

**ALBA PUBLIC SCHOOL
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009**

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INDEPENDENT AUDITOR'S REPORT

September 11, 2009

Board of Education
Alba Public School
Alba, Michigan 49646

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alba Public School as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Alba Public School's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Alba Public School, as of June 30, 2009, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 11, 2009 on my consideration of Alba Public School's internal control over financial reporting and my 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 my 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 my audit.

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Board of Education
Alba Public School
September 11, 2009

The management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 23 through 25 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alba Public School's basic financial statements. The introductory section, and combining non-major fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



THOMAS R. ZICK CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT

ALBA PUBLIC SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management discussion and analysis, a requirement of GASB 34, is intended to be the Alba Public School District ("the District") Management's discussion and analysis of the financial results for the year ended June 30, 2009. The intent of this discussion and analysis is to provide a look at the district's performance and current position. Readers should also review the notes to the financial statements and financial statements to enhance their understanding of the district's financial performance.

FINANCIAL HIGHLIGHTS

The overall financial condition of the district remains strong. All goals related to financial activities have been met in the past year. If current revenue and expenditure patterns can be maintained, the resources for the following year will be available. A new superintendent was hired August 18, 2008 and worked hard to stay within the budget adopted by the previous board and administrator.

The assets of the Alba Public School District exceeded its liabilities at the close of the most recent fiscal year by \$1,189,682 (net assets).

The district's total net assets increased by \$30,461 in the 2008/09 school year.

At the end of the current fiscal year, the fund balance for the District's General Fund is \$567,165.

USING THE ANNUAL REPORT

Generally accepted accounting principles (GAAP) according to GASB 34 require the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole (government-wide statements), and then proceed to provide an increasingly detailed look at specific financial statements (fund financial statements). Also included are various notes to the financial statements. The audit also contains supplemental information in addition to the basic financial statements.

Reporting the District as a Whole – The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the district as a whole and about its activities in a manner to help address this question. These statements include all assets and liabilities of the District using the accrual basis of accounting similar to the accounting used by the private sector. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

The two statements report the District's net assets and any changes in them. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, political conditions on a State level, student enrollment growth, quality of local service, and facility improvements prior to arriving at any conclusion regarding the overall health of the District.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the district as a whole. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". The two types of funds: governmental funds and fiduciary funds use different accounting approaches as further discussed in the notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Governmental Funds

Most of the District's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental funds is reconciled in the basic financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a comparative summary of the District's net assets as of June 30, 2009 and 2008

TABLE 1- Governmental Activities

TABLE 1 - Governmental Activities

<u>Assets</u>	<u>6/30/2009</u>	<u>6/30/2008</u>
Current Assets	\$ 977,099	\$ 943,743
Noncurrent Assets	<u>2,813,254</u>	<u>2,901,780</u>
Total Assets	<u>3,790,353</u>	<u>3,845,523</u>
<u>Liabilities</u>		
Current Liabilities	395,671	371,302
Noncurrent Liabilities	<u>2,205,000</u>	<u>2,315,000</u>
Total Liabilities	<u>2,600,671</u>	<u>2,686,302</u>
<u>Net Assets</u>		
Invested in Capital Assets - Net of Debt	498,254	481,780
Restricted	131,416	112,912
Unrestricted	<u>560,012</u>	<u>564,529</u>
Total Net Assets	<u>\$ 1,189,682</u>	<u>\$ 1,159,221</u>

The District currently reports positive balances in each category of net assets.

The results of this year's operations for the District as a whole are represented in a statement of activities (Table 2), which shows the changes in net assets for the fiscal year 2009 and 2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

TABLE 2 - Governmental Activities

	<u>6/30/2009</u>	<u>6/30/2008</u>
<u>Revenue</u>		
Program Revenues		
Charges for services	\$ 27,130	\$ 24,916
Operating grants and contributions	443,809	354,424
General Revenues		
Property taxes	916,926	921,602
State School Aid	970,007	1,062,251
Other	<u>16,399</u>	<u>45,550</u>
Total Revenues	<u>2,374,271</u>	<u>2,408,743</u>
<u>Functions/Program Expenses</u>		
Instruction	1,353,079	1,239,510
Supporting services	744,170	740,308
Athletics	31,500	36,327
Food services	121,526	111,244
Transfers to locals and others	<u>93,535</u>	<u>118,315</u>
Total Expenses	<u>2,343,810</u>	<u>2,245,704</u>
Change in Net Assets	<u>\$ 30,461</u>	<u>\$ 163,039</u>

As reported in the statement of activities the cost of all governmental activities for the year was \$2,343,810 while \$916,926 in revenue was generated directly from local taxpayers, another \$27,130 was generated through "charges for actual services" to local districts, or individuals that benefited directly from our services. State, federal, other regional grants and programs brought \$443,809 to the district. The district received \$970,007 in state education funding and \$16,399 in other miscellaneous sources, inclusive of investment earnings. Net assets for the year ending June 30, 2009 increased by approximately \$30,461.

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The District's budgets are prepared in accordance to Michigan Law. The most significant budgeted fund is the General Fund. During the fiscal year of 2008/09 the District amended the budgets of these major governmental funds once. This has been the normal business practice of the district. Due to the timing of grant awards and pupil counts, the general fund budget will change significantly from the beginning to the end of the year. During the 2008/09 fiscal year the District eliminated the deficit which existed in the sinking fund at June 30, 2008.

General Fund

The General Fund expenditures exceeded revenues in the past year of operations by \$36,584, which included expenditures of \$43,400 for the athletic field. The District ended the year spending less than the budgeted total for operations and only exceeded the budget due to the athletic field expenditure. The District also added educational programs for music and special education and also contracted for counseling services and still stayed within the operational budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's assets have accumulated depreciation of \$1,423,571 and \$1,291,645 as of June 30, 2009 and 2008 respectively. The capital outlay of \$43,400 was for athletic field construction. Our capitalized assets include our buildings, land, equipment, and transportation fleet. This year saw a \$88,526 decrease in Net Capital Assets. A categorized listing of the assets is below.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

TABLE 3 - Alba Public School District Capital Assets

Land and Improvements	\$ 76,200	\$ 32,800
Buildings and Improvements	3,377,596	3,377,596
Vehicles	172,897	172,897
Equipment & Furniture	<u>610,132</u>	<u>610,132</u>
TOTAL CAPITAL ASSETS (at cost)	<u>\$ 4,236,825</u>	<u>\$ 4,193,425</u>

Long Term Debt

The District currently owes \$2,315,000 in bonded debt. These bonds will be repaid through a voted millage over the next 15 years. The 1998 original debt was paid in full during 2008/09 and the refunded bond issue is the only one remaining as of June 30, 2009.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The economy of the State of Michigan has dramatically slowed and forecasts project shortages in both the State's General Fund and the School Aid Fund for the upcoming year. The exact implications the shortages will have on the District are unknown. Our budgets were prepared with these factors in mind. We also are dependent on student counts which vary from year to year, for our foundation allowance.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Alba Public School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Superintendent, Alba Public School District, PO Box 10, Alba, MI 49611

STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities
ASSETS	
Cash demand and time deposits	\$ 656,277
Receivables	
Accounts	18,717
Other governments	289,426
Inventory	2,873
Prepaid expenses	9,806
Capital assets	
Land and improvements	76,200
Other capital assets, net of depreciation	<u>2,737,054</u>
 TOTAL ASSETS	 <u>3,790,353</u>
 LIABILITIES	
Account payable	126,457
Accrued liabilities	159,214
Noncurrent liabilities:	
Due within one year	110,000
Due in more than one year	<u>2,205,000</u>
 TOTAL LIABILITIES	 <u>2,600,671</u>
 NET ASSETS	
Invested in capital assets, net of related debt	498,254
Restricted for:	
Debt Service	114,439
Food Service	16,977
Unrestricted	<u>560,012</u>
 TOTAL NET ASSETS	 <u>\$ 1,189,682</u>

See Notes to Financial Statements

**ALBA PUBLIC SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Primary Government				
Governmental Activities				
Instruction	\$ 1,353,079	\$ -	\$ 221,360	\$ (1,131,719)
Support Services	744,170	-	121,971	(622,199)
Athletics	31,500	4,808	-	(26,692)
Food Service	121,526	22,322	100,478	1,274
Interest on Debt	93,535	-	-	(93,535)
Total Governmental Activities	<u>\$ 2,343,810</u>	<u>\$ 27,130</u>	<u>\$ 443,809</u>	<u>(1,872,871)</u>
General revenues:				
Taxes:				
Property taxes levied for general purposes				670,705
Property taxes, levied for debt services				215,528
Property taxes, levied for sinking fund				30,693
State aid not restricted to specific purposes				970,007
Interest and investment earnings				5,715
Miscellaneous revenue				<u>10,684</u>
Total property taxes and general revenues				<u>1,903,332</u>
Change in net assets				30,461
Net assets, beginning of year				<u>1,159,221</u>
Net assets, end of year				<u>\$ 1,189,682</u>

See Notes to Financial Statements

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	GENERAL FUND	2007 REFUNDED DEBT	OTHER FUNDS	TOTAL
ASSETS				
Cash	\$ 519,004	\$ 116,224	\$ 21,049	\$ 656,277
Receivables				
Accounts	18,717	-	-	18,717
Inventory	-	-	2,873	2,873
Prepaid Expenses	9,806	-	-	9,806
Due From Other Funds	-	-	1,785	1,785
Due From Other Governmental Units	<u>288,694</u>	<u>-</u>	<u>732</u>	<u>289,426</u>
TOTAL ASSETS	<u>\$ 836,221</u>	<u>\$ 116,224</u>	<u>\$ 26,439</u>	<u>\$ 978,884</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 126,457	\$ -	\$ -	\$ 126,457
Accrued Liabilities	142,599	-	1,829	144,428
Due to Other Funds	<u>-</u>	<u>1,785</u>	<u>-</u>	<u>1,785</u>
TOTAL LIABILITIES	<u>269,056</u>	<u>1,785</u>	<u>1,829</u>	<u>272,670</u>
FUND BALANCES				
Reserved	-	114,439	24,610	139,049
Unreserved	<u>567,165</u>	<u>-</u>	<u>-</u>	<u>567,165</u>
TOTAL FUND BALANCES	<u>567,165</u>	<u>114,439</u>	<u>24,610</u>	<u>706,214</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 836,221</u>	<u>\$ 116,224</u>	<u>\$ 26,439</u>	<u>\$ 978,884</u>

See Notes to Financial Statements

**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, 2009**

Fund Balances - Total Governmental Funds	\$ 706,214
Amounts reported for <i>governmental activities</i> 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.	
Capital Assets - at Cost	4,236,825
Accumulated Depreciation	(1,423,571)
Certain liabilities such as bonds and notes payable are not due and payable in the current period and therefore are not reported in the governmental funds	
Bonds Payable - 2007	(2,315,000)
Accrued interest payable is not included as a liability in the governmental funds	<u>(14,786)</u>
Net Assets of Governmental Activities	<u>\$ 1,189,682</u>

See Notes to Financial Statements

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

	GENERAL	2007 REFUNDED	OTHER	TOTAL
	FUND	DEBT	FUNDS	
REVENUES				
Local Sources	\$ 682,068	\$ 215,528	\$ 57,823	\$ 955,419
State Sources	1,107,333	-	8,866	1,116,199
Federal Sources	182,642	-	91,612	274,254
Interest Income	4,104	1,007	604	5,715
Other Revenue	<u>22,684</u>	<u>-</u>	<u>-</u>	<u>22,684</u>
TOTAL REVENUES	<u>1,998,831</u>	<u>216,535</u>	<u>158,905</u>	<u>2,374,271</u>
EXPENDITURES				
Current				
Instruction	1,282,588	-	-	1,282,588
Supporting Services	682,735	-	-	682,735
Athletic Events	-	-	31,500	31,500
Food Services	-	-	121,526	121,526
Capital Outlay	43,400	-	-	43,400
Debt Service:				
Principal	-	105,000	-	105,000
Interest and Other Charges	<u>-</u>	<u>94,305</u>	<u>-</u>	<u>94,305</u>
TOTAL EXPENDITURES	<u>2,008,723</u>	<u>199,305</u>	<u>153,026</u>	<u>2,361,054</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(9,892)</u>	<u>17,230</u>	<u>5,879</u>	<u>13,217</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	26,692	26,692
Transfers (Out)	<u>(26,692)</u>	<u>-</u>	<u>-</u>	<u>(26,692)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(26,692)</u>	<u>-</u>	<u>26,692</u>	<u>-</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(36,584)</u>	<u>17,230</u>	<u>32,571</u>	<u>13,217</u>
FUND BALANCES, BEGINNING OF YEAR	<u>603,749</u>	<u>97,209</u>	<u>(7,961)</u>	<u>692,997</u>
FUND BALANCES, END OF YEAR	<u>\$ 567,165</u>	<u>\$ 114,439</u>	<u>\$ 24,610</u>	<u>\$ 706,214</u>

See Notes to Financial Statements

**Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
FOR THE YEAR ENDED JUNE 30, 2009**

Net Change in Fund Balances - Total Governmental Funds \$ 13,217

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	43,400
Deduct - Depreciation Expense	(131,926)

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net assets.

Add - Principal Payments on Long-term Liabilities - bonds	105,000
Add - Decrease in Accrued Interest Payable	<u>770</u>

Change in Net Assets of governmental activities \$ 30,461

See Notes to Financial Statements

**ALBA PUBLIC SCHOOL
STATEMENT OF FIDUCIARY FUND NET ASSETS
AGENCY FUNDS
JUNE 30, 2009**

ASSETS

Cash	\$ <u>33,258</u>
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TOTAL ASSETS	\$ <u>33,258</u>
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LIABILITIES

Due to Student Groups	\$ <u>33,258</u>
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TOTAL LIABILITIES	\$ <u>33,258</u>
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See Notes to Financial Statements

**ALBA PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Alba Public Schools conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District.

REPORTING ENTITY

The school district is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary 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. All of the School District's district-wide activities are considered governmental activities.

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

District-Wide Financial Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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 revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

**ALBA PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The School District reports the following major governmental funds:

General Fund - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

2007 Refunded Debt Fund – The 2007 Refunded Debt Fund is used to record tax, interest, and other revenue for the payment of general long-term debt principal, interest, and related costs.

Additionally, the District reports the following governmental types:

Special Revenue Funds - Special Revenue Funds are governmental funds used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The District's Special Revenue Funds include the Food Service and Athletic Funds. Any operating deficit generated by these activities is the responsibility of the General Fund.

Fiduciary Funds – The School District maintains an Agency Fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and Investments – Cash and investments include cash on hand, demand deposits, and savings accounts.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.”

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes are levied and become a lien on July 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county delinquent tax rolls. The County operates a delinquent tax revolving fund and normally pays to the District all current taxes annually prior to June 30.

**ALBA PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories and Prepaid Costs – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventory received by the Food Service Fund is recorded as an asset.

Restricted Assets – The fund balance in the 2007 refunded debt service fund is shown as a restricted fund balance. This balance can only be used to service the 2007 debt.

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

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

Buildings and building additions	10-50 years
Buses and other vehicles	7-15 years
Furniture and other equipment	2-20 years

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

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

Accounting Change – Effective July 1, 2003, the School district implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34) along with all related statements and interpretations.

Budgetary Information – Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the general and special revenue funds. All annual appropriations lapse at the fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year.

**ALBA PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess Expenditures Over Appropriations in Budgeted Funds - The School District is required under Public Act 621 of 1978 to adopt (pass) a budget (General Appropriations Act) for the General Fund and Individual Special Revenue Funds. The District complied in all areas except the following expenditure areas which exceeded budgeted amounts:

<u>Fund/Function</u>	<u>Total Budget</u>	<u>Actual Expenditures</u>	<u>Budget Variance</u>
General Fund			
Preschool	\$ 63,778	\$ 68,967	\$ (5,189)
Special Education	\$ 68,563	\$ 70,675	\$ (2,112)
Title I	\$ 58,669	\$ 58,690	\$ (21)
Title II A	\$ 13,414	\$ 13,417	\$ (3)
At Risk	\$ 77,117	\$ 79,436	\$ (2,319)
Executive Administration	\$ 234,163	\$ 236,011	\$ (1,848)
Business Office	\$ 56,693	\$ 63,545	\$ (6,852)
Capital Outlay	\$ -	\$ 43,400	\$ (43,400)
Transfer Out Athletics	\$ 26,450	\$ 26,692	\$ (242)
Special Revenue:			
Food Service	\$ 107,250	\$ 121,526	\$ (14,276)

NOTE 3 - CASH AND INVESTMENTS

The captions on the combined balance sheet related to cash and investments are as follows:

	<u>Imprest Cash</u>	<u>Cash/checking and Savings</u>	<u>, Total</u>
Government Activities	\$ 100	\$ 656,177	\$ 656,277
Agency Funds	-	33,258	33,258
	<u>\$ 100</u>	<u>\$ 689,435</u>	<u>\$ 689,535</u>

Deposits - At year-end, the carrying amount of the District's deposits was \$697,551 and the bank balance was \$709,952 classified as to risk as follows.

Insured	\$ 405,330
Uninsured – Uncollateralized	284,105
	<u>\$ 689,435</u>

Investments – Act 217, PA 1982, authorized the School District to deposit and invest in the following:

- a. Bonds, bills, and other direct obligations of the United States or its agencies.
- b. Certificates of deposit and other savings instruments issued by a federally insured bank, savings and loan or credit union maintaining an office in Michigan.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Mutual Funds comprised of investments which are legal for direct investment by local units of government in Michigan.

**ALBA PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

- e. U.S. Government or federal agency obligation repurchase agreements.

The Board of Education is authorized to designate depositories for District funds, and the funds are invested in accordance with State of Michigan statutory authority. There were no investments at June 30, 2009.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). There were no investments at June 30, 2009.

Interest Rate Risk

The School District has not adopted a policy that indicates how the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time. There were no investments at June 30, 2009.

Concentration of Credit Risk

The School District has not adopted a policy that indicates how the District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. There were no investments at June 30, 2009.

Custodial Credit Risk

The School District has not adopted a policy that indicates how the District will minimize custodial credit risk, which 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 of collateral securities that are in possession of an outside party. There were no investments at June 30, 2009.

NOTE 4 – RECEIVABLES

Receivables as of year-end for the School District's individual major funds and the other nonmajor governmental funds are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Other Funds</u>	<u>Total</u>
Receivables				
State of Michigan	<u>288,694</u>	<u>\$ -0-</u>	<u>732</u>	<u>289,426</u>
Net Receivables	<u>\$ 288,694</u>	<u>\$ -0-</u>	<u>\$ 732</u>	<u>\$ 289,426</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, there was no balance in the deferred revenue accounts.

**ALBA PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 5 – CAPITAL ASSETS

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

	<u>June 30, 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2009</u>
Capital assets not being depreciated:				
Land	\$ 32,800	\$ 43,400	\$ -	\$ 76,200
Capital assets being depreciated:				
Building and building improvements	3,377,596	-	-	3,377,596
Buses and other vehicles	172,897	-	-	172,897
Furniture and equipment	610,132	-	-	610,132
Subtotal	<u>4,160,625</u>	<u>-</u>	<u>-</u>	<u>4,160,625</u>
Accumulated depreciation:				
Building and building improvements	869,995	67,552	-	937,547
Buses and other vehicles	63,646	21,612	-	85,258
Furniture and equipment	358,004	42,762	-	400,766
Subtotal	<u>1,291,645</u>	<u>131,926</u>	<u>-</u>	<u>1,423,571</u>
Net capital assets being depreciated	<u>2,868,980</u>	<u>(131,926)</u>	<u>-</u>	<u>2,737,054</u>
Net governmental capital assets	<u>\$ 2,901,780</u>	<u>\$ (88,526)</u>	<u>\$ -</u>	<u>\$ 2,813,254</u>

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

Governmental activities:

Instruction	\$ 61,435
Support services	<u>70,491</u>
Total	<u>\$ 131,926</u>

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Due to/From Other Funds			
<u>Receivable Fund</u>		<u>Payable Fund</u>	
Sinking Fund	\$ 1,785	Debt Service Fund	\$ 1,785
Total	<u>\$ 1,785</u>		<u>\$ 1,785</u>
Transfers In/Out	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Total</u>
General Fund	\$ -	\$ (26,692)	\$ (26,692)
Special Revenue:			
Athletics	<u>26,692</u>	<u>0</u>	<u>26,692</u>
Total	<u>\$ 26,692</u>	<u>\$ (26,692)</u>	<u>\$ 0</u>

**ALBA PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 7 - LONG-TERM DEBT

The following is a summary of long-term debt obligations for the District for the Year ended June 30, 2009:

	<u>7/1/08</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/09</u>	<u>One Year</u>
2007 Refunding Bonds	\$ 2,315,000	\$ -0-	\$ -0-	\$ 2,315,000	\$ 110,000
1998 Bonds Payable	<u>105,000</u>	<u>-0-</u>	<u>105,000</u>	<u>-0-</u>	<u>-0-</u>
	<u>\$ 2,420,000</u>	<u>\$ -0-</u>	<u>\$ 105,000</u>	<u>\$ 2,315,000</u>	<u>\$ 110,000</u>

At June 30, 2009, the District's long-term debt consisted of the following issues:

2007 Refunding bonds due in annual installments of \$110,000 to \$200,000 due beginning in 2009 with interest through May of 2024 at 3.75% to 3.95% per annum	<u>\$ 2,315,000</u>
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<u>Year Ended</u>	<u>Principal May 1</u>	<u>Interest Rate</u>	<u>Interest November 1</u>	<u>Interest May 1</u>
2010	\$ 110,000	3.75%	\$ 44,358	\$ 44,357
2011	120,000	3.75%	42,295	42,295
2012	125,000	3.75%	40,045	40,045
2013	130,000	3.75%	37,701	37,701
2014	135,000	3.75%	35,264	35,264
2015-2019	765,000	3.75-3.85%	135,872	135,873
2020-2024	<u>930,000</u>	3.85-3.95%	<u>56,270</u>	<u>56,270</u>
Total	<u>\$ 2,315,000</u>		<u>\$ 391,805</u>	<u>\$ 391,805</u>

The annual requirements to amortize all applicable debt outstanding as of June 30, 2009, including interest payments of \$3,098,610 are as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 110,000	\$ 88,715	\$ 198,715
2011	120,000	84,590	204,590
2012	125,000	80,090	205,090
2013	130,000	75,402	205,402
2014	135,000	70,528	205,528
2015-2019	765,000	271,745	1,036,745
2020-2024	<u>930,000</u>	<u>112,540</u>	<u>1,042,540</u>
	<u>\$ 2,315,000</u>	<u>\$ 783,610</u>	<u>\$ 3,098,610</u>

**ALBA PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 8 - RISK MANAGEMENT

The School District is exposed to various risk of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered as follows:

The School District participates in the MASB-SEG Property and Casualty Pool.

The MASB-SEG Property/Casualty Pool, Inc. was created on May 23, 1985 and organized under Public Act 138 of 1982 as amended, as a governmental group property and casualty self-insurance pool. Approximately 375 educational institutions within the State of Michigan participate in the Pool.

The Pool limits the maximum net loss that may arise from large risks or in concentrated areas of exposure by reinsuring certain levels of risks with other insurers or reinsurers. The Pool purchases excess liability coverages from one or more insurers or reinsurers to provide 100 percent coverage at each insured level.

The District has its workers compensation insurance with the Pool. The District makes annual contributions (premiums) to the Pool based on actuarial studies using historical data and insurance industry statistics. The premiums are paid out of the District general fund.

The District purchased commercial insurance for its property liability and vehicle insurance during the year 2008/08. This was purchased from independent third parties.

NOTE 9 - DEFINED BENEFIT PENSION PLAN

All District full-time employees participate in the Michigan Public School Employees' Retirement System, ("System"), a cost-sharing multiple-employer public employee retirement system. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

All full-time employees of the District are required by law to participate in the System. All benefits vest after 10 years of service. Basic plan members may retire at age 55 with 30 years of credited service, or at age 60 with 10 or more years of credited service. A Member Investment Plan (MIP) member may retire at any age with 30 years of credited service or at age 60 with 5 years of service. Both basic and MIP plan members may retire at age 55 with 15 years of service and receive reduced early retirement benefits. Benefits are paid monthly over the member's or survivor's lifetime and are equal to 1.5% of the member's final average compensation times the member's years of credited service. The final average compensation period for basic members is 60 consecutive months and for MIP members is 36 consecutive months. The system also provides health, dental and vision insurance coverage for retirees.

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 various rates depending on school fiscal year compensation. Basic plan members make no contributions. The District was required to contribute 16.54% of participant's salary to the System for the fiscal year ended 6/30/09, and the State of Michigan is responsible for any further contributions necessary to keep the fund actuarially sound. The School District's contributions to the MPSERS plan for the years ended June 30, 2009, 2008, and 2007 were \$171,992, \$171,110, and \$169,908.

**ALBA PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Post-Employment Benefits

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage. In prior years the State pre-funded these benefits using the entry age actuarial cost method. Retirees having this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10% of the monthly premium amount for the health, dental and vision coverage. These contributions are deducted from the retiree's monthly pension. No additional contributions are required from the District on these post-employment benefits. The 16.54% noted above includes these costs.

NOTE 10 – SINKING FUND / DEFICIT FUND BALANCE

On May 2, 2006, the voters approved a sinking fund tax levy. The District is authorized to levy .5 mills for 5 years beginning with the 2006 tax levy. The board authorized repair/replacement of the gym roof as the first project in 2006/07 and in 2007/08 the District paid for new lighting for the elementary classrooms and gym. The cost of the projects will approximate the first three year's tax levies. In the interim, the general fund has advanced the necessary funds to pay the contractors. This created a deficit of \$23,664 at June 30, 2008 in the sinking fund. This deficit was eliminated with the collection of the 2009 tax levy. During 2008/09 the tax levy raised \$30,693 in tax revenue for the sinking fund. There were no additional expenditures during 2008/09.

REQUIRED SUPPLEMENTARY INFORMATION

**ALBA PUBLIC SCHOOL
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, OTHER SOURCES (USES)
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Local Sources	\$ 619,895	\$ 709,214	\$ 708,856	\$ (358)
State Sources	1,244,970	1,201,922	1,107,333	(94,589)
Federal Sources	<u>80,948</u>	<u>93,221</u>	<u>182,642</u>	<u>89,421</u>
TOTAL REVENUES	<u>1,945,813</u>	<u>2,004,357</u>	<u>1,998,831</u>	<u>(5,526)</u>
EXPENDITURES				
Current:				
Instruction:				
Basic programs	1,008,969	1,042,525	1,045,609	(3,084)
Added Needs	202,756	238,181	236,979	1,202
Support Services:				
Instructional Staff	16,990	17,551	16,697	854
General Administration	269,092	275,663	268,300	7,363
Business Services	64,100	56,693	63,545	(6,852)
Maintenance	256,400	243,750	239,581	4,169
Transportation	103,350	99,200	94,612	4,588
Capital Outlay	<u>-</u>	<u>-</u>	<u>43,400</u>	<u>(43,400)</u>
TOTAL EXPENDITURES	<u>1,921,657</u>	<u>1,973,563</u>	<u>2,008,723</u>	<u>(35,160)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>24,156</u>	<u>30,794</u>	<u>(9,892)</u>	<u>(40,686)</u>
OTHER FINANCING SOURCES (USES)				
Transfers (Out)	<u>(24,050)</u>	<u>(26,450)</u>	<u>(26,692)</u>	<u>(242)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(24,050)</u>	<u>(26,450)</u>	<u>(26,692)</u>	<u>(242)</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	106	4,344	(36,584)	(40,928)
FUND BALANCES, BEGINNING OF YEAR	<u>534,321</u>	<u>534,321</u>	<u>603,749</u>	<u>69,428</u>
FUND BALANCES, END OF YEAR	<u>\$ 534,427</u>	<u>\$ 538,665</u>	<u>\$ 567,165</u>	<u>\$ 28,500</u>

See Notes to Financial Statements

**ALBA PUBLIC SCHOOL
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER SOURCES (USES)
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009**

	BUDGETED AMOUNT		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
<u>REVENUES</u>				
LOCAL SOURCES				
Taxes and Penalties	\$ 606,895	\$ 670,534	\$ 670,705	\$ 171
Interest Income	2,500	2,000	4,104	2,104
Miscellaneous Income	7,500	27,500	22,684	(4,816)
Incoming Transfers ISD	<u>3,000</u>	<u>9,180</u>	<u>11,363</u>	<u>2,183</u>
TOTAL LOCAL SOURCES	<u>619,895</u>	<u>709,214</u>	<u>708,856</u>	<u>(358)</u>
STATE SOURCES				
Categorical State Aid	1,234,470	1,185,226	1,091,257	(93,969)
Incoming Transfers ISD	<u>10,500</u>	<u>16,696</u>	<u>16,076</u>	<u>(620)</u>
TOTAL STATE SOURCES	<u>1,244,970</u>	<u>1,201,922</u>	<u>1,107,333</u>	<u>(94,589)</u>
FEDERAL SOURCES				
Title I	48,284	58,669	58,669	-
Title II A	13,414	13,414	13,417	3
Title II D	1,227	1,227	507	(720)
ARRA	-	-	86,025	86,025
Other	3,351	862	992	130
REAP Grant	14,672	19,049	19,049	-
Incoming Transfers ISD & Other	<u>-</u>	<u>-</u>	<u>3,983</u>	<u>3,983</u>
TOTAL FEDERAL SOURCES	<u>80,948</u>	<u>93,221</u>	<u>182,642</u>	<u>89,421</u>
TOTAL REVENUE	<u>\$ 1,945,813</u>	<u>\$ 2,004,357</u>	<u>\$ 1,998,831</u>	<u>\$ (5,526)</u>
<u>EXPENDITURES</u>				
INSTRUCTION				
Basic Programs:				
Elementary	\$ 418,898	\$ 439,789	\$ 439,636	\$ 153
Secondary	524,571	538,958	537,006	1,952
Preschool	<u>65,500</u>	<u>63,778</u>	<u>68,967</u>	<u>(5,189)</u>
Total Basic Programs	<u>1,008,969</u>	<u>1,042,525</u>	<u>1,045,609</u>	<u>(3,084)</u>
Added Needs:				
Special Education	63,463	68,563	70,675	(2,112)
Title I	48,284	58,669	58,690	(21)
Title II A	13,414	13,414	13,417	(3)
At Risk	58,345	77,117	79,436	(2,319)
Other	<u>19,250</u>	<u>20,418</u>	<u>14,761</u>	<u>5,657</u>
Total Added Needs	<u>202,756</u>	<u>238,181</u>	<u>236,979</u>	<u>1,202</u>

See Notes to Financial Statements

**ALBA PUBLIC SCHOOL
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER SOURCES (USES)
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>BUDGETED AMOUNT</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
INSTRUCTION (CONTINUED)				
TOTAL INSTRUCTION	\$ 1,211,725	\$ 1,280,706	\$ 1,282,588	\$ (1,882)
SUPPORTING SERVICES				
Instructional Staff:				
Library	<u>16,990</u>	<u>17,551</u>	<u>16,697</u>	<u>854</u>
Total Instructional Staff	<u>16,990</u>	<u>17,551</u>	<u>16,697</u>	<u>854</u>
General Administration:				
Board of Education	29,600	41,500	32,289	9,211
Executive Administration	<u>239,492</u>	<u>234,163</u>	<u>236,011</u>	<u>(1,848)</u>
Total General Administration	269,092	275,663	268,300	7,363
Business Office	64,100	56,693	63,545	(6,852)
Plant Operation and Maintenance	256,400	243,750	239,581	4,169
Pupil Transportation	103,350	99,200	94,612	4,588
Capital Outlay	<u>-</u>	<u>-</u>	<u>43,400</u>	<u>(43,400)</u>
TOTAL SUPPORTING SERVICES	<u>709,932</u>	<u>692,857</u>	<u>726,135</u>	<u>(33,278)</u>
OUTGOING TRANSFERS				
Athletics Fund	<u>24,050</u>	<u>26,450</u>	<u>26,692</u>	<u>(242)</u>
TOTAL OUTGOING TRANSFERS	<u>24,050</u>	<u>26,450</u>	<u>26,692</u>	<u>(242)</u>
TOTAL EXPENDITURES AND TRANSFERS OUT	<u>\$ 1,945,707</u>	<u>\$ 2,000,013</u>	<u>\$ 2,035,415</u>	<u>\$ (35,402)</u>

See Notes to Financial Statements

OTHER SUPPLEMENTARY INFORMATION

**ALBA PUBLIC SCHOOL
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009**

	SPECIAL REVENUE FUNDS			
	ATHLETIC	FOOD SERVICE	SINKING	TOTAL
ASSETS				
Cash	\$ -	\$ 15,201	\$ 5,848	\$ 21,049
Investments	-	-	-	-
Receivables:				
Taxes	-	-	-	-
Accounts	-	-	-	-
Inventory	-	2,873	-	2,873
Due From Other Funds	-	-	1,785	1,785
Due From Other Governmental Units	-	732	-	732
	-	732	-	732
TOTAL ASSETS	\$ -	\$ 18,806	\$ 7,633	\$ 26,439
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ -	\$ 1,829	\$ -	\$ 1,829
Accrued Liabilities	-	-	-	-
Due to Other Funds	-	-	-	-
Due to Other Governmental Units	-	-	-	-
Advances From Other Governmental Units	-	-	-	-
Deferred Revenue	-	-	-	-
	-	-	-	-
TOTAL LIABILITIES	-	1,829	-	1,829
FUND BALANCE				
Reserved	-	16,977	7,633	24,610
Unreserved	-	-	-	-
	-	-	-	-
TOTAL FUND BALANCES	-	16,977	7,633	24,610
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 18,806	\$ 7,633	\$ 26,439

See Notes to Financial Statements

ALBA PUBLIC SCHOOL
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>SPECIAL REVENUE FUNDS</u>			
	<u>ATHLETIC</u>	<u>FOOD SERVICE</u>	<u>SINKING</u>	<u>TOTAL</u>
REVENUES				
Local Sources	\$ 4,808	\$ 22,322	\$ 30,693	\$ 57,823
Interest	-	-	604	604
State Sources	-	8,866	-	8,866
Federal Sources	-	<u>91,612</u>	-	<u>91,612</u>
TOTAL REVENUES	<u>4,808</u>	<u>122,800</u>	<u>31,297</u>	<u>158,905</u>
EXPENDITURES				
Current				
Athletics	31,500	-	-	31,500
Food Service	-	121,526	-	121,526
Other	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>31,500</u>	<u>121,526</u>	<u>-</u>	<u>153,026</u>
REVENUES OVER (UNDER) EXPENDITURES	(26,692)	1,274	31,297	5,879
OTHER FINANCING SOURCES (USES)				
Transfers In	26,692	-	-	26,692
Transfers (Out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>26,692</u>	<u>-</u>	<u>-</u>	<u>26,692</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	1,274	31,297	32,571
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>15,703</u>	<u>(23,664)</u>	<u>(7,961)</u>
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ 16,977</u>	<u>\$ 7,633</u>	<u>\$ 24,610</u>

See Notes to Financial Statements

**ALBA PUBLIC SCHOOL
OTHER SUPPLEMENTAL INFORMATION
STATEMENT OF BONDED INDEBTEDNESS
YEAR ENDED JUNE 30, 2009**

2007 REFUNDING BONDS

<u>Year Ended</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 110,000	3.75%	\$ 88,715	\$ 198,715
2011	120,000	3.75%	84,590	204,590
2012	125,000	3.75%	80,090	205,090
2013	130,000	3.75%	75,402	205,402
2014	135,000	3.75%	70,528	205,528
2015	140,000	3.75%	65,465	205,465
2016	150,000	3.80%	60,215	210,215
2017	150,000	3.80%	54,515	204,515
2018	160,000	3.80%	48,815	208,815
2019	165,000	3.85%	42,735	207,735
2020	170,000	3.85%	36,383	206,383
2021	180,000	3.90%	29,837	209,837
2022	185,000	3.90%	22,818	207,818
2023	195,000	3.95%	15,602	210,602
2024	<u>200,000</u>	3.95%	<u>7,900</u>	<u>207,900</u>
	<u>\$ 2,315,000</u>		<u>\$ 783,610</u>	<u>\$ 3,098,610</u>



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

September 11, 2009

Board of Education
Alba Public School
Alba, Michigan 49611

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alba Public School as of and for the year ended June 30, 2009, which collectively comprise the Alba Public School's basic financial statements and have issued my report thereon dated September 11, 2009. I conducted my 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 my audit, I considered Alba Public School's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Alba Public School's internal control over financial reporting. Accordingly, I do not express an opinion of the effectiveness of Alba Public School's internal control over financial reporting.

My 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, I identified a deficiency in internal control over financial reporting that I consider to be a significant deficiency.

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 Alba Public School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Alba Public School's financial statements that is more than inconsequential will not be prevented or detected by Alba Public School's internal control. I consider the following deficiency to be a significant deficiency in internal control over financial reporting.

Establishment and maintenance of internal control over the financial reporting process as defined by Statement on Auditing Standards Number 112 requires management to prepare annual financial statements in accordance with GASB Statement Number 34. The District's auditor prepares these statements.

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 Alba Public School's internal control.

My 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, I believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alba Public School's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I have reported to management of Alba Public School in a separate letter dated September 11, 2009.

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



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REPORT TO MANAGEMENT / BOARD OF EDUCATION

September 11, 2009

Board of Education
Alba Public School
Alba, Michigan 49611

I have audited the financial statements of Alba Public School for the year ended June 30, 2009, and have issued my reports thereon dated September 11, 2009. Professional standards require that I provide you with the following information related to my audit.

My Responsibility under U.S. Generally Accepted Auditing Standards

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

In planning and performing my audit, I considered Alba Public School's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide assurance on the internal control over financial reporting. I also considered internal control over compliance with requirements that could have a direct and material effect on the financial statements.

As part of obtaining reasonable assurance about whether Alba Public School's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit. While my audit provides a reasonable basis for my opinion, it does not provide a legal determination of Alba Public School's compliance with those requirements.

MEMBER: AMERICAN INSTITUTE OF CPAS & MICHIGAN ASSOCIATION OF CPAS

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Alba Public School are described in Note 1 to the financial statements. I noted no transactions entered into by Alba Public School during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Some accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience and past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. My conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Alba Public School's financial reporting process (that is, cause future financial statements to be materially misstated). All of the adjustments, I proposed, have been recorded by Alba Public School.

Disagreements with Management

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

Consultations with Other Independent Accountants

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

Issues Discussed Prior to Retention of Independent Auditors

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

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Comments and Recommendations

The following is a summary of my observations with suggestions for improvements I believe should be brought to your attention.

BUDGETS

The School District is required under Public Act 621 of 1978 to adopt (pass) a budget (General Appropriations Act) for the General Fund and Individual Special Revenue Funds. The District complied in all areas except the following expenditure areas which exceeded budgeted amounts:

<u>Fund/Function</u>	<u>Total Budget</u>	<u>Actual Expenditures</u>	<u>Budget Variance</u>
General Fund			
Preschool	\$ 63,778	\$ 68,967	\$ (5,189)
Special Education	\$ 68,563	\$ 70,675	\$ (2,112)
Title I	\$ 58,669	\$ 58,690	\$ (21)
Title II A	\$ 13,414	\$ 13,417	\$ (3)
At Risk	\$ 77,117	\$ 79,436	\$ (2,319)
Executive Administration	\$ 234,163	\$ 236,011	\$ (1,848)
Business Office	\$ 56,693	\$ 63,545	\$ (6,852)
Capital Outlay	\$ -	\$ 43,400	\$ (43,400)
Transfer Out Athletics	\$ 26,450	\$ 26,692	\$ (242)
Special Revenue:			
Food Service	\$ 107,250	\$ 121,526	\$ (14,276)

DUE TO / DUE FROM ACCOUNTS

At June 30, 2009 there is a due to/due from account which occurred in prior years and should be cleared by transferring funds. The debt fund owes the sinking fund. This balance should be paid and then care needs to be exercised when tax revenues are received to assure that they are deposited into the correct fund in future years.

FUND BALANCE DEFICIT ELIMINATED

The Sinking Fund ended the fiscal 2007/08 year with a \$23,664 fund balance deficit. While this was a statutory violation, management understood that the 2009 tax levy should eliminate this deficit. Two substantial projects including the gym roof and lighting renovations were completed over the past two years, but payment was required before the tax levy was received. The 2009 tax levy was approximately \$30,693 and eliminated the deficit.

LEDGER / RECEIPTS POSTING

The general ledger and most of the receipting activity was timely posted this year. This will make it feasible to prepare timely monthly financial statements and monthly budget reports, which are presently not being done. Monthly financial statements including budget to actual comparisons are necessary for management and the Board to properly monitor the funding progress throughout the year.

SEGREGATION OF DUTIES

There is not adequate segregation of duties in the accounting area. One individual posts all journals, the general ledger, prepares checks, makes bank deposits, and reconciles the bank accounts. The same individual also initiates and posts all journal entries. The lack of segregation of duties is inherent because of staff limitations. The Board must recognize that all internal controls must be evaluated for cost effectiveness. The controls which could be added would have to be compared with the costs required to obtain those controls. Presently your superintendent reviews the monthly bank reconciliations which helps mitigate the control weakness. In addition board of Education members sign all disbursement checks providing another control to mitigate the overall lack of segregation of duties in this area.

MATERIAL WEAKNESS


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 Alba Public School's internal control.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses as defined above. However, I believe none of the matters described above are material weaknesses.

Conclusion

I would like to express my appreciation, as well as that of my staff, for the excellent cooperation received while performing the audit. If I can be of any assistance in implementing the above recommendations, please contact me.

This report is intended solely for the use of management, the Board of Education, the Michigan Department of Treasury, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.



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CERTIFIED PUBLIC ACCOUNTANT