



Bangor Township Schools  
Bay City, Michigan

Financial Statements

For the Year Ended June 30, 2007



**REHMANN ROBSON**

*Certified Public Accountants*

# **BANGOR TOWNSHIP SCHOOLS**

**JUNE 30, 2007**

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# BANGOR TOWNSHIP SCHOOLS

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## **INDEPENDENT AUDITORS' REPORT**

November 13, 2007

To the Board of Education  
Bangor Township Schools  
Bay City, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the ***Bangor Township Schools***, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the ***Bangor Township Schools***, as of June 30, 2007, and the respective changes in financial position thereof and the budgetary comparison for the general fund 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 November 13, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 on pages 3-9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ***Bangor Township School's*** basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents 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 Government, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of ***Bangor Township Schools***. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Lehmann Johnson".

# Bangor Township Schools

## Management's Discussion and Analysis

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This section of the 2007 annual financial report presents our discussion and analysis of Bangor Township School District's financial performance during the year ended 2007. Please read it in conjunction with Bangor Township Schools financial statements, which immediately follows this section.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Bangor Township Schools District financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a long-term view of those finances. The *Fund Financial Statements* provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds, the General Fund and the 2003 Capital Project Fund with all other funds presented in one column as Other Governmental Funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

### **Financial Section**

- Basic Financial Statements
  - District-wide Financial Statements
  - Fund Financial Statements
  - Fiduciary Funds
  - Notes to Financial Statements
- Other Supplemental Information
  - Combining Balance Sheet - Non-major Governmental Funds
  - Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Non-major Governmental Funds

### ***District-wide Financial Statements***

One of the most important questions asked about the School District is, "As a whole, what is Bangor Township Schools District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and 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 Bangor Township Schools District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as 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

# **Bangor Township Schools**

## **Management's Discussion and Analysis**

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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, Bangor's goal is to provide services to our students, not to generate profits as commercial entities do. Many other non-financial factors, such as the quality of the education provided and the safety of the schools must be considered to assess the overall health of the School District. The statement of net assets and the statement of activities report the governmental activities for Bangor Township Schools, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and State and federal grants finance most of these activities.

### ***Fund Financial Statements***

Bangor Township Schools fund financial statements provide detailed information about the most significant funds, not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, Bangor Township Schools establishes many other funds to help it control and manage money for particular purposes, such as the food services and athletics funds. Funds are also established to show that it's meeting legal responsibilities for using certain taxes, grants, and other money, including the 2003 Bond Issue, which funded construction for voter-approved capital projects. The governmental funds of the School District use the following accounting approach.

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs.

### ***Fiduciary Fund***

Bangor Township School District acts as the trustee for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. These activities are excluded 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 purposes.

# Bangor Township Schools

## Management's Discussion and Analysis

### The School District

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

**Table 1 Governmental Activities**

<b>Assets</b>	<b>June 30, 2007</b>	<b>June 30, 2006</b>
Current and other assets	\$ 4,858,647	\$ 4,590,906
Capital assets	24,992,178	24,971,761
Less Accumulated Depreciation	(7,399,996)	(6,743,251)
Capital Asset, Net Book Value	<u>17,592,182</u>	<u>18,228,510</u>
Total Assets	<u>22,450,829</u>	<u>22,819,416</u>
<b>Liabilities</b>		
Current liabilities	2,250,700	2,180,937
Long-term liabilities	15,699,982	16,305,215
Total liabilities	<u>17,950,682</u>	<u>18,486,152</u>
<b>Net Assets</b>		
Invested in capital assets net of related debt	4,083,180	4,285,588
Restricted	369,674	250,584
Unrestricted	47,293	(202,908)
Total net assets	<u>\$ 4,500,147</u>	<u>\$ 4,333,264</u>

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$4,500,147 at June 30, 2007. Capital assets, net of related debt, totaled \$4,083,180. This 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. The remaining amount of net assets, \$47,293, was unrestricted. The \$47,293 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations.

The unrestricted net asset balance is used for working capital and cash flow needs as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year-to-year. The results of this year's operations for Bangor Township Schools District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal year 2007. As reported in the statement of activities, the cost of all governmental activities this year was \$23,664,958. Certain activities were partially funded from those who benefited from the

# Bangor Township Schools

## Management's Discussion and Analysis

programs \$942,063 or by other governments and organizations that subsidized certain programs with grants and contributions \$3,836,242. The remaining "public benefit" portion of governmental activities was funded with \$4,363,150 in taxes, \$14,238,297 in State foundation allowance and other unrestricted State revenues, and with other revenues, such as interest and general entitlements. Bangor Township Schools District experienced an increase in net assets of \$166,883. The assets increased primarily as a result of ongoing operations in the School District. In addition, long-term debt decreased by \$605,223 in 2007.

**Table 2 Governmental Activities**

<b>Revenue</b>		
	<b><u>June 30, 2007</u></b>	<b><u>June 30, 2006</u></b>
Program revenue		
Charges for services	\$ 942,063	\$ 899,386
Operating grants	3,836,242	3,541,473
General revenue:		
Property taxes-general	4,363,150	4,284,908
Investment earnings unrestricted	94,862	89,198
State aid unrestricted	14,238,297	13,140,241
Other	357,227	103,900
Total revenue	<u>23,831,841</u>	<u>22,059,106</u>
<b>Functions/Program Expenses</b>		
Instruction	11,957,215	11,276,244
Support services	7,674,146	6,932,442
Food services	928,203	882,911
Athletics	449,848	458,179
Community services	1,358,458	1,086,096
Interest on long-term debt	504,151	842,988
Depreciation (unallocated)	792,937	356,287
Total expenses	<u>23,664,958</u>	<u>21,835,147</u>
<b>Increase (decrease) in net assets</b>	<u>\$ 166,883</u>	<u>\$ 223,959</u>

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

# Bangor Township Schools

## Management's Discussion and Analysis

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### The School District's Funds

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

As the School District completed the 2007 school year, the governmental funds reported a combined fund balance of \$2,550,886, an increase of \$232,269 from the prior year. The changes by major and non-major funds are as follows:

	General Fund	2003 Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Fund balance beginning of year	\$ 1,454,585	\$ 349,089	\$ 514,943	\$ 2,318,617
Increase/(Decrease)	37,361	(229,714)	424,622	\$ 232,269
Fund balance end of year	<u>\$ 1,491,946</u>	<u>\$ 119,375</u>	<u>\$ 939,565</u>	<u>\$ 2,550,886</u>

In the General Fund, our principal operating fund, the fund balance increased by \$37,361 from last year. Revenues increased by \$1,458,602 from the prior year and expenditures increased by approximately \$1,586,716 for a total of \$20,932,030. By comparison, the General Fund balance increased by \$133,403 for the year ended June 30, 2006. Revenues increased primarily as a result of increase in the funds received from the State of Michigan and due to higher enrollments. Expenditure increases are a normal part of operations as a result of salary and benefit increases, increased costs for utilities, and other operating expenses. Due to the several staff reductions and other cost savings measures total expenditures stayed relatively the same. The fund balance of the General Fund is available to fund costs related to allowable school operating purposes.

The 2003 Capital Project Fund balance was \$119,375 as Bangor Township Schools was in the process of renovation projects. The bond issue expenditures are estimated to be completed by October 31, 2007. The Debt Service Funds showed a fund balance increase of approximately \$86,265. Millage rates were established at 2.1700 mills in order to pay the additional debt incurred in the 2003 fiscal year. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue related to debt service. The other non-major funds increased by \$338,357.

# Bangor Township Schools

## Management's Discussion and Analysis

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### General Fund Budgetary Highlights

Over the course of the year, Bangor Township Schools revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted in April 2006. A statement showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in these financial statements. There were revisions made to the 2006-2007 General Fund original budget. Budgeted revenues increased by \$406,633 primarily from State Aid payments, from the special education payments from Bay-Arenac ISD and for increases in other federal grant programs. Budgeted expenditures had an increase of \$459,302 to account for the changes in the general operating plan of the School District. There were no significant variances between the final budget amounts and actual.

### Capital Asset and Debt Administration

#### Capital Assets

At June 30, 2007, the School District had \$17,592,182 invested in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of approximately \$636,328 or 3.4%, from last year.

	<u>2007</u>	<u>2006</u>
Land	\$ 181,770	\$ 181,770
Buildings and improvements (net of accumulated depreciation)	17,170,544	17,933,700
Furniture, equipment and vehicles (net of accumulated depreciation)	<u>239,868</u>	<u>113,040</u>
Total capital assets	<u>\$17,592,182</u>	<u>\$18,228,510</u>

The 2003 Capital Projects Fund will be completed during the fall of 2007. We present more detailed information about our capital assets in the notes to financial statements.

#### Debt

At the end of this year, Bangor Township Schools District had \$ 13,509,002 in bonds outstanding versus \$ 13,942,922 in the previous year - a change of 3.11%. Those bonds consisted of the following:

	<u>2007</u>	<u>2006</u>
General Obligation Bonds	\$ 13,509,002	\$ 13,942,922

The School District's general obligation bond rating continues to be AAA. Other obligations include accrued retirement incentive, vacation pay, and sick leave. We present more detailed information about our long-term liabilities in the notes to financial statements.

# **Bangor Township Schools**

## **Management's Discussion and Analysis**

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

Our elected officials and administration consider many factors when setting the School District's 2008 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2008 fiscal year is 25% of the February 2007 and 75% of the September 2007 student counts. The 2007-08 budgets were adopted in June 2007, based on an estimate of 2,500 students that will be enrolled in September 2007. Approximately 88% of total General Fund revenue is from the foundation allowance. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations. Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds revenue estimating conferences to estimate revenues. If actual State revenues are less than their estimates, reduction to the per-pupil funding allowance may be necessary. The School District undesignated General Fund balance of \$1,480,602 is sufficient to meet any unanticipated shortfalls the State may experience in the School Aid Fund.

### **Requests for Information**

This financial report is designed to give our citizens, taxpayers, parents, students, investors and creditors a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning this report or requests for additional information should be addressed to Business Office, Bangor Township Schools, 3520 Old Kawkawlin Road, Bay City, Michigan 48706; telephone number 989-684-8121.

**BANGOR TOWNSHIP SCHOOLS**  
**BASIC FINANCIAL STATEMENTS**

# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Bangor Township Schools**  
**Statement of Net Assets**  
**June 30, 2007**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,435,520
Investments	47,968
Receivables	3,365,055
Prepaid items and other assets	10,104
Capital assets not being depreciated	181,770
Capital assets being depreciated, net	<u>17,410,412</u>
<b>Total assets</b>	<u>22,450,829</u>
 <b>Liabilities</b>	
Accounts payable and accrued liabilities	2,102,239
Unearned revenue	148,461
Long-term debt:	
Due within one year	836,735
Due in more than one year	<u>14,863,247</u>
<b>Total liabilities</b>	<u>17,950,682</u>
 <b>Net assets</b>	
Invested in capital assets, net of related debt	4,083,180
Restricted for:	
Debt service	326,585
Capital projects	437,216
Unrestricted (deficit)	<u>(346,834)</u>
<b>Total net assets</b>	<u><u>\$ 4,500,147</u></u>

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

**Bangor Township Schools**  
**Statement of Activities**  
**For the Year Ended June 30, 2007**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction	\$ 11,957,215	\$ 33,711	\$ 348,634	\$ -
Supporting services	7,674,146	160,713	1,729,129	-
Food service	928,203	489,768	505,402	-
Athletics	449,848	64,125	-	-
Community service	1,358,458	193,746	1,253,077	-
Interest on long-term debt	504,151	-	-	-
Unallocated depreciation	792,937	-	-	-
<b>Total</b>	<b>\$ 23,664,958</b>	<b>\$ 942,063</b>	<b>\$ 3,836,242</b>	<b>\$ -</b>
General revenues:				
Property taxes				4,363,150
Unrestricted state aid				14,238,297
Grants and contributions not restricted to specific programs				357,227
Unrestricted investment earnings				94,862
Total general revenues				19,053,536
Change in net assets				166,883
Net assets, beginning of year				4,333,264
<b>Net assets, end of year</b>				<b>\$ 4,500,147</b>

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

## **FUND FINANCIAL STATEMENTS**

**Bangor Township Schools**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2007**

	<u>General Fund</u>	<u>2003 Bond Issue Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
<b><u>ASSETS</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 543,051	\$ 119,375	\$ 773,094	\$ 1,435,520
Investments	47,968	-	-	47,968
Accounts receivable	53,716	-	927	54,643
Due from other governments	3,161,705	-	148,707	3,310,412
Due from other funds	-	-	273,988	273,988
Inventories	2,893	-	7,211	10,104
	<u>2,893</u>	<u>-</u>	<u>7,211</u>	<u>10,104</u>
	<u>\$ 3,809,333</u>	<u>\$ 119,375</u>	<u>\$ 1,203,927</u>	<u>\$ 5,132,635</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 209,211	\$ -	\$ 1,417	\$ 210,628
Accrued payroll	1,528,546	-	2,897	1,531,443
Accrued liabilities	241,201	-	-	241,201
Due to other funds	155,442	-	118,546	273,988
Deferred revenue	182,987	-	141,502	324,489
	<u>182,987</u>	<u>-</u>	<u>141,502</u>	<u>324,489</u>
Total liabilities	<u>2,317,387</u>	<u>-</u>	<u>264,362</u>	<u>2,581,749</u>
<b>Fund balances</b>				
Reserved:				
Reserved for inventories	2,893	-	7,211	10,104
Reserved for capital projects	8,451	119,375	-	127,826
Unreserved:				
Undesignated	1,480,602	-	-	1,480,602
Undesignated, reported in nonmajor:				
Special revenue funds	-	-	429,430	429,430
Debt service funds	-	-	185,083	185,083
Capital projects funds	-	-	317,841	317,841
	<u>-</u>	<u>-</u>	<u>317,841</u>	<u>317,841</u>
Total fund balances	<u>1,491,946</u>	<u>119,375</u>	<u>939,565</u>	<u>2,550,886</u>
	<u>\$ 3,809,333</u>	<u>\$ 119,375</u>	<u>\$ 1,203,927</u>	<u>\$ 5,132,635</u>

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

**Bangor Township Schools**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**June 30, 2007**

Fund balances - total governmental funds	\$	2,550,886
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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.

Add: capital assets		24,992,178
Deduct: accumulated depreciation		(7,399,996)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred long-term Durant Settlement receivable		176,028
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: bonds payable		(13,367,499)
Deduct: accrued interest on bonds payable		(118,967)
Deduct: Durant bonds payable		(141,503)
Deduct: accrued retirement benefits		(1,023,305)
Deduct: compensated absences		(1,167,675)

Net assets of governmental activities	\$	<u>4,500,147</u>
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The accompanying notes are an integral part of these financial statements.

**Bangor Township Schools**  
**Statement of Revenue, Expenditures**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2007**

	<u>General Fund</u>	<u>2003 Bond Issue Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
<b>Revenue</b>				
Local sources	\$ 3,672,868	\$ 2,091	\$ 2,033,199	\$ 5,708,158
State sources	15,426,200	-	59,913	15,486,113
Federal sources	1,675,101	-	484,846	2,159,947
Interdistrict sources	452,424	-	-	452,424
Reimbursements	53,474	-	-	53,474
Proceeds from sale of capital assets	6,250	-	-	6,250
<b>Total revenue</b>	<u>21,286,317</u>	<u>2,091</u>	<u>2,577,958</u>	<u>23,866,366</u>
<b>Expenditures</b>				
Instruction	12,038,608	-	-	12,038,608
Supporting services	7,696,208	-	-	7,696,208
Community services	1,197,214	-	164,590	1,361,804
Public improvement	-	-	13,750	13,750
Food service activities	-	-	917,669	917,669
Athletic activities	-	-	449,848	449,848
Debt service:				
Principal repayment	-	-	420,000	420,000
Interest and fiscal charges	-	-	504,405	504,405
Capital outlay	-	231,805	-	231,805
<b>Total expenditures</b>	<u>20,932,030</u>	<u>231,805</u>	<u>2,470,262</u>	<u>23,634,097</u>
Revenue over (under) expenditures	<u>354,287</u>	<u>(229,714)</u>	<u>107,696</u>	<u>232,269</u>
<b>Other financing sources (uses)</b>				
Transfers in from other funds	50,000	-	366,926	416,926
Transfers out to other funds	(366,926)	-	(50,000)	(416,926)
<b>Total other financing sources (uses)</b>	<u>(316,926)</u>	<u>-</u>	<u>316,926</u>	<u>-</u>
Net change in fund balances	37,361	(229,714)	424,622	232,269
Fund balance, beginning of year	<u>1,454,585</u>	<u>349,089</u>	<u>514,943</u>	<u>2,318,617</u>
<b>Fund balance, end of year</b>	<u>\$ 1,491,946</u>	<u>\$ 119,375</u>	<u>\$ 939,565</u>	<u>\$ 2,550,886</u>

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

**Bangor Township Schools**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2007**

Net change in fund balances - total governmental funds \$ 232,269

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 and reported as depreciation expense.

Add: capital outlay	281,220
Deduct: depreciation expense	(833,386)
Deduct: loss on disposal of capital assets	(84,162)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Add: long-term Durant Settlement receivable	(34,524)
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities	420,000
Add: amortization of bond premium and discount	18,460
Deduct: discount on bond issuance	(4,540)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add: decrease in accrued interest payable on bonds	233
Add: decrease in the accrual for compensated absences	14,712
Add: decrease in the accrual for retirement incentive payable	156,601
	156,601

Change in net assets of governmental activities	\$ 166,883
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The accompanying notes are an integral part of these financial statements.

**Bangor Township Schools**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Revenue</b>				
Local sources:				
Property taxes	\$ 3,222,874	\$ 3,313,830	\$ 3,308,956	\$ (4,874)
Property taxes-interest and penalties	5,000	5,000	48,216	43,216
Interest	50,000	73,000	71,335	(1,665)
Transfers from other districts:				
Rental of facilities	35,000	30,000	44,623	14,623
Transportation fees	60,000	76,000	116,090	40,090
Medicaid reimbursement	35,000	43,336	43,336	-
Other	16,481	30,481	40,312	9,831
Total revenue from local sources	<u>3,424,355</u>	<u>3,571,647</u>	<u>3,672,868</u>	<u>101,221</u>
State sources:				
State Aid Foundation	13,992,298	13,894,429	13,978,180	83,751
State School Readiness	198,000	268,630	237,570	(31,060)
Durant	34,525	34,525	34,525	-
At Risk	392,780	496,104	402,589	(93,515)
Special Education	699,026	773,335	773,336	1
Total revenue from state sources	<u>15,316,629</u>	<u>15,467,023</u>	<u>15,426,200</u>	<u>(40,823)</u>
Federal sources - restricted:				
Title I	272,408	239,745	207,698	(32,047)
Title IIA	128,451	145,724	138,475	(7,249)
Title IID	8,500	8,500	2,461	(6,039)
Workfirst	1,031,059	1,008,882	1,253,077	244,195
Idea flowthrough	63,865	63,865	55,260	(8,605)
Special Education	22,909	22,909	18,130	(4,779)
Total revenue from federal sources	<u>1,527,192</u>	<u>1,489,625</u>	<u>1,675,101</u>	<u>185,476</u>

**Bangor Township Schools**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2007**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenue: (continued)</b>				
Revenue from interdistrict sources				
Special education	\$ 160,000	\$ 313,040	\$ 452,424	\$ 139,384
Reimbursements:				
Proceeds from sale of capital asset	-	-	6,250	6,250
Insurance claims	60,000	53,474	53,474	-
Total revenue	20,488,176	20,894,809	21,286,317	385,258

**Bangor Township Schools**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Expenditures</b>				
Instruction:				
Basic programs:				
Elementary school:				
Salaries	\$ 2,721,000	\$ 2,721,000	\$ 2,690,223	\$ (30,777)
Employee benefits	1,293,700	1,265,700	1,231,830	(33,870)
Purchased services	87,000	87,000	127,213	40,213
Supplies and materials	78,160	79,160	71,106	(8,054)
Total elementary school	<u>4,179,860</u>	<u>4,152,860</u>	<u>4,120,372</u>	<u>(32,488)</u>
Middle school:				
Salaries	1,335,000	1,310,000	1,311,669	1,669
Employee benefits	670,800	647,800	626,643	(21,157)
Purchased services	52,500	52,500	53,478	978
Supplies and materials	37,500	77,500	53,719	(23,781)
Other	1,000	1,000	80	(920)
Total middle school	<u>2,096,800</u>	<u>2,088,800</u>	<u>2,045,589</u>	<u>(43,211)</u>
High school:				
Salaries	1,825,500	1,860,500	1,890,681	30,181
Employee benefits	895,000	884,104	879,805	(4,299)
Purchased services	82,000	112,000	121,410	9,410
Supplies and materials	148,700	155,700	136,817	(18,883)
Total high school	<u>2,951,200</u>	<u>3,012,304</u>	<u>3,028,713</u>	<u>16,409</u>
Preschool				
Salaries	92,550	109,000	109,923	923
Employee benefits	47,391	47,391	47,264	(127)
Purchased services	3,200	2,500	3,697	1,197
Supplies and materials	17,150	16,952	17,936	984
Other	1,296	3,515	20,028	16,513
Total preschool	<u>161,587</u>	<u>179,358</u>	<u>198,848</u>	<u>19,490</u>
Total basic programs	<u>9,389,447</u>	<u>9,433,322</u>	<u>9,393,522</u>	<u>(39,800)</u>
Added needs:				
Special Education				
Salaries	1,155,601	1,163,048	1,133,008	(30,040)
Employee benefits	780,696	780,696	753,438	(27,258)
Purchased services	15,500	15,500	22,770	7,270
Supplies and materials	16,786	16,786	12,534	(4,252)
Other	10,000	15,000	10,834	(4,166)
Total special education	<u>1,978,583</u>	<u>1,991,030</u>	<u>1,932,584</u>	<u>(58,446)</u>

continued...

**Bangor Township Schools**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Expenditures (continued)</b>				
Instruction (continued):				
Added needs: (continued)				
Compensatory education				
Salaries	\$ 489,471	\$ 553,821	\$ 492,305	\$ (61,516)
Employee benefits	217,662	222,893	205,650	(17,243)
Purchased services	3,000	2,000	1,930	(70)
Supplies and materials	11,000	42,606	12,617	(29,989)
Total compensatory education	<u>721,133</u>	<u>821,320</u>	<u>712,502</u>	<u>(108,818)</u>
Total added needs	<u>2,699,716</u>	<u>2,812,350</u>	<u>2,645,086</u>	<u>(167,264)</u>
Total instruction	<u>12,089,163</u>	<u>12,245,672</u>	<u>12,038,608</u>	<u>(207,064)</u>
Supporting services:				
Pupil services:				
Guidance				
Salaries	271,200	271,200	283,509	12,309
Employee benefits	134,795	134,795	132,144	(2,651)
Purchased services	2,200	2,200	144	(2,056)
Supplies and materials	19,100	19,100	5,718	(13,382)
Total guidance	<u>427,295</u>	<u>427,295</u>	<u>421,515</u>	<u>(5,780)</u>

continued...

**Bangor Township Schools**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Expenditures (continued)</b>				
Supporting services: (continued)				
Instructional staff:				
Improvement of instruction				
Salaries	\$ 12,000	\$ 68,020	\$ 62,267	\$ (5,753)
Employee benefits	-	20,310	21,248	938
Purchased services	16,455	63,701	44,539	(19,162)
Total improvement of instruction	<u>28,455</u>	<u>152,031</u>	<u>128,054</u>	<u>(23,977)</u>
Library				
Salaries	192,500	193,005	201,161	8,156
Employee benefits	132,960	132,960	132,334	(626)
Purchased services	9,275	9,275	8,178	(1,097)
Supplies and materials	23,750	23,750	20,724	(3,026)
Other	1,000	1,000	495	(505)
Total library	<u>359,485</u>	<u>359,990</u>	<u>362,892</u>	<u>2,902</u>
Computer assisted instruction:				
Salaries	-	-	2,765	2,765
Employee benefits	-	-	3,833	3,833
Purchased services	281,000	281,000	301,854	20,854
Supplies and materials	51,800	51,800	55,054	3,254
Other	2,320	2,320	474	(1,846)
Total computer assisted instruction	<u>335,120</u>	<u>335,120</u>	<u>363,980</u>	<u>28,860</u>

continued...

**Bangor Township Schools**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2007**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Expenditures (continued)</b>				
Supporting services: (continued)				
Instructional staff: (continued)				
Supervision and direction of instructional staff				
Salaries	\$ 129,754	\$ 82,150	\$ 83,172	\$ 1,022
Employee benefits	66,340	46,955	40,834	(6,121)
Supplies and materials	950	700	2,821	2,121
Total supervision and direction of instructional staff	197,044	129,805	126,827	(2,978)
Total instructional staff	920,104	976,946	981,753	4,807
General Administration:				
Board of education				
Salaries	14,500	14,500	9,480	(5,020)
Employee benefits	270	270	270	-
Purchased services	52,750	75,750	72,958	(2,792)
Supplies and materials	1,500	600	166	(434)
Other	21,000	25,500	22,924	(2,576)
Total board of education	90,020	116,620	105,798	(10,822)
Executive administration				
Salaries	155,000	157,000	180,737	23,737
Employee benefits	70,600	62,022	63,737	1,715
Purchased services	4,500	8,000	8,869	869
Supplies and materials	5,400	5,400	4,861	(539)
Other	3,898	3,898	1,640	(2,258)
Total executive administration	239,398	236,320	259,844	23,524
Total general administration	329,418	352,940	365,642	12,702
School administration:				
Office of the principal				
Salaries	754,730	767,230	772,151	4,921
Employee benefits	402,893	407,893	398,823	(9,070)
Purchased services	30,725	29,975	15,529	(14,446)
Supplies and materials	9,750	10,500	7,438	(3,062)
Other	6,520	6,520	5,249	(1,271)
Total office of the principal	1,204,618	1,222,118	1,199,190	(22,928)

continued...

**Bangor Township Schools**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Expenditures (continued)</b>				
Supporting services: (continued)				
Business Services:				
Fiscal Services				
Salaries	\$ 97,700	\$ 97,700	\$ 96,449	\$ (1,251)
Employee benefits	55,800	55,800	54,754	(1,046)
Purchased services	2,150	2,150	1,330	(820)
Supplies and materials	3,500	3,500	1,791	(1,709)
Total fiscal services	<u>159,150</u>	<u>159,150</u>	<u>154,324</u>	<u>(4,826)</u>
Internal services				
Salaries	19,500	19,500	15,848	(3,652)
Employee benefits	5,050	5,050	3,184	(1,866)
Purchased services	40,000	40,000	34,422	(5,578)
Supplies and materials	7,000	7,000	5,732	(1,268)
Total internal services	<u>71,550</u>	<u>71,550</u>	<u>59,186</u>	<u>(12,364)</u>
Other business services				
Purchased services	81,958	76,987	76,987	-
Other	10,000	10,000	18,413	8,413
Interest	5,000	-	318	318
Bad debt	10,000	10,000	1,725	(8,275)
Total other business services	<u>106,958</u>	<u>96,987</u>	<u>97,443</u>	<u>456</u>
Total business services	<u>337,658</u>	<u>327,687</u>	<u>310,953</u>	<u>(16,734)</u>
Operation and maintenance of plant				
Salaries	764,260	764,260	783,746	19,486
Employee benefits	549,697	525,618	519,874	(5,744)
Purchased services	647,064	764,614	813,659	49,045
Supplies and materials	120,300	102,300	94,218	(8,082)
Other	43,000	69,000	95,437	26,437
Total operation and maintenance of plant	<u>2,124,321</u>	<u>2,225,792</u>	<u>2,306,934</u>	<u>81,142</u>
Pupil transportation				
Salaries	518,800	576,790	589,569	12,779
Employee benefits	253,850	251,412	276,984	25,572
Purchased services	69,750	55,093	47,324	(7,769)
Supplies and materials	179,500	212,641	212,011	(630)
Other	6,000	6,000	7,012	1,012
Total pupil transportation	<u>1,027,900</u>	<u>1,101,936</u>	<u>1,132,900</u>	<u>30,964</u>

continued...

**Bangor Township Schools**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Expenditures (continued)</b>				
Supporting services: (continued)				
Central services:				
Staff/personnel services				
Salaries	\$ 38,200	\$ 38,200	\$ 38,152	\$ (48)
Employee benefits	25,600	25,600	25,040	(560)
Purchased services	8,400	8,400	985	(7,415)
Supplies and materials	500	500	-	(500)
Total staff/personnel services	<u>72,700</u>	<u>72,700</u>	<u>64,177</u>	<u>(8,523)</u>
Data processing services				
Purchased services	26,600	26,600	23,321	(3,279)
Supplies and materials	500	500	51	(449)
Total data processing services	<u>27,100</u>	<u>27,100</u>	<u>23,372</u>	<u>(3,728)</u>
Pupil accounting				
Salaries	26,900	26,900	26,506	(394)
Employee benefits	8,470	8,470	11,186	2,716
Supplies and materials	100	100	97	(3)
Total pupil accounting services	<u>35,470</u>	<u>35,470</u>	<u>37,789</u>	<u>2,319</u>
Other central services				
Salaries	301,000	301,000	546,774	245,774
Employee benefits	58,100	88,100	100,228	12,128
Total other central services	<u>359,100</u>	<u>389,100</u>	<u>647,002</u>	<u>257,902</u>
Total central services	<u>494,370</u>	<u>524,370</u>	<u>772,340</u>	<u>247,970</u>
Other support services:				
Student activities				
Salaries	143,170	143,170	139,726	(3,444)
Employee benefits	36,270	36,270	35,030	(1,240)
Total student activities	<u>179,440</u>	<u>179,440</u>	<u>174,756</u>	<u>(4,684)</u>
Total supporting services	<u>7,045,124</u>	<u>7,338,524</u>	<u>7,665,983</u>	<u>327,459</u>
Community services:				
Community activities:				
Purchased services	-	2,450	931	(1,519)

continued...

**Bangor Township Schools**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Expenditures (continued)</b>				
Community services: (continued)				
Non-public school pupils:				
Purchased services	\$ 100	\$ 100	\$ 100	\$ -
Supplies and materials	400	9,232	2,315	(6,917)
Total non-public school pupils	<u>500</u>	<u>9,332</u>	<u>2,415</u>	<u>(6,917)</u>
Other community services				
Salaries	626,143	626,143	637,294	11,151
Employee benefits	273,482	273,483	241,951	(31,532)
Purchased services	46,000	46,000	168,163	122,163
Supplies and materials	41,080	41,080	146,460	105,380
Total other community services	<u>986,705</u>	<u>986,706</u>	<u>1,193,868</u>	<u>207,162</u>
Total community services	<u>987,205</u>	<u>998,488</u>	<u>1,197,214</u>	<u>198,726</u>
Payments to other public schools	<u>29,509</u>	<u>27,619</u>	<u>-</u>	<u>(27,619)</u>
Capital outlay:				
Instruction:				
Supporting services:				
Instructional staff				
Computer assistance	<u>33,880</u>	<u>33,880</u>	<u>30,225</u>	<u>(3,655)</u>
Total capital outlay	<u>33,880</u>	<u>33,880</u>	<u>30,225</u>	<u>(3,655)</u>
Total expenditures	<u>20,184,881</u>	<u>20,644,183</u>	<u>20,932,030</u>	<u>287,847</u>
Revenue over (under) expenditures	<u>303,295</u>	<u>250,626</u>	<u>354,287</u>	<u>103,661</u>

**Bangor Township Schools**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Other financing sources (uses)</b>				
Transfers in	50,000	50,000	50,000	-
Transfers out to athletics fund	(366,926)	(366,926)	(366,926)	-
Total other financing sources (uses)	<u>(316,926)</u>	<u>(316,926)</u>	<u>(316,926)</u>	<u>-</u>
Net change in fund balances	(13,631)	(66,300)	37,361	103,661
Fund balance, beginning of year	<u>1,454,585</u>	<u>1,454,585</u>	<u>1,454,585</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 1,440,954</u></u>	<u><u>\$ 1,388,285</u></u>	<u><u>\$ 1,491,946</u></u>	<u><u>\$ 103,661</u></u>

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

**Bangor Township Schools**  
**Statement of Fiduciary Net Assets**  
**June 30, 2007**

	<b>Private Purpose Trust Funds</b>	<b>Agency Fund</b>
	<u>          </u>	<u>          </u>
<b>Assets</b>		
Cash and cash equivalents	\$ 785	\$ 273,033
	<u>          </u>	<u>          </u>
<b>Liabilities</b>		
Due to student groups	-	\$ 273,033
	<u>          </u>	<u>          </u>
<b>Net assets held in trust</b>	<u>\$ 785</u>	

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

**Bangor Township Schools**  
**Private Purpose Trust Funds**  
**Statement of Changes in Net Assets**  
**For the Year Ended June 30, 2007**

	<b>Total</b>
<b>Additions</b>	
Local sources	\$ -
<b>Deductions</b>	
Awards and grants	-
Change in net assets	-
Net assets, beginning of year	785
<b>Net assets, end of year</b>	<b>\$ 785</b>

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

## **NOTES TO THE FINANCIAL STATEMENTS**

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting entity

Bangor Township Schools (the “District”) has followed the guidelines of the Governmental Accounting Standards Board and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include entities for which the District is considered to be financially accountable.

#### B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year ended 2007.

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

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

#### C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements, except for agency funds, which do not have a measurement focus.

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *2003 bond issue capital projects fund* accounts for the renovation of certain District facilities and acquisition of capital assets. These projects are funded by a general obligation unlimited tax bond issue.

Additionally, the District reports the following fund types:

The *special revenue funds* are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes, where there is a need to determine the results of operations, specifically food services, athletics, and community service activities.

The *debt service funds* are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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The *private purpose trust funds* are used to account for the activity of a scholarship and memorial fund.

The *agency fund* accounts for assets held for other groups and organizations and is custodial in nature.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

### **D. Assets, liabilities and equity**

#### **1. Deposits**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

#### **2. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

#### **3. Inventories**

All inventories are valued at cost using the first-in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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### 4. *Compensated absences and other termination benefits*

It is the District's policy to permit employees to accumulate various earned but unused vacation and sick pay benefits. These are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Benefits are accrued based on various contract stipulations and lengths of service for the various bargaining units. In addition, employees with 10 or more years of service that are members of the District's teacher's and administration bargaining units are entitled to severance payouts of \$15,000 upon separation from the District. Also, teachers that were hired prior to June 1, 1994, are entitled to a \$6,000 longevity payment in their last year of employment.

### 5. *Capital assets*

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Vehicles	5-10
Equipment and other	5-10

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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### 6. *Long-term obligations*

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net assets. Where applicable, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

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

### 7. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### A. **Budgetary information**

The General and Special Revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted annually on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the General and Special Revenue Funds are adopted on a functional basis.

All annual appropriations lapse at fiscal year end.

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

### B. Excess of expenditures over appropriations for budgetary funds

Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures that are in excess of the amount appropriated. During the year ended June 30, 2007, the District incurred expenditures in the General Fund, which were in excess of the amounts appropriated in various activities as follows:

	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>GENERAL FUND</b>			
High school	\$3,012,304	\$3,028,713	\$ 16,409
Preschool	179,358	198,848	19,490
Library	359,990	362,892	2,902
Computer assisted instruction	335,120	363,980	28,860
Executive administration	236,320	259,844	23,524
Other business services	96,987	97,443	456
Operation and maintenance of plant	2,225,792	2,306,934	81,142
Pupil transportation	1,101,936	1,132,900	30,964
Pupil accounting	35,470	37,789	2,319
Other central services	389,100	647,002	257,902
Other community services	986,706	1,193,868	207,162

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and investments

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets follows:

<b>Statement of Net Assets</b>	
Cash and cash equivalents	\$ 1,435,520
Investments	47,968
 <b>Statement of Fiduciary Net Assets</b>	
Cash and cash equivalents	<u>273,818</u>
 Total	 <u><u>\$ 1,757,306</u></u>

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

**Notes to Financial Statements:**

Deposits	\$ 1,709,338
Investments	<u>47,968</u>
 Total	 <u>\$ 1,757,306</u>

The District chooses to disclose its investments by specifically identifying each. As of June 30, 2006, the District had the following investments.

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Michigan Liquid Asset Fund	n/a	<u>\$ 47,968</u>	S & P AAAM

***Investment and deposit risk***

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments below. The District’s investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District’s investments held at year end do not have maturity dates.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments below. The District’s investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

*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. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end \$2,192,062 of the District’s bank balance of \$2,307,463 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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credit risk. On the investments listed above, there is no custodial credit risk, as these investments are uncategorized as to credit risk.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments below. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above and are external investment pools.

Michigan law authorizes the District to deposit and invest in:

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

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

**B. Receivables**

The District's receivables at year end consist of the following:

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total</u>	<u>Amount Not Expected to be Collected Within One Year</u>
<b>Receivables:</b>				
Intergovernmental	\$3,180,897	\$ 8,131	\$3,189,028	\$ -
Durant settlement	<u>34,524</u>	<u>141,503</u>	<u>176,027</u>	<u>141,503</u>
<b>Total receivables</b>	<b><u>\$3,215,421</u></b>	<b><u>\$149,634</u></b>	<b><u>\$3,365,055</u></b>	<b><u>\$ 141,503</u></b>

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

### C. Capital assets

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 181,770	\$ -	\$ -	\$ 181,770
Capital assets being depreciated:				
Buildings and improvements	23,445,107	260,979	(260,803)	23,445,283
Vehicles	1,132,796	-	-	1,132,796
Equipment and other	212,088	20,241	-	232,329
Total capital assets being depreciated	24,789,991	281,220	(260,803)	24,810,408
Less accumulated depreciation				
Buildings and improvements	(5,674,118)	(777,262)	176,641	(6,274,739)
Vehicles	(970,085)	(29,915)	-	(1,000,000)
Equipment and other	(99,048)	(26,209)	-	(125,257)
Total accumulated depreciation	(6,743,251)	(833,386)	176,641	(7,399,996)
Total capital assets being depreciated, net	18,046,740	(552,166)	(84,162)	17,410,412
<b>Governmental activities capital assets, net</b>	<b>\$ 18,228,510</b>	<b>\$ (552,166)</b>	<b>\$ (84,162)</b>	<b>\$ 17,592,182</b>

Depreciation expense was charged to functions / programs of the primary government as follows:

Supporting services - Transportation	\$ 29,915
Food service	10,534
Depreciation - unallocated	792,937
<b>Total depreciation expense – governmental activities</b>	<b>\$ 833,386</b>

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

### D. Payables

Accounts payable and accrued liabilities as of June 30, 2007, for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>Fund Financial Statements:</b>			
Accounts payable	\$ 209,211	\$ 1,417	\$ 210,628
Salaries payable	1,528,546	2,897	1,531,443
Accrued expenses	<u>241,201</u>	<u>-</u>	<u>241,201</u>
	<b><u>\$1,978,958</u></b>	<b><u>\$ 4,314</u></b>	1,983,272

**District-wide Financial Statements:**

Accrued interest on long-term debt	118,967
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<b>Total accounts payable and accrued liabilities</b>	<b><u>\$ 2,102,239</u></b>
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### E. Interfund receivables, payables and transfers

At June 30, 2007, interfund receivables and payables in the fund financial statements consisted of the following:

	<u>Due from</u>		
<u>Due to</u>	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Nonmajor Funds	<u>\$ 155,442</u>	<u>\$ 118,546</u>	<u>\$ 273,988</u>

The District often reports interfund balances between many of its funds. These interfund balances resulted primarily 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.

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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For the year then ended, interfund transfers consisted of the following:

**Transfer from General Fund to:**

Non-major funds:	
Athletic	\$ 366,926

**Transfer from Nonmajor Funds  
(Food Service) to:**

General Fund	<u>50,000</u>
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<b>Total Transfers</b>	<b><u>\$ 416,926</u></b>
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Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for 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.

For the year ended June 30, 2007, the District transferred General Fund funds to subsidize the athletics program and transferred Food Service Special Revenue Fund funds to pay for indirect costs incurred in the General Fund.

### **F. Operating Leases**

The District leases computers from Hewlett-Packard Financial Services Company and a copier from Wirt Financial Services under noncancelable operating leases. Total costs for such leases were \$100,570 for the year ended June 30, 2007. The future minimum lease payments for these leases are as follows:

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

**Year Ended  
June 30,**

2008	\$ 22,644
2009	22,644
2010	<u>5,661</u>

**Totals** **\$ 50,949**

**G. Long-term debt**

The following is a summary of bond and loan transactions of the District for the year ended June 30, 2007:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 13,756,503	\$ -	\$ (420,000)	\$ 13,336,503	\$ 445,000
Unamortized premium	288,072	-	(20,576)	267,496	20,576
Unamortized issue costs	(63,567)	-	4,540	(59,027)	(4,540)
Unamortized discount	(38,086)	-	2,116	(35,970)	(2,116)
Accrued retirement incentive	1,179,906	220,000	(376,601)	1,023,305	377,815
Compensated absences	<u>1,182,387</u>	<u>-</u>	<u>(14,712)</u>	<u>1,167,675</u>	<u>-</u>
	<b><u>\$ 16,305,215</u></b>	<b><u>\$ 220,000</u></b>	<b><u>\$ (825,233)</u></b>	<b><u>\$ 15,699,982</u></b>	<b><u>\$ 836,735</u></b>

Bonds payable at June 30, 2007, are comprised of the following individual issues:

2006 refunding bonds due in annual installments  
Ranging from \$15,000 to \$1,155,000 through May 1, 2024;  
interest ranging from 3.5% to 4.0%, net of discount \$ 4,600,000

2003 Building and site bonds due in annual installments  
ranging from \$345,000 to \$1,160,000 through May 1, 2024;  
interest ranging from 2.00% to 5.00%, net of premium  
and bond issue costs. 8,595,000

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

1998 Durant bonds are due in annual installments ranging from \$3,139 to \$7,296 through May 15, 2016; interest rate of 4.76%; annual payments are funded through State revenue sources.

\$ 141,503

\$ 13,336,503

The Durant School Improvement Bonds are serviced from funds made available to Michigan School Districts by an annual appropriation by the Michigan State Legislature. If the Legislature does not appropriate the funding required, the District is not liable to pay the debt service.

Compensated absences and the accrued retirement incentive are generally liquidated by the general fund.

Annual debt service requirements to maturity for general obligation bonds are as follows:

<b>Year Ended</b>			
<b><u>June 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2008	\$ 445,000	\$ 497,811	\$ 942,811
2009	494,214	492,642	986,856
2010	530,128	479,702	1,009,830
2011	561,087	459,638	1,020,725
2012	597,089	442,344	1,039,433
2013-2017	3,593,985	1,878,363	5,472,348
2018-2022	4,850,000	1,056,278	5,906,278
2023-2024	<u>2,265,000</u>	<u>136,800</u>	<u>2,401,800</u>
<b>Totals</b>	<b><u>\$ 13,336,503</u></b>	<b><u>\$ 5,443,578</u></b>	<b><u>\$ 18,780,081</u></b>

### Advance refunding

On January 31, 2006, the District issued general obligation bonds of \$4,615,000. Proceeds from this bond issue were used to advance refund a portion of the 2003 building and site bonds. The refunded bonds mature as scheduled on May 1, 2007 through 2024. The balance of the defeased debt outstanding at June 30, 2007, was \$4,320,000. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide statement of net assets.

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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### Accrued retirement incentive

A teacher that retires and will not reach age 62 within 3 months of his/her effective retirement date is entitled to a supplementary retirement benefit until he/she reaches age 62. The amount of the supplementary benefit is determined by multiplying the teacher's final year salary by 1.03%. A liability for this retirement incentive has been recognized in the government-wide financial statements at present value, using a discount factor of 4.65%. Estimated annual payments, including social security are as follows:

<b>Year Ended</b> <b><u>June 30,</u></b>	<b><u>Payment</u></b>
2008	\$ 377,815
2009	212,814
2010	173,665
2011	121,659
2012	71,671
2013-15	<u>65,681</u>
<b>Totals</b>	<b><u>\$1,023,305</u></b>

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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### **H. Commitments and Contingencies**

Under the terms of various Federal and State grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement to the grantor or regulatory agencies. However, management does not believe such disallowances, if any, will be material to the financial position of the District.

As is the case with other entities, the District faces exposure from potential claims and legal proceedings involving environmental matters. No such claims or proceedings have been asserted as of June 30, 2007.

## **IV. OTHER INFORMATION**

### **A. Risk management**

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The District has purchased commercial insurance for general liability, property and casualty and health claims and participates in the MASB/SET-SEG (risk pool) for claims relating to employee injuries/workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

### **B. Property taxes**

Property taxes are assessed as of December 31 each year and attach as an enforceable lien on property as of the following July 1. School property taxes are levied on December 1 each year, based on the previous years assessment, by Township governments whose boundaries include property within the District, and are due by February 28. Delinquent real taxes are advanced to the District by the Counties involved. Taxes are recorded as revenue in the year levied. Taxes receivable are recorded for property taxes collected within 60 days of year end, if any.

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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### C. Defined Benefit Pension Plan

#### *Plan Description*

The District contributes to the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling (517) 322-5103.

#### *Funding Policy*

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The current rate is 17.74% of annual covered payroll. The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The District's contributions to MPERS for the years ended June 30, 2007, 2006, and 2005, were \$2,083,458, \$1,854,875, and \$1,735,628, respectively, equal to the required contributions for each year.

#### *Other Post Employment Benefits*

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

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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of the premium is paid by MPSERS with the balance deducted from the monthly pension.

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

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

### **D. Economic Dependency**

The District received approximately 68% of its General Fund revenue from the Michigan Department of Education Membership Allowance. Due to the significance of this revenue source to the District, the District is considered to be economically dependent.

### **E. Bonded Construction Costs**

The 2003 Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Michigan Revised School Code.

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**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

**Bangor Township Schools  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2007**

	<u>Special Revenue</u>			<u>Debt Service</u>	
	<u>Food Services</u>	<u>Athletics</u>	<u>Community Service</u>	<u>2003 Bond Issue Debt Service Fund</u>	<u>2006 Bond Issue Debt Service Fund</u>
<b><u>ASSETS</u></b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 312,781	\$ 770	\$ 200	\$ 189,256	\$ -
Accounts receivable	927	-	-	-	-
Due from other governments	7,205	-	-	-	-
Due from other funds	17,659	12,490	157,170	-	38,915
Inventories	7,211	-	-	-	-
	<u>7,211</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 345,783</u></b>	<b><u>\$ 13,260</u></b>	<b><u>\$ 157,370</u></b>	<b><u>\$ 189,256</u></b>	<b><u>\$ 38,915</u></b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 147	\$ 1,270	\$ -	\$ -	\$ -
Accrued payroll	-	2,897	-	-	-
Due to other funds	75,458	-	-	43,088	-
Deferred revenue	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>75,605</u>	<u>4,167</u>	<u>-</u>	<u>43,088</u>	<u>-</u>
 <b>Fund balances</b>					
Reserved for inventory	7,211	-	-	-	-
Unreserved, undesignated	262,967	9,093	157,370	146,168	38,915
	<u>270,178</u>	<u>9,093</u>	<u>157,370</u>	<u>146,168</u>	<u>38,915</u>
Total fund balances	<u>270,178</u>	<u>9,093</u>	<u>157,370</u>	<u>146,168</u>	<u>38,915</u>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 345,783</u></b>	<b><u>\$ 13,260</u></b>	<b><u>\$ 157,370</u></b>	<b><u>\$ 189,256</u></b>	<b><u>\$ 38,915</u></b>

<u>Debt Service</u>	<u>Capital Projects</u>	
<u>Durant Debt Service</u>	<u>Public Improvement</u>	<u>Totals</u>
\$ -	\$ 270,087	\$ 773,094
-	-	927
141,502	-	148,707
-	47,754	273,988
-	-	7,211
<u>\$ 141,502</u>	<u>\$ 317,841</u>	<u>\$ 1,203,927</u>

\$ -	\$ -	\$ 1,417
-	-	2,897
-	-	118,546
141,502	-	141,502
<u>141,502</u>	<u>-</u>	<u>264,362</u>

-	-	7,211
-	317,841	932,354
-	317,841	939,565
<u>\$ 141,502</u>	<u>\$ 317,841</u>	<u>\$ 1,203,927</u>

**Bangor Township Schools**  
**Combining Statement of Revenue, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2007**

	<u>Special Revenue</u>			<u>Debt Service</u>	
	<u>Food Services</u>	<u>Athletics</u>	<u>Community Service</u>	<u>2003 Bond Issue Debt Service Fund</u>	<u>2006 Bond Issue Debt Service Fund</u>
<b>Revenue</b>					
Local sources	\$ 465,139	\$ 64,125	\$ 193,746	\$ 790,048	\$ 220,622
State sources	59,913	-	-	-	-
Federal sources	484,846	-	-	-	-
Total revenue	<u>1,009,898</u>	<u>64,125</u>	<u>193,746</u>	<u>790,048</u>	<u>220,622</u>
<b>Expenditures</b>					
Food services	917,669	-	-	-	-
Athletics	-	449,848	-	-	-
Community service	-	-	164,590	-	-
Public improvement	-	-	-	-	-
Debt service:					
Principal repayment	-	-	-	405,000	15,000
Interest and fiscal charges	-	-	-	321,526	182,879
Total expenditures	<u>917,669</u>	<u>449,848</u>	<u>164,590</u>	<u>726,526</u>	<u>197,879</u>
Revenue over (under) expenditures	<u>92,229</u>	<u>(385,723)</u>	<u>29,156</u>	<u>63,522</u>	<u>22,743</u>
<b>Other financing sources</b>					
Proceeds of refunded debt	-	-	-	-	-
Payments to bond escrow agent	-	-	-	-	-
Transfers in	-	366,926	-	-	-
Transfers out	(50,000)	-	-	-	-
Total other financing sources	<u>(50,000)</u>	<u>366,926</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	42,229	(18,797)	29,156	63,522	22,743
Fund balance, beginning of year	<u>227,949</u>	<u>27,890</u>	<u>128,214</u>	<u>82,646</u>	<u>16,172</u>
<b>Fund balance, end of year</b>	<u><u>\$ 270,178</u></u>	<u><u>\$ 9,093</u></u>	<u><u>\$ 157,370</u></u>	<u><u>\$ 146,168</u></u>	<u><u>\$ 38,915</u></u>

<u>Debt Service Durant Debt Service</u>	<u>Capital Projects</u>	
	<u>Public Improvement</u>	<u>Totals</u>
\$ -	\$ 299,519	\$ 2,033,199
-	-	59,913
-	-	484,846
-	299,519	2,577,958
-	-	917,669
-	-	449,848
-	-	164,590
-	13,750	13,750
-	-	420,000
-	-	504,405
-	13,750	2,470,262
-	285,769	107,696
-	-	-
-	-	-
-	-	366,926
-	-	(50,000)
-	-	316,926
-	285,769	424,622
-	32,072	514,943
<u>\$ -</u>	<u>\$ 317,841</u>	<u>\$ 939,565</u>

**Bangor Township Schools**  
**Schedule of Revenue, Expenditures and Changes in Fund Balance**  
**Food Service Special Revenue Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Revenue</b>				
Local sources				
Food sales	\$ 425,500	\$ 427,500	\$ 442,919	\$ 15,419
Other revenue	10,000	8,000	7,492	(508)
Interest	7,000	13,000	14,728	1,728
Total revenue from local sources	<u>442,500</u>	<u>448,500</u>	<u>465,139</u>	<u>16,639</u>
State sources - restricted	<u>56,000</u>	<u>59,555</u>	<u>59,913</u>	<u>358</u>
Federal sources				
Grants	385,000	400,000	420,544	20,544
Commodities	40,000	50,000	64,302	14,302
Total revenue from federal sources	<u>425,000</u>	<u>450,000</u>	<u>484,846</u>	<u>34,846</u>
Total revenue	<u>923,500</u>	<u>958,055</u>	<u>1,009,898</u>	<u>51,843</u>
<b>Expenditures</b>				
Salaries	291,760	291,760	285,382	(6,378)
Employee benefits	129,817	145,410	127,743	(17,667)
Purchased services	15,550	15,200	15,039	(161)
Supplies and materials	439,160	458,665	484,078	25,413
Capital outlay	-	-	-	-
Other expenses	6,000	6,250	5,427	(823)
Total expenditures	<u>882,287</u>	<u>917,285</u>	<u>917,669</u>	<u>384</u>
Revenue over (under) expenditures	41,213	40,770	92,229	51,459
<b>Other financing sources (uses)</b>				
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Net change in fund balance	(8,787)	(9,230)	42,229	51,459
Fund balance, beginning of year	<u>227,949</u>	<u>227,949</u>	<u>227,949</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 219,162</u></u>	<u><u>\$ 218,719</u></u>	<u><u>\$ 270,178</u></u>	<u><u>\$ 51,459</u></u>

**Bangor Township Schools**  
**Schedule of Revenue, Expenditures and Changes in Fund Balance**  
**Athletics Special Revenue Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Revenue</b>				
Local sources				
Athletic admissions and sales	\$ 70,000	\$ 64,126	\$ 64,125	\$ (1)
<b>Expenditures</b>				
Salaries	247,700	244,049	242,033	(2,016)
Employee benefits	64,220	73,752	71,299	(2,453)
Purchased services	103,540	109,772	107,573	(2,199)
Supplies and materials	21,050	18,807	17,063	(1,744)
Other expenses	19,390	12,399	11,880	(519)
Total expenditures	455,900	458,779	449,848	(8,931)
Revenue over (under) expenditures	(385,900)	(394,653)	(385,723)	8,930
<b>Other financing sources (uses)</b>				
Transfers in	366,926	366,926	366,926	-
Net change in fund balance	(18,974)	(27,727)	(18,797)	8,930
Fund balance, beginning of year	27,890	27,890	27,890	-
<b>Fund balance, end of year</b>	<u>\$ 8,916</u>	<u>\$ 163</u>	<u>\$ 9,093</u>	<u>\$ 8,930</u>

**Bangor Township Schools**  
**Schedule of Revenue, Expenditures and Changes in Fund Balance**  
**Community Service Special Revenue Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Revenue</b>				
Local sources				
Participation fees	\$ 167,467	\$ 176,066	\$ 178,746	\$ 2,680
Miscellaneous	10,000	15,000	15,000	-
Total revenue	<u>177,467</u>	<u>191,066</u>	<u>193,746</u>	<u>2,680</u>
<b>Expenditures</b>				
Salaries	111,157	112,657	101,812	(10,845)
Employee benefits	33,493	33,281	30,054	(3,227)
Purchased services	2,550	11,000	349	(10,651)
Supplies and materials	25,100	21,700	19,547	(2,153)
Other expenses	16,185	19,100	12,828	(6,272)
Total expenditures	<u>188,485</u>	<u>197,738</u>	<u>164,590</u>	<u>(33,148)</u>
Net change in fund balance	(11,018)	(6,672)	29,156	35,828
Fund balance, beginning of year	<u>128,214</u>	<u>128,214</u>	<u>128,214</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 117,196</u></u>	<u><u>\$ 121,542</u></u>	<u><u>\$ 157,370</u></u>	<u><u>\$ 35,828</u></u>

**Bangor Township Schools**  
**Private Purpose Trust Funds**  
**Combining Statement of Net Assets**  
**June 30, 2007**

	<b>BTS Scholarship Fund</b>	<b>Johnson Memorial</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 43	\$ 742	\$ 785
<b>Net assets</b>			
Held in trust for specific programs	\$ 43	\$ 742	\$ 785

**Bangor Township Schools**  
**Private Purpose Trust Funds**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**For the Year Ended June 30, 2007**

	<b>BTS Scholarship Fund</b>	<b>Johnson Memorial</b>	<b>Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Additions</b>			
Local sources	\$       -	\$       -	\$       -
<b>Deductions</b>			
Awards and grants	<u>          -</u>	<u>          -</u>	<u>          -</u>
Change in net assets	-	-	-
Net assets, beginning of year	<u>          43</u>	<u>          742</u>	<u>          785</u>
<b>Net assets, end of year</b>	<u><u>          \$ 43</u></u>	<u><u>          \$ 742</u></u>	<u><u>          \$ 785</u></u>

# **SINGLE AUDIT**

**Bangor Township 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 July 1, 2006	Current Year Cash Payments/ In-Kind Received	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2007
<b>U.S. Department of Agriculture</b>							
Nutrition Cluster							
Passed Through Michigan Department of Education:							
National School Lunch Breakfast							
061970 - Breakfast	10.553	\$ 6,201	\$ -	\$ -	\$ 6,201	\$ 6,201	\$ -
071970 - Breakfast	10.553	67,213	-	-	67,213	67,213	-
Total		73,414	-	-	73,414	73,414	-
National School Lunch Program							
061950 - Section 4 All lunches	10.555	7,248	-	-	7,248	7,248	-
071950 - Section 4 All lunches	10.555	60,105	-	-	60,105	60,105	-
061960 - Section 11 Free & Reduced	10.555	28,759	-	-	28,759	28,759	-
071960 - Section 11 Free & Reduced	10.555	251,018	-	-	251,018	251,018	-
Total		347,130	-	-	347,130	347,130	-
Food Distribution:							
Entitlement commodities	10.550	63,838	-	-	63,838	63,838	-
Bonus commodities	10.550	464	-	-	464	464	-
Total		64,302	-	-	64,302	64,302	-
Total Nutrition Cluster		484,846	-	-	484,846	484,846	-
Passed Through SMBJTS							
Food Stamp Program	10.561	-	7,656	-	20,046	20,046	-
<b>Total U.S. Department of Agriculture</b>		484,846	7,656	-	504,892	504,892	-
<b>U.S. Department of Labor</b>							
Passed Through SMBJTS							
WIA-Adult WF67435-95526-06	17.258	-	85,005	13,072	13,072	-	-
WIA-Adult WF67435-95526-07	17.258	-	-	-	-	-	-
WIA-Dislocated WF67435-95526-06	17.258	-	47,499	9,960	9,960	-	-
WIA-Dislocated WF67437-95526-07	17.258	-	-	-	-	-	-
Total		-	132,504	23,032	23,032	-	-
<b>Total U.S. Department of Labor</b>		-	132,504	23,032	23,032	-	-
<b>U.S. Department of Education</b>							
Special Education Cluster							
Passed Through Bay Arenac Intermediate School District:							
60450 IDEA Flowthrough	84.027A	61,460	61,460	38,772	38,772	-	-
70450 IDEA Flowthrough	84.027A	53,259	-	-	35,007	53,259	18,252
# 60440 IDEA SPSR	84.027A	3,737	3,737	3,737	3,737	-	-
60490 Transition Services	84.027A	2,674	2,674	644	644	-	-
70490 Transition Services	84.027A	2,405	-	-	1,966	2,001	35
Total		123,535	67,871	43,153	80,126	55,260	18,287
60460 Preschool Projects	84.173A	22,909	22,909	9,595	9,595	-	-
70460 Preschool Projects	84.173A	18,130	-	-	13,331	18,130	4,799
Total Special Education Cluster		164,574	90,780	52,748	103,052	73,390	23,086
Passed through Michigan Department of Education:							
ESEA Title I Part A							
051530 0506 Carryover	84.010	30,465	308,465	21,064	21,064	-	-
061530 0506 Regular	84.010	272,408	272,408	143,329	143,329	-	-
071530 0607 Regular	84.010	239,745	-	-	102,864	207,698	104,834
Total		542,618	580,873	164,393	267,257	207,698	104,834

continued...

**Bangor Township 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 July 1, 2006	Current Year Cash Payments/ In-Kind Received	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2007
<b>U.S. Department of Education (cont.)</b>							
Passed through Michigan Department of Education (cont.):							
Technology Literacy Challenge Grants							
064290 0506 Regular	84.318	\$ 5,082	\$ 5,082	\$ 5,082	\$ 5,082	\$ -	\$ -
074290 0607 Regular	84.318	2,461	-	-	-	2,461	2,461
Total		7,543	5,082	5,082	5,082	2,461	2,461
Title II A - Improving Teacher Quality							
060520 0506 Regular	84.367	110,081	110,081	67,275	67,275	-	-
060520 0607 Regular	84.367	18,370	-	-	-	18,370	18,370
070520 0607 Regular	84.367	127,354	-	-	35,424	120,105	84,681
Total		255,805	110,081	67,275	102,699	138,475	103,051
<b>Total U.S. Department of Education</b>		970,540	786,816	289,498	478,090	422,024	233,432
<b>U.S. Department of Health and Human Services</b>							
Passed Through SMBJTS							
Work First WF67611-95526-06	93.558	-	44,403	5,281	5,281	-	-
Work First WF67611-95526-07	93.558	-	-	-	23,308	23,308	-
Total		-	44,403	5,281	28,589	23,308	-
Work First Reed WF67608-95526-06	93.UNK	-	750,339	109,120	109,120	-	-
Work First Reed WF67608-95526-07	93.UNK	-	-	-	1,172,870	1,182,497	9,627
Total		-	750,339	109,120	1,281,990	1,182,497	9,627
<b>Total U.S. Department of Health and Human Services</b>		-	794,742	114,401	1,310,579	1,205,805	9,627
<b>Total Federal Programs</b>		\$ 1,455,386	\$ 1,721,718	\$ 426,931	\$ 2,316,593	\$ 2,132,721	\$ 243,059

**Reconciliation to Federal Revenue Recognized in Financial Statements**

Federal awards per schedule of expenditures of federal awards	\$ 2,132,721
Plus: Questioned costs related to Workfirst; see Finding 2006-1	27,226
<b>Total Federal Revenue Recognized in Financial Statements</b>	<b>\$ 2,159,947</b>

**Notes to Schedule of Expenditures of Federal Awards**

- The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Bangor Township Schools and is presented on the modified accrual basis of accounting. The information presented in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.
- Expenditures in this schedule are in agreement with amounts reported in the financial statements and the financial reports submitted to the Michigan Department of Education.
- The amounts reported on the R7120 (Grant Section Auditors Report) reconcile with this schedule.
- The amounts reported on the Recipient Entitlement Balance Report (PAL Report) agree with this Schedule for USDA donated food commodities and are reported in the cash receipts column. Spoilage or pilferage, if any, is included in expenditures.



**INDEPENDENT AUDITORS' 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***

November 13, 2007

To the Board of Education  
Bay City, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Bangor Township Schools*, as of and for the year ended June 30, 2007, which collectively comprise the *Bangor Township Schools'* basic financial statements, and have issued our report thereon dated November 13, 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 *Bangor Township School's* internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the *Bangor Township Schools'* internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the *Bangor Township Schools'* internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the *Bangor Township 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 *Bangor Township Schools'* financial statements that is more than inconsequential will not be prevented or detected by the *Bangor Township Schools'* internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2007-1 to be a significant deficiency in internal control over financial reporting.

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 *Bangor Township Schools'* internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above, as item 2007-1 to be a material weakness.

#### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of *Bangor Township Schools*, in a separate letter dated November 13, 2007.

*Bangor Township Schools'* responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit *Bangor Township Schools'* responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Audit Committee, the governing board, management, others within the organization, 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.





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

November 13, 2007

To the Board of Education  
Bay City, Michigan

**Compliance**

We have audited the compliance of *Bangor Township 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. *Bangor Township Schools'* major federal programs are identified in the summary of auditors' 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 *Bangor Township Schools'* management. Our responsibility is to express an opinion on *Bangor Township 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 *Bangor Township 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 *Bangor Township Schools'* compliance with those requirements.

In our opinion, *Bangor Township 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 November 13, 2007.

## **Internal Control Over Compliance**

The management of *Bangor Township Schools* is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered *Bangor Township Schools'* internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2007-2 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Entity's internal control. We did not consider the significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs to be a material weakness.

This report is intended solely for the information and use of the Audit Committee, management, the governing body, others within the entity, 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.



**BANGOR TOWNSHIP SCHOOLS**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: *Unqualified on basic financial statements*

Internal controls over financial reporting:  
 Material weakness(es) identified?   X   yes        no  
 Significant deficiencies identified not  
 considered to be material weaknesses?        yes   X   none reported

Noncompliance material to financial  
 statements noted?        yes   X   no

**Federal Awards**

Internal Control over major programs:  
 Material weakness(es) identified?        yes   X   no  
 Significant deficiencies identified not  
 considered to be material weaknesses?   X   yes        none reported

Type of auditor's report issued on compliance  
 for major programs: *Unqualified*

Any audit findings disclosed that are required to  
 be reported in accordance with Circular A-133,  
 Section 510(a)?        yes   X   no

Identification of Major Programs:

<b><u>CFDA Number</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
93.UNK	Workfirst – Reed Act Grant
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	<u>      </u> yes <u>  X  </u> no

**BANGOR TOWNSHIP SCHOOLS**

**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2007**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

**2007-1 Lack of Adequate Controls to Produce Full-Disclosure GAAP Basis Financial Statements**

**Criteria:** All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government’s management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

**Condition:** As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the District’s ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government’s *internal* controls.

**Cause:** This condition was caused by the District’s decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

**Effect:** As a result of this condition, the District lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

**View of Responsible Officials:** The District has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in its best interests to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

**BANGOR TOWNSHIP SCHOOLS**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**2007-2** Reporting revenue and expenditures of the Reed Act (Work First) program

**Grantor:** U.S. Department of Health and Human Services

**CFDA #:** 93.UNK

**Award Name:** Reed Act (Work First)

**Condition:** This program operates on a reimbursement basis, whereby eligible expenditures are reimbursed by the grantor agency after they are incurred by the District. In this type of situation, expenditure reports are prepared based on eligible expenditures and are submitted for reimbursement.

During the fiscal year ended June 30, 2007, the District's Central Business office was unable to provide these reports in a timely manner for compliance testing during the audit.

**Questioned Costs:** None

**Recommendation:** The District's Central Business office should obtain expenditure reports for this grant on a monthly basis and reconcile them to the general ledger. These reports should be made available for testing during the audit.

**BANGOR TOWNSHIP SCHOOLS**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FOR THE YEAR ENDED JUNE 30, 2007**

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<b><u>2006-1</u></b>	Reporting revenue and expenditures of the Reed Act (Work First) program
<b>Grantor:</b>	U.S. Department of Health and Human Services
<b>CFDA #:</b>	93.UNK
<b>Award Name:</b>	Reed Act (Work First)
<b>Condition:</b>	<p>This program operates on a reimbursement basis, whereby eligible expenditures are reimbursed by the grantor agency after they are incurred by the District. In this type of situation, revenue for the federal program should be equal to expenditures of the federal program.</p> <p>During the fiscal year ended June 30, 2006, the District's general ledger reported revenue from this federal program in excess of program expenditures by \$27,226. Because this program operates on a reimbursement basis, the "excess" revenue was accounted for as deferred revenue at year-end and reported as a liability of the District. It is unclear as to the reason why this federal program reported revenue in excess of expenditures.</p>
<b>Questioned Costs:</b>	\$27,226
<b>Recommendation:</b>	The District should determine the reason that this federal program reported revenue in excess of expenditures and coordinate with the grantor pass-through agency to determine an acceptable resolution for the situation.
<b>Status:</b>	The District has implemented corrective action and this is not considered a finding in 2007.

**BANGOR TOWNSHIP SCHOOLS**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**2006-2** Reporting expenditures of the Title I program

**Grantor:** U.S. Department of Education

**CFDA #:** 84.010

**Award Name:** Title I

**Condition:** Federal award expenditures reported on the Schedule of Expenditures of Federal Awards (SEFA) should be supported by individual expenditures accumulated and accounted for on a general ledger accounting system. For the year ended June 30, 2006, the District reported Title I program expenditures of \$305,623 on its SEFA and only \$299,682 in program expenditures on its general ledger.

**Questioned Costs:** \$5,941

**Recommendation:** The District should determine the reason that the SEFA reported expenditures in excess of expenditures accounted for on the general ledger and coordinate with the grantor pass-through agency to determine an acceptable resolution for the situation.

**Status:** The District has implemented corrective action and this is not considered a finding in 2007.