

PARTNERS

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October 24, 2007

To the Board of Education
Negaunee Public Schools
Negaunee, MI 49866

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Negaunee Public Schools for the year ended June 30, 2007, and have issued our report thereon dated October 24, 2007. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated April 25, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

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

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

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Negaunee Public Schools are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2006-2007. We noted no transactions entered into by Negaunee Public Schools during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

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To the Board of Education
Negaunee Public Schools
Negaunee, MI 49866

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

Audit Adjustments

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

Disagreements with Management

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

Consultations with Other Independent Accountants

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

Issues Discussed Prior to Retention of Independent Auditors

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

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. This information is intended solely for the use of the Board of Education and management of the Negaunee Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Anderson, Tackman & Company, PLC
Certified Public Accountants