PLAINWELL COMMUNITY SCHOOLS

REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)

YEAR ENDED JUNE 30, 2004

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Plainwell Community Schools
Plainwell, Michigan

July 30, 2004

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Plainwell Community Schools, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Plainwell Community Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Plainwell Community Schools as of June 30, 2004 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*, we have also issued our report dated July 30, 2004, on our consideration of Plainwell Community Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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To the Board of Education
Plainwell Community Schools July 30, 2004

The management's discussion and analysis and budgetary comparison information on pages vi through xii and page 23, are not a required part of the basic financial statements but are 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plainwell Community Schools' basic financial statements. The additional information on pages 25 to 40 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maney, Costerisan & Ellis, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Plainwell Community School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2004. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The District's general fund financial situation continues to improve. Over the past several years the District has strived to reach the Board of Education goal of maintaining at least a 10% fund balance. At the close of the fiscal year ended June 30, 2004, the District's fund balance has reached 12.2% of expenditures or $2.5 million dollars.

Total general fund revenues were $20.5 million dollars, which was less than the general fund expenditures of $20.7 million dollars by $231,000. Revenues for the 2003-2004 school year increased by 1.0% over the previous year while expenditures increased 4.0% over the previous year.

Enrollment fell during the 2003-2004 school year bringing the blended enrollment of the District down to 2,833 students. Student enrollment is projected to gradually increase over the next several years.

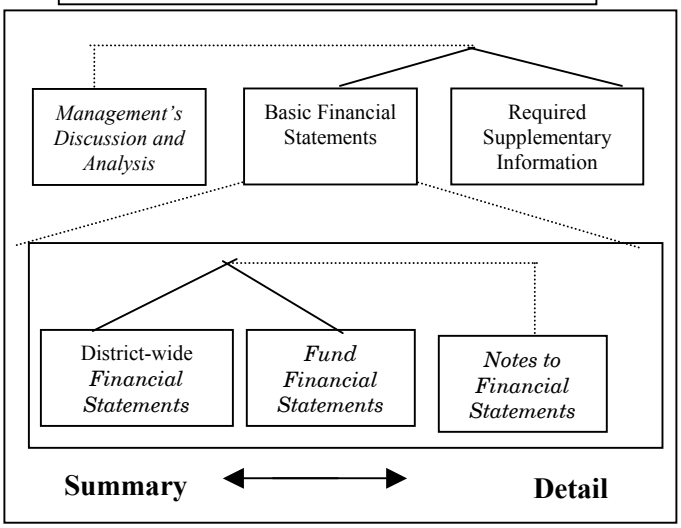
The District decreased its outstanding long-term debt by $1.1 million dollars during the 2003-2004 school year. The primary source of this change was the annual payments on the outstanding bonds from the 1998 and 2002 bond issues.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

Figure A-1
Organization of Plainwell Community School's Annual Financial Report



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2
Major Features of District-Wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, PCS's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarized the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities:

- Governmental activities – Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like school lunch and athletics).

The District has two kinds of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explains the relationship (or differences) between them.

- Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets – The District's combined net assets were slightly lower on June 30, 2004, than they were the year before – decreasing less than 1.0 percent to $11.0 million. The District spent a significant portion of the construction funds on the ongoing construction projects and retired assets that have been replaced as part of the 2002 bond project. The district also continues to participate in the school bond loan fund (SBLF) borrowing to meet principal and interest payments on its outstanding debt.

Table A-3
Plainwell Community Schools' Net Assets

	2004	2003
Current and other assets	$ 24,202,760	$ 32,410,994
Capital assets	33,681,851	25,017,346
Total assets	57,884,611	57,428,340
Long-term liabilities	38,134,125	39,273,729
Other liabilities	8,683,029	7,029,717
Total liabilities	46,817,154	46,303,446
Net assets:		
Invested in capital assets, net of related debt	9,213,782	8,741,090
Restricted		314,066
Unrestricted	1,853,675	2,069,738
Total net assets	$ 11,067,457	$ 11,124,894

Table A-4
Changes in Plainwell Community Schools' Net Assets

	2004	2003
Revenues:		
Program revenues:		
Charges for services	$ 1,012,934	$ 885,260
Federal and state categorical grants	805,091	807,750
General revenues:		
Property taxes	4,508,751	4,288,905
State aid - unrestricted	17,004,385	17,099,178
Other	1,000,076	913,618
Total revenues	24,331,237	23,994,711
Expenses:		
Instruction	12,939,484	12,406,938
Support services	7,110,552	6,475,217
Community services	455,349	421,765
Food services	716,097	659,093
Athletics	477,632	448,128
Interest on long-term debt	2,051,685	1,496,397
Unallocated depreciation	637,875	1,103,006
Total expenses	24,388,674	23,010,544
Change in net assets	$ (57,437)	$ 984,167

District Governmental Activities

The recent good health of the District's finances can be credited to a number of areas.

Proposal A that established the student foundation grant concept, has increased the District's main funding source from $4,794 per student in 1995 to $6,700 per student in 2004.

Student overall growth in the District has been ongoing. The student count in September 1995 was 2,643 and has grown by 7.5% to 2,842 in September of 2003.

The District has continued to go through budget reductions each of the past few years. Expenditures were reduced by approximately $250,000-$350,000 in years 2002 through 2004. The District has strived to restructure programs and services to balance state revenues with expenditures.

Many upgrades to our facilities in the area of infrastructure, as a result of the projects completed with the 1998 bond issue, has allowed a shift in our philosophy in the area of facilities maintenance. The District has moved to contracting with outside companies for regular preventative maintenance tasks. The upgrade of our entire heating, cooling, electrical and technology infrastructure has allowed this change. The 2002 bond projects have included added classroom space to the Middle School and each of our elementary schools. The district continues to plan for the maintenance and upkeep of this additional classroom space as part of our annual budget and planning process.

The District's alternative and adult education program has been revamped with updated curriculum and a new facility. This has allowed for growth in the alternative education program that has had a positive impact on the District financially by increasing our student foundation revenue.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole continues to be strong as is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of $18.0 million, well below last year's ending fund balances of $27.5 million. The major portion of this decrease was due to the use of the 2002 bond funds as we continue to progress with the $25.5 million building project. Excluding the capital project fund, the fund balance for the combined governmental funds (general fund, debt service fund and special revenue funds) of the District decreased by $654,392 or 23.4% for 2004. The decrease is a result of the planned use of a portion of the fund balances to offset reduced state funding and draw down of debt fund balances as required by the State of Michigan school bond loan fund program.

General Fund Budgetary Highlights

During the 2004 fiscal year the District budget was amended several times to reflect changes which affected the District.

The initial amendment took place in the late fall, taking into account student enrollment and staffing levels. Due to the decrease in student enrollment the District had to adjust instructional budgets to account for decreased foundation allowance revenue. This amendment also reflected the results of a new agreement with the employee groups on wages and benefits.

The second amendment in the early spring took into account the unfavorable financial information coming from the State of Michigan regarding revenues available for school funding. This amendment included an executive order pro-ration made in state revenue. The District took action to reduce expenditures mid-year to offset the loss of revenues from the State.

The final amendment reflected minor updates in actual funding received and expected year-end expenditures. This amendment showed a budget that used a portion of the fund balance to maintain instructional and support programs given the reduction in state revenues. The actual year end balances showed a variance in budgeted revenues of 0.3% and a variance in budgeted expenditures of 2.6% overall. While working within the restraints of state funding shortfalls, the District still maintained a fund balance above the board set goal of 10% and maintained all critical instructional and support services.

The total change in the original budget and the final budget consisted of a change of 0.7% in revenues and 2.7% change in expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2004, the District had invested $33 million net in a broad range of capital assets, including school buildings, athletic facilities, school furnishings and equipment, vehicles, and technology. This amount represents a net increase of $8.5 million, or 33.7 percent, from last year. (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation expense for the year exceeded $1.1 million.

Table A-5
Plainwell Community Schools' Capital Assets

	2004			2003
	Cost	Accumulated depreciation	Net book value	Net of depreciation
Land	$ 285,494	$ -	$ 285,494	$ 285,494
Construction in progress	9,009,085		9,009,085	1,501,053
Buildings	31,209,605	8,860,869	22,348,736	21,668,672
Equipment and furniture	5,357,356	3,549,471	1,807,885	1,562,127
Net capital assets	$ 45,861,540	$ 12,410,340	$ 33,451,200	$ 25,017,346

The District's fiscal year 2005 capital budget anticipates spending another $12.3 million for capital projects, principally in two areas:

- $12.0 million to continue the construction in progress related to the 2002 bond project
- $250,000 to continue the modernization of equipment through the general fund

Long-term Debt

At year-end the District had $40.0 million in general obligation bonds and other long-term debt outstanding – a decrease of 2.7 percent from last year. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

The District issued $25.5 million in general obligation bonds in November of 2002 for additions and remodeling to all of our facilities. The District repaid $2.0 million in general obligation bonds. In May of 2003 the District entered into the School Bond Loan Fund (SBLF) borrowing $804,000 to fully meet principal and interest payments. By using the SBLF the District is able to keep the millage rate for debt service at 7.000 mills until the taxable value of the District grows to the point where sufficient funds are generated to meet all obligations and the SBLF is fully repaid.

Table A-6
Plainwell Community Schools'
Outstanding Long-Term Debt
(in millions of dollars)

	2004	2003
General obligation debts (financed with property taxes)	$ 39.5	$ 40.1
Other	0.5	1.0
Total	40.0	41.1
Less due in one year	2.1	2.1
	$ 37.9	$ 39.0

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of four existing circumstances that could significantly affect its financial health in the future:

- The 2004-2005 foundation allowance has been finalized by the State of Michigan. The foundation allowance represents 84 percent of total District revenue. The weak state economy could create a pro-ration in state aid.
- The end of fiscal year 2004 marked the expiration of the last teacher's contract. Negotiations between the Board of Education and the Plainwell Education Association are on-going, however at this point in time a new agreement has not yet been reached. The District also has ongoing negotiations with several support personnel groups.
- The District is plaintiff with other school districts in a lawsuit against the State, seeking to rectify inequities in the formula the State uses to apportion special education aid to the districts.
- The student enrollment continues to be volatile.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Director of Finance, Plainwell Community School District, 600 School Drive, Plainwell MI 49080.

PLAINWELL COMMUNITY SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental activities
ASSETS	
CURRENT ASSETS:	
Cash	$ 350,166
Investments	20,257,354
Receivables:	
Accounts receivable	35,395
Accrued interest	143,266
Other governmental units	3,318,955
Taxes receivable	75,955
Inventories	9,299
Prepaid expenditures	12,370
TOTAL CURRENT ASSETS	24,202,760
NONCURRENT ASSETS:	
Issuance cost for bonds	230,651
Land and construction in process	9,294,579
Other capital assets, net of accumulated depreciation	24,156,621
TOTAL NONCURRENT ASSETS	33,681,851
TOTAL ASSETS	$ 57,884,611
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	$ 1,423,247
Accrued expenses	785,279
Accrued interest payable	357,776
Salaries payable	1,554,428
Deferred revenue	57,374
Note payable	2,300,000
Current portion of voluntary severance plan	100,000
Current portion of long-term obligations	2,000,000
Current portion of compensated absences	104,925
TOTAL CURRENT LIABILITIES	8,683,029
NONCURRENT LIABILITIES:	
Noncurrent portion of long-term obligations	37,467,575
Noncurrent portion of compensated absences	400,000
Unamortized premium	266,550
TOTAL NONCURRENT LIABILITIES	38,134,125
TOTAL LIABILITIES	46,817,154
NET ASSETS:	
Invested in capital assets net of related debt	9,213,782
Unrestricted	1,853,675
TOTAL NET ASSETS	11,067,457
TOTAL LIABILITIES AND NET ASSETS	$ 57,884,611

See notes to financial statements.

PLAINWELL COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

Functions/programs	Expenses	Program revenues: Charges for services	Program revenues: Operating grants	Governmental activities: Net (expense) revenue and changes in net assets
Governmental activities				
Instruction	$ 12,939,484	$	$ 422,741	$ (12,516,743)
Support services	7,110,552		117,251	(6,993,301)
Community services	455,349	452,792		(2,557)
Food services	716,097	468,757	265,099	17,759
Athletics	477,632	91,385		(386,247)
Interest	2,051,685			(2,051,685)
Unallocated depreciation	637,875			(637,875)
Total governmental activities	$ 24,388,674	$ 1,012,934	$ 805,091	(22,570,649)
General revenues				
Property taxes, levied for general purposes				1,901,823
Property taxes, levied for debt service				2,606,928
Investment earnings				397,571
State sources				17,004,385
Allegan ISD allocation				479,777
Other				122,728
Total general revenues				22,513,212
CHANGE IN NET ASSETS				(57,437)
NET ASSETS, beginning of year				11,124,894
NET ASSETS, end of year				$ 11,067,457

See notes to financial statements.

PLAINWELL COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General fund	2002 Capital Projects fund	Other nonmajor governmental funds	Total governmental funds
ASSETS				
ASSETS:				
Cash	$ 72,373	$ 58,264	$ 219,529	$ 350,166
Investments	3,883,615	16,372,684	1,055	20,257,354
Receivables:				
Accounts receivable	2,984		32,411	35,395
Accrued interest	9,379	133,887		143,266
Other governmental units	3,318,955			3,318,955
Taxes receivable	18,157		57,798	75,955
Due from other funds	62,539		29,867	92,406
Inventories			9,299	9,299
Prepaid expenditures	12,370			12,370
TOTAL ASSETS	$ 7,380,372	$ 16,564,835	$ 349,959	$ 24,295,166
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 93,767	$ 1,316,719	$ 12,761	$ 1,423,247
Accrued expenses	785,279			785,279
Accrued interest payable	20,137			20,137
Due to other funds	29,867		62,539	92,406
Salaries payable	1,554,428			1,554,428
Deferred revenue	75,531			75,531
Note payable	2,300,000			2,300,000
TOTAL LIABILITIES	4,859,009	1,316,719	75,300	6,251,028

	General fund	2002 Capital Projects fund	Other nonmajor governmental funds	Total governmental funds
FUND BALANCES:				
Reserved for debt service	$	$	$ 174,865	$ 174,865
Reserved for inventories			9,299	9,299
Reserved for prepaid expenditures	12,370			12,370
Designated for subsequent year's expenditures	370,742	15,248,116		15,618,858
Unreserved, undesignated	2,138,251		90,495	2,228,746
TOTAL FUND BALANCES	2,521,363	15,248,116	274,659	18,044,138
TOTAL LIABILITIES AND FUND BALANCES	$ 7,380,372	$ 16,564,835	$ 349,959	$ 24,295,166

Total Governmental Fund Balances			$ 18,044,138
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 are not reported in the funds			
The cost of capital assets is	$ 45,861,540		
Accumulated depreciation is	(12,410,340)		
			33,451,200
Long-term liabilities are not due and payable in the current period and are not reported in the funds			
Bonds payable			(39,467,575)
Deferred bond premiums			(284,913)
Issuance cost for bonds			246,539
Amortization-net			2,475
Voluntary severance plan			(100,000)
Compensated absences			(504,925)
Long-term accrued interest is not included as a liability in government funds, it is recorded when paid			(337,639)
Balance of taxes receivable at 6/30/04 less allowance for doubtful accounts, expected to be collected after September 1, 2004			18,157
Net assets of governmental activities			$ 11,067,457

See notes to financial statements.

PLAINWELL COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	General fund	2002 Capital projects fund	Other nonmajor governmental funds	Total governmental funds
REVENUES:				
Local sources:				
Property taxes	$ 1,888,849	$	$ 2,606,928	$ 4,495,777
Investment earnings	26,342	367,348	3,881	397,571
Tuition	45,626			45,626
Food sales and athletic admissions			540,556	540,556
Other local revenue	480,753		29,527	510,280
Total local sources	2,441,570	367,348	3,180,892	5,989,810
State sources	17,213,909		39,673	17,253,582
Federal sources	330,468		225,426	555,894
Incoming transfers	39,200			39,200
Intermediate sources	479,777			479,777
Total revenues	20,504,924	367,348	3,445,991	24,318,263
EXPENDITURES:				
Instruction:				
Basic programs	10,504,917			10,504,917
Added needs	1,987,675			1,987,675
Adult and continuing education	28,976			28,976
Total instruction	12,521,568			12,521,568
Supporting services				
Pupil	1,007,405			1,007,405
Instructional staff	701,908			701,908
General administration	426,330			426,330
School administration	1,231,095			1,231,095

	General fund	2002 Capital projects fund	Other nonmajor governmental funds	Total governmental funds
EXPENDITURES (Concluded):				
Supporting services (Concluded)				
Business services	$ 360,211	$	$	$ 360,211
Operation and maintenance	2,440,696			2,440,696
Transportation services	876,600			876,600
Other support services	328,987			328,987
Total supporting services	7,373,232			7,373,232
Community services	455,349			455,349
Special revenue:				
Food service			724,436	724,436
Athletics			450,807	450,807
Debt service:				
Principal retirement	29,400		2,000,000	2,029,400
Interest and fiscal charges			1,857,449	1,857,449
Capital outlay:				
Construction		9,232,512	18	9,232,530
Total expenditures	20,379,549	9,232,512	5,032,710	34,644,771
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	125,375	(8,865,164)	(1,586,719)	(10,326,508)
OTHER FINANCING SOURCES (USES):				
Proceeds from school bond loan fund			804,273	804,273
Proceeds from sale of assets	2,679			2,679
Operating transfers in from other fund			359,259	359,259
Operating transfers to other funds	(359,259)			(359,259)
Total other financing sources (uses)	(356,580)		1,163,532	806,952
NET CHANGE IN FUND BALANCES	(231,205)	(8,865,164)	(423,187)	(9,519,556)
FUND BALANCES:				
Beginning of year	2,752,568	24,113,280	697,846	27,563,694
End of year	$ 2,521,363	$ 15,248,116	$ 274,659	$ 18,044,138

See notes to financial statements.

PLAINWELL COMMUNITY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

Net change in fund balances total governmental funds	$ (9,519,556)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	(1,131,628)
Capital outlay	9,588,749
Proceeds from assets sold	(2,679)
Loss on sale of capital assets	(20,588)
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable beginning of the year	324,908
Accrued interest payable end of the year	(337,639)
Repayments of principal on long-term debt and issuance costs are expenditures in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).	
Repayment of principal on long-term debt	2,029,400
Proceeds from school bond loan fund	(804,273)
Amortization of bond premiums	11,397
Amortization of bond issuance cost	(9,862)
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available.	
Accrued revenue beginning of the year	(5,183)
Accrued revenue end of the year	18,157
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds.	
Accrued compensated absences beginning of the year	406,285
Accrued compensated absences end of the year	(504,925)
Accrued voluntary severance plan	(100,000)
Change in net assets of governmental activities	$ (57,437)

See notes to financial statements.

PLAINWELL COMMUNITY SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2004

	Agency funds
ASSETS	
Cash	$ 253,955
Investments	7,529
	$ 261,484
LIABILITIES	
Liabilities	
Due to student groups	$ 261,484

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Plainwell Community Schools (the "District") is governed by the Plainwell Community Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements No. 14 and No. 39.

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 District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as 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 or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services 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. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues.*

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

The District first utilizes restricted resources to finance qualifying activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government–wide and fund financial statements

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

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

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

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

Governmental Funds – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

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

The 2002 *capital projects fund* accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government–wide and fund financial statements (Continued)

Other Non-major Funds

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The 1998 *capital projects fund* accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

The capital projects funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.

The following is a summary of the revenue and expenditures in the Plainwell Community Schools capital projects from the inception of the fund through the current fiscal year:

	2002 Fund	1998 Fund
Revenue	$ 26,565,132	$ 21,805,311
Expenditures and transfers	$ 11,317,016	$ 21,805,311

The certificate of substantial completion was received on March 1, 2002 for the 1998 project.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government–wide statements.

The *private purpose trust fund* is accounted for using the accrual method of accounting. Private purpose trust funds account for assets where both the principal and interest may be spent. These funds are not reported on the District financial statements. The District has no private purpose trust funds.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

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. 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.

Modified Accrual Method

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

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

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2004, the foundation allowance was based on pupil membership counts taken in February and September of 2003.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2003 to August 2004. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

State Revenue

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

D. Other Accounting Policies

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

2. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2004, the District levied the following amounts per $1,000 of assessed valuation:

Fund	Mills
General Fund - Non-homestead	17.6440
Debt service fund - Homestead and non-homestead	7.0000

3. Inventories and Prepaid Expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. 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). All other outstanding balances between funds are reported as “due to/from other funds.”

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Significant assets have been estimated based on a professional appraisal. Donated fixed assets are valued at their estimated fair market value on the date received.

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. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 – 20 years

The District's capitalization policy is to capitalize individual amounts exceeding $1,000.

6. Compensated Absences

The District's policies generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

8. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

2. Public hearings are conducted to obtain taxpayer comments.

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any are noted in the required supplementary information section.

4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

5. Formal budgetary integration is employed as a management control device during the year for the general, special revenue and debt service funds.

6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2004. The District does not consider these amendments to be significant.

NOTE 3 - DEPOSITS, INVESTMENTS AND CREDIT RISK

Cash and cash equivalents are held separately in the name of the District by each of the District's funds.

Deposits

At year-end, the carrying amount of the District's deposits, were $349,836 and the bank balance was $502,861 of which $100,000 was covered by federal depository insurance and $402,861 was uninsured and uncollateralized. The District has $330 of petty cash on hand.

The carrying amount of fiduciary funds deposits were $261,484 and the bank balance was $261,360 none of which is covered by federal depository insurance and $261,484 was uninsured and uncollateralized.

Investments

The District's investments are categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agents in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District's name.

At year end, the fair value of the District's investment balance were as follows:

	Category			
	1	2	3	Fair value
Government notes	$ 4,996,675	$	$	
Bonds	10,335,645			
	$ 15,332,320	$	$	$ 15,332,320
Investments not subject to categorization:				
Investment in pooled investment funds				2,615,743
Guaranteed investment contract (Set aside as a requirement of the Michigan Municipal Bond Authority State Aid note program)				2,309,291
				$ 20,257,354

The District voluntarily invests certain excess funds in external pooled investment funds which includes money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2004, the fair value of the District's investments is the same as the value of the pool shares. Fair value approximates cost.

NOTE 3 - DEPOSITS, INVESTMENTS AND CREDIT RISK (Concluded)

A reconciliation of cash and investments is shown in the combined balance sheet as follows:

Cash on hand	$ 330
Carrying amount of deposits	349,836
Carrying amount of investments	20,257,354
	$ 20,607,520
Balance sheet presentation:	
Cash	$ 350,166
Investment	20,257,354
	$ 20,607,520

NOTE 4 – CAPITAL ASSETS

The following is a summary of the activity during the fiscal year:

	Balance June 30, 2003	Additions	Reclassification/ deletions	Balance June 30, 2004
Assets not being depreciated:				
Land	$ 285,494	$ -	$ -	$ 285,494
Construction in process	1,501,053	9,075,391	1,567,359	9,009,085
	1,786,547	9,075,391	1,567,359	9,294,579
Other capital assets:				
Building and improvements	30,025,623	1,197,000	13,018	31,209,605
Technology	2,466,468	47,017	51,500	2,461,985
School furnishings and equipment	854,098	229,365	22,604	1,060,859
Vehicles and buses	1,079,077	228,428	164,030	1,143,475
Outside equipment and construction	501,433	378,907	189,303	691,037
Total other capital assets	34,926,699	2,080,717	440,455	36,566,961
Accumulated depreciation:				
Building and improvements	8,356,951	503,918		8,860,869
Technology	1,569,159	416,555	51,260	1,934,454
School furnishings and equipment	566,550	97,397	21,514	642,433
Vehicles and buses	803,424	82,360	164,030	721,754
Outside equipment and construction	399,816	31,398	180,384	250,830
Total accumulated depreciation	11,695,900	1,131,628	417,188	12,410,340
Net other capital assets	23,230,799	949,089	23,267	24,156,621
Net capital assets	$25,017,346	$ 10,024,480	$ 1,590,626	$33,451,200

Amounts included in capital assets include only items greater than $1,000.

NOTE 4 – CAPITAL ASSETS (Concluded)

Depreciation for the fiscal year ended June 30, 2004 amounted to $1,131,628. The District allocated depreciation expense to the various activities as follows:

Instruction	$ 434,864
Support Services	40,983
Athletics	17,906
Unallocated	637,875
	$ 1,131,628

Unallocated depreciation represent the assets that serve multiple functions and thus it would be impractical to allocate the depreciation.

NOTE 5 - NOTE PAYABLE

At June 30, 2004 the District has outstanding a $2,300,000 revenue note (state aid note) dated August 21, 2003. The note, which has an interest rate of 1.4%, matures August 21, 2004. The District has $2,309,291 of funds on deposit with a financial institution, which are included in investments on the general fund balance sheet, to be applied against the $2,300,000 note. The note is secured by the full faith and credit of the District as well as pledged state aid. Subsequent to year end the District set aside an additional amount to pay off the note principal and related interest expense.

Balance June 30, 2003	Additions	Payments	Balance June 30, 2004
$ 2,000,000	$ 2,300,000	$ 2,000,000	$ 2,300,000

NOTE 6 - RECEIVABLES

Receivables at June 30 consist of the following:

	Total
Accounts receivable	$ 35,395
Accrued interest	143,266
Governmental units (primarily State of Michigan)	3,318,955
Taxes receivable	75,955
	$ 3,573,571

Amounts due from governmental units include amounts due from federal, state and local sources for various projects and programs.

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

NOTE 7 – LONG–TERM DEBT

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations currently outstanding are as follows:

1998 general obligation - bonds due in annual installments of $1,000,000 to $1,025,000 through May 1, 2018, with interest at 4.15% to 5.00%	$ 14,125,000
2002 general obligation - bonds due in annual installments of $1,000,000 through May 1, 2028, with interest at 3.00% to 5.50%	24,000,000
Total general obligation bonded debt	38,125,000
1998 limited obligation bonds (Durant bonds) due in annual installments of $18,794 to $84,896 through May 1, 2013, with interest at 4.76%. Certain State Aid payments have been pledged as security.	236,836
	38,361,836
School bond loan fund	1,105,739
Compensated absences/severance pay	604,925
Total general long-term debt	$ 40,072,500

NOTE 7 – LONG–TERM DEBT (Concluded)

The annual requirements to amortize long-term obligations outstanding exclusive of compensating absences as of June 30, 2004, including interest of $20,182,977 are as follows:

Year ending June 30,	Principal	Interest	Total
2005	$ 2,000,000	$ 1,785,637	$ 3,785,637
2006	2,084,896	1,752,089	3,836,985
2007	2,018,794	1,648,872	3,667,666
2008	2,019,693	1,565,477	3,585,170
2009	2,020,631	1,479,540	3,500,171
2010-2014	10,137,822	6,085,362	16,223,184
2015-2019	9,080,000	3,611,000	12,691,000
2020-2024	5,000,000	1,755,000	6,755,000
2025-2028	4,000,000	500,000	4,500,000
	38,361,836	$ 20,182,977	$ 58,544,813
School bond loan fund	1,105,739		
Compensated absences/severance pay	604,925		
	$ 40,072,500		

At June 30, 2004, net assets of $174,865 are available in the debt service funds to service the general obligation debt.

The following is a summary of long-term obligations for the District for the year ended June 30, 2004:

	Compensated Absences/ Severance Pay	Installment Notes	General Obligation Bonds	Limited Obligation Bonds	School bond Loan Fund	Total
Balance July 1, 2003	$ 406,285	$ 29,400	$ 40,125,000	$ 236,836	$ 301,466	$ 41,098,987
Additions	198,640				804,273	1,002,913
Deletions		29,400	2,000,000			2,029,400
Balance June 30, 2004	604,925	-	38,125,000	236,836	1,105,739	40,072,500
Less current portion	204,925		2,000,000			2,204,925
Total due after one year	$ 400,000	$ -	$ 36,125,000	$ 236,836	$ 1,105,739	$ 37,867,575

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Amounts due to and from other funds at June 30 are as follows:

Receivable fund	Amount	Payable fund	Amount
General Fund	$ 62,539	Food Service	$ 62,539
Food Service	29,867	General Fund	29,867
	$ 92,406		$ 92,406

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPSERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPSERS. The MPSERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPSERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan 48909 or by calling (517) 322-6000.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 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. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

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 benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2004 were 12.99% of payroll through September 30, 2003 and 12.99% effective October 1, 2003. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2004, 2003 and 2002 were $1,638,741, $1,615,363, and $1,489,541, respectively, equal to the required contribution for each year.

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Concluded)

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

Other Postemployment Benefits - Under the MPSERS' Act, all retirees have the option of continuing health, dental, and vision coverage.

NOTE 10 - RISK MANAGEMENT

The 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. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of $500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The District is self insured for dental and vision coverage. The current year expense for June 30, 2004 was $157,485. Any liability for incurred and unreported claims is considered immaterial.

NOTE 12 – TRANSFERS

The general fund transferred $359,259 to the athletics fund during the current fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

PLAINWELL COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2004

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
REVENUES:				
Local	$ 2,359,715	$ 2,471,533	$ 2,441,570	$ (29,963)
State sources	17,366,334	17,188,345	17,213,909	25,564
Federal sources	344,293	382,682	330,468	(52,214)
Incoming transfers	45,000	33,650	39,200	5,550
Intermediate sources	239,000	491,013	479,777	(11,236)
Total revenues	20,354,342	20,567,223	20,504,924	(62,299)
EXPENDITURES:				
Instruction:				
Basic programs	10,400,746	10,634,057	10,504,917	129,140
Added needs	2,066,400	2,140,023	1,987,675	152,348
Adult and continuing education	33,040	36,040	28,976	7,064
Total instruction	12,500,186	12,810,120	12,521,568	288,552
Supporting services:				
Pupil	996,938	1,021,638	1,007,405	14,233
Instructional staff	716,803	738,499	701,908	36,591
General administration	478,286	456,310	426,330	29,980
School administration	1,236,313	1,266,758	1,231,095	35,663
Business	397,671	396,283	360,211	36,072
Operations and maintenance	2,457,752	2,490,929	2,440,696	50,233
Transportation	720,589	876,807	876,600	207
Other support services	350,275	347,309	328,987	18,322
Total supporting services	7,354,627	7,594,533	7,373,232	221,301
Community services	459,072	492,568	455,349	37,219
Debt service:				
Principal payment	29,400	29,400	29,400	
Total expenditures	20,343,285	20,926,621	20,379,549	547,072
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	11,057	(359,398)	125,375	484,773
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of fixed assets			2,679	2,679
Operating transfers out	(381,799)	(369,000)	(359,259)	9,741
Total other financing sources (uses)	(381,799)	(369,000)	(356,580)	12,420
NET CHANGE IN FUND BALANCE	$ (370,742)	$ (728,398)	(231,205)	$ 497,193
FUND BALANCE:				
Beginning of year			2,752,568	
End of year			$ 2,521,363	

ADDITIONAL INFORMATION

PLAINWELL COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2004

	Special revenue	Debt service	1998 Capital projects	Total Nonmajor Governmental Funds
ASSETS				
ASSETS:				
Cash	$ 103,376	$ 116,153	$	$ 219,529
Investments		1,055		1,055
Accounts receivable	32,411			32,411
Taxes receivable		57,798		57,798
Due from other funds	29,867			29,867
Inventories	9,299			9,299
TOTAL ASSETS	$ 174,953	$ 175,006	$	$ 349,959
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 12,620	$ 141	$	$ 12,761
Due to other funds	62,539			62,539
TOTAL LIABILITIES	75,159	141		75,300
FUND BALANCES:				
Reserved for debt service		174,865		174,865
Reserved for inventories	9,299			9,299
Unreserved, undesignated	90,495			90,495
TOTAL FUND BALANCES	99,794	174,865		274,659
TOTAL LIABILITIES AND FUND BALANCES	$ 174,953	$ 175,006	$	$ 349,959

PLAINWELL COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2004

	Special revenue	Debt service	1998 Capital projects	Total nonmajor governmental funds
REVENUES:				
Local sources:				
Property taxes	$	$ 2,606,928	$	$ 2,606,928
Investment earnings		3,881		3,881
Food sales and athletic admissions	540,556			540,556
Other local revenue	29,527			29,527
Total local sources	570,083	2,610,809		3,180,892
State sources	39,673			39,673
Federal sources	225,426			225,426
Total revenues	835,182	2,610,809		3,445,991
EXPENDITURES:				
Current:				
Food service	724,436			724,436
Athletics	450,807			450,807
Debt service:				
Principal retirement		2,000,000		2,000,000
Interest and fiscal charges		1,856,138		1,856,138
Other		1,311		1,311
Capital outlay			18	18
Total expenditures	1,175,243	3,857,449	18	5,032,710
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(340,061)	(1,246,640)	(18)	(1,586,719)
OTHER FINANCING SOURCES:				
Proceeds from school bond loan fund		804,273		804,273
Operating transfers from other funds	359,259			359,259
Total other financing sources	359,259	804,273		1,163,532
NET CHANGE IN FUND BALANCES	19,198	(442,367)	(18)	(423,187)
FUND BALANCES:				
Beginning of year	80,596	617,232	18	697,846
End of year	$ 99,794	$ 174,865	$	$ 274,659

PLAINWELL COMMUNITY SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004
WITH COMPARATIVE TOTALS FOR JUNE 30, 2003

ASSETS	School lunch fund	Athletics Fund	Total 2004	Total 2003
Cash	$ 100,947	$ 2,429	$ 103,376	$ 50,019
Accounts receivable	32,302	109	32,411	4,379
Due from other governmental units				27,708
Due from other funds	29,867		29,867	30,916
Inventories	9,299		9,299	10,155
	$ 172,415	$ 2,538	$ 174,953	$ 123,177
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 12,118	$ 502	$ 12,620	$ 5,108
Due to other funds	62,539		62,539	37,473
TOTAL LIABILITIES	74,657	502	75,159	42,581
FUND BALANCES:				
Reserved for inventories	9,299		9,299	10,155
Unreserved, undesignated	88,459	2,036	90,495	70,441
TOTAL FUND BALANCES	97,758	2,036	99,794	80,596
	$ 172,415	$ 2,538	$ 174,953	$ 123,177

PLAINWELL COMMUNITY SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2004
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2003

	School lunch fund	Athletics fund	Total 2004	Total 2003
REVENUES:				
Food service sales	$ 242,300	$	$ 242,300	$ 229,111
Adult food service sales	7,020		7,020	8,205
Ala carte and milk sales	208,810		208,810	185,640
Reduced meal services	10,627		10,627	9,583
State aid	39,673		39,673	34,657
Federal aid	225,426		225,426	222,674
Athletic activities		71,799	71,799	65,197
Other	9,941	19,586	29,527	23,715
Total revenues	743,797	91,385	835,182	778,782
EXPENDITURES:				
Salaries	152,948	289,283	442,231	430,160
Benefits	35,658	57,301	92,959	90,837
Purchased services	88,814	60,397	149,211	144,319
Supplies and materials	376,955	35,646	412,601	398,856
Capital outlay	30,464	8,180	38,644	10,121
Other	39,597		39,597	37,908
Total expenditures	724,436	450,807	1,175,243	1,112,201
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	19,361	(359,422)	(340,061)	(333,419)
OTHER FINANCING SOURCES:				
Operating transfer in from general func		359,259	359,259	352,425
NET CHANGE IN FUND BALANCES	19,361	(163)	19,198	19,006
FUND BALANCES, beginning of year	78,397	2,199	80,596	61,590
FUND BALANCES, end of year	$ 97,758	$ 2,036	$ 99,794	$ 80,596

PLAINWELL COMMUNITY SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004
WITH COMPARATIVE TOTALS FOR JUNE 30, 2003

	Debt service funds		Totals	
ASSETS	**2002**	**1998**	**2004**	**2003**
Cash	$ 68,660	$ 47,493	$ 116,153	$ 141,383
Investments	316	739	1,055	426,281
Taxes receivable	34,059	23,739	57,798	50,259
	$ 103,035	$ 71,971	$ 175,006	$ 617,923
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 141	$	$ 141	$ 691
Fund balances				
Reserved for debt service	102,894	71,971	174,865	617,232
	$ 103,035	$ 71,971	$ 175,006	$ 617,923

PLAINWELL COMMUNITY SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2004
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2003

	Debt service funds		Totals	
	2002	**1998**	**2004**	**2003**
REVENUES:				
Local sources:				
Property taxes	$ 1,537,085	$ 1,069,843	$ 2,606,928	$ 2,477,271
Investment income	1,858	2,023	3,881	7,347
Total revenues	1,538,943	1,071,866	2,610,809	2,484,618
EXPENDITURES:				
Principal retirement	1,000,000	1,000,000	2,000,000	1,510,000
Interest on bonded debt	1,145,500	710,638	1,856,138	1,269,274
Other	441	870	1,311	3,112
Total expenditures	2,145,941	1,711,508	3,857,449	2,782,386
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(606,998)	(639,642)	(1,246,640)	(297,768)
OTHER FINANCING SOURCES:				
Proceeds from school bond loan fund	665,223	139,050	804,273	301,466
Proceeds from premium on bonds				149,027
Total other financing sources	665,223	139,050	804,273	450,493
NET CHANGE IN FUND BALANCES	58,225	(500,592)	(442,367)	152,725
FUND BALANCES:				
Beginning of year	44,669	572,563	617,232	464,507
End of year	$ 102,894	$ 71,971	$ 174,865	$ 617,232

PLAINWELL COMMUNITY SCHOOLS
1998 NONMAJOR CAPITAL PROJECTS FUND
BALANCE SHEET
JUNE 30, 2004
WITH COMPARATIVE TOTALS FOR JUNE 30, 2003

	2004	2003
ASSETS		
Cash	$	$
Investments		18
	$	$ 18
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	$	$
Fund balance:		
Unreserved, undesignated		18
	$	$ 18

Note - Construction was completed in 2003

PLAINWELL COMMUNITY SCHOOLS
1998 NONMAJOR CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2004
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2003

	2004	2003
REVENUES:		
Investment income	$	$ 2,733
EXPENDITURES:		
Capital outlay		
Construction	18	196,597
Arbitrage		201,520
Total expenditures	18	398,117
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(18)	(395,384)
FUND BALANCE, beginning of year	18	395,402
FUND BALANCE, end of year	$	$ 18

Note - Construction was completed in 2003

PLAINWELL COMMUNITY SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2004

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Admin. Flower fund	$	$ 560	$ 27	$ 533
Alt. Ed. Activity fund	1,896	1,339	1,419	1,816
Bus garage lounge/pop machine	412	712	990	134
Community Education-senior citizens	5,285	9,493	9,195	5,583
Cooper-activities	5,480	9,293	9,887	4,886
Cooper-library fund	986	1,267	211	2,042
Gilkey-earth shuttle	12,221			12,221
Gilkey-general activities	2,359	4,945	5,276	2,028
Gilkey-Ismond environmental	4,690	4,286	2,694	6,282
Gilkey-library	872	187	249	810
Gilkey-5th grade activity	1,145	1,376	1,197	1,324
Gilkey-school store	315	238	472	81
Gilkey-teachers lounge	1,565	1,125	299	2,391
GRASP activity account		2,053	2,053	
High school:				
Art	286	108	203	191
Athl-baseball	1,010	4,100	3,902	1,208
Athl-basketball men's	763	3,705	4,373	95
Athl-basketball women's	432	8,050	7,848	634
Athl-boosters account		7,651	4,260	3,391
Athl-cheerleading	845	4,615	4,778	682
Athl-golf men's		1,790	1,790	
Athl-soccer men's		4,553	3,409	1,144
Athl-soccer women's	750	2,692	2,521	921
Athl-softball	80	1,049	700	429
Athl-tennis men's			6	(6)
Athl-tennis women's		892	752	140
Athl-track men's		2,550	1,874	676
Athl-track women's	(22)		672	(694)
Athl-volleyball	712	10,835	6,304	5,243

PLAINWELL COMMUNITY SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2004

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
High school (Continued):				
Athletic concessions	$ 4,908	$ 14,057	$ 13,626	$ 5,339
Auto shop	13	2,179	1,330	862
Band Council	10,695	1,967	12,626	36
Bookstore	8,557	7,660	8,288	7,929
Choir	10,468	36,052	31,233	15,287
Class of 2000	358			358
Class of 2001	242			242
Class of 2002	1,734			1,734
Class of 2003	6,445	10		6,455
Class of 2004	3,124	1,177	4,000	301
Class of 2005	4,206	11,773	7,495	8,484
Class of 2006	1,176	5,287	3,207	3,256
Class of 2007	515	4,518	3,782	1,251
Class of 2008		450		450
Culture club	490		176	314
Drafting	799	85		884
Duane Strobl memorial	160			160
EMI/AI	35			35
Fine arts department	325			325
Football	253	10,749	3,909	7,093
Former classes	1,815			1,815
French club	3,632	2,414	2,281	3,765
General activities	702	6,225	5,113	1,814
Grad Bash	5	1,152	708	449
Island City Café	948	1,823	699	2,072
Jean scholarship fund	166	227	250	143
Lasher memorial	1,142	11		1,153
Library	555	31	480	106
Math supply account	42			42

PLAINWELL COMMUNITY SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2004

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
High School (Concluded):				
Metal shop	$ 1,136	$	$	$ 1,136
Miscellaneous	8,556	2,370	2,473	8,453
National honor society	594	7,419	6,608	1,405
P.A.L.S.	452	559	708	303
Pepsi scholarship fund		1,000	500	500
Play	3,108		500	2,608
Race team	716			716
Resource room	212	756		968
S.A.D.D.	403			403
School store-Post 1997	6,217	7,343	3,882	9,678
School store-Pre 1997	(798)	798		
Senior fees	1,462	5,563	3,965	3,060
Spanish club	3,059	1,383	100	4,342
Student senate	4,220	7,683	9,009	2,894
Swimming (Newman)	6,475	4,738	7,801	3,412
Swimming memorial - Robert O'Leary		435		435
Teachers Lounge	107	669	391	385
Trojan	12,183	42,882	29,836	25,229
Trojan Torch	1,523	5,435	4,537	2,421
Varsity club	3,629	5,810	4,740	4,699
Video Club	1,287			1,287
Wood shop	4,709	3,166	2,663	5,212
Wrestling activity fund	565	2,008	2,049	524
Wrestling T. Picket memorial		605		605
Middle school:				
Administrator's team	(88)	39	23	(72)
Athletic concessions	2,445	4,051	3,081	3,415
Band	21	2,384	2,164	241
Book fines	3,276	151	88	3,339
Gym locks	1			1

PLAINWELL COMMUNITY SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2004

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Middle school (Concluded):				
Home Ec	$ 3	$	$	$ 3
Library	2,605	801	256	3,150
Money for many		600	56	544
Parents Group	60			60
Photography	106			106
Pop/teachers	432	536	10	958
Related arts	884	901	891	894
Ski Club	4,447	5,938	6,771	3,614
Student activities	12,188	43,637	44,832	10,993
Student Council	1,287	7,632	8,449	470
Student recognition	345	450	423	372
Student services	786	901	7	1,680
Team 1	326	901	1,000	227
Team 2	371	1,201	1,470	102
Team 3	536	1,270	1,327	479
Team 4	817	1,088	1,335	570
Team 5	705	1,351	991	1,065
Team 6	418	1,051	821	648
Wood shop	442	39	16	465
Needy Children's Fund	1,208			1,208
Ski Club-Elementary	2,520	3,684	3,073	3,131
Starr:				
Chicago Trip	1,172			1,172
Florida Trip	32			32
General activities	2,009	9,690	5,903	5,796
Library fund	268	62	118	212
Memorials (Allen & Brus)	2,537	52	57	2,532
Supplies plus (school store)	1,155	2,001	1,301	1,855
Teachers Lounge	1,626	2,720	791	3,555
Streidl Scholarship Fund	(247)	13		(234)
Welcher Scholarship Fund	2,113	74	300	1,887
TOTAL AGENCY FUNDS	$ 212,213	$ 391,151	$ 341,880	$ 261,484

PLAINWELL COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – 1998 DEBT
YEAR ENDED JUNE 30, 2004

Year ending June 30,	Interest rate	Principal amount	Interest amount	Total
2005	4.15%	$ 1,000,000	$ 670,137	$ 1,670,137
2006	4.25%	1,000,000	628,637	1,628,637
2007	5.00%	1,000,000	586,138	1,586,138
2008	5.00%	1,000,000	536,137	1,536,137
2009	4.50%	1,000,000	486,138	1,486,138
2010	4.60%	1,000,000	441,137	1,441,137
2011	4.65%	1,000,000	395,138	1,395,138
2012	4.70%	1,015,000	348,637	1,363,637
2013	4.80%	1,015,000	300,933	1,315,933
2014	4.75%	1,015,000	252,212	1,267,212
2015	5.00%	1,015,000	204,000	1,219,000
2016	5.00%	1,015,000	153,250	1,168,250
2017	5.00%	1,025,000	102,500	1,127,500
2018	5.00%	1,025,000	51,250	1,076,250
Total		$ 14,125,000	$ 5,156,244	$ 19,281,244

Principal payments due on first day of May

Interest payments due on first day of May and November

Original issue - November 30, 1998 $ 19,660,000

Purpose – Construction, remodeling and improvement of school facilities.

PLAINWELL COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – 2002 DEBT
YEAR ENDED JUNE 30, 2004

Year ending June 30,	Interest rate	Principal amount	Interest	Total
2005	3.00%	$ 1,000,000	$ 1,115,500	$ 2,115,500
2006	3.00%	1,000,000	1,085,500	2,085,500
2007	3.25%	1,000,000	1,055,500	2,055,500
2008	3.50%	1,000,000	1,023,000	2,023,000
2009	4.00%	1,000,000	988,000	1,988,000
2010	4.00%	1,000,000	948,000	1,948,000
2011	4.00%	1,000,000	908,000	1,908,000
2012	4.10%	1,000,000	868,000	1,868,000
2013	4.20%	1,000,000	827,000	1,827,000
2014	5.50%	1,000,000	785,000	1,785,000
2015	5.50%	1,000,000	730,000	1,730,000
2016	5.50%	1,000,000	675,000	1,675,000
2017	5.50%	1,000,000	620,000	1,620,000
2018	5.50%	1,000,000	565,000	1,565,000
2019	5.50%	1,000,000	510,000	1,510,000
2020	5.50%	1,000,000	455,000	1,455,000
2021	5.00%	1,000,000	400,000	1,400,000
2022	5.00%	1,000,000	350,000	1,350,000
2023	5.00%	1,000,000	300,000	1,300,000
2024	5.00%	1,000,000	250,000	1,250,000
2025	5.00%	1,000,000	200,000	1,200,000
2026	5.00%	1,000,000	150,000	1,150,000
2027	5.00%	1,000,000	100,000	1,100,000
2028	5.00%	1,000,000	50,000	1,050,000
Total		$ 24,000,000	$ 14,958,500	$ 38,958,500

Principal payments due on first day of May

Interest payments due on first day of May and November

Original issue - November 20, 2002 $ 25,510,000

Purpose – Construction, remodeling and improvement of school facilities.

PLAINWELL COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – 1998 DEBT
1998 SCHOOL IMPROVEMENT BONDS (DURANT)
YEAR ENDED JUNE 30, 2004

Year ending June 30,	Interest rate	Principal amount	Interest amount	Total
2004	4.76%	$ -	$ -	$ -
2005				
2006		84,896	37,952	122,848
2007		18,794	7,234	26,028
2008		19,693	6,340	26,033
2009		20,631	5,402	26,033
2010		21,613	4,419	26,032
2011		22,642	3,391	26,033
2012		23,719	2,312	26,031
2013		24,848	1,183	26,031
Total		$ 236,836	$ 68,233	$ 305,069

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorized the payment of the State Aid Payments directly to the Authority's Depository.

PLAINWELL COMMUNITY SCHOOLS
SCHEDULE OF BORROWINGS-STATE OF MICHIGAN
SCHOOL BOND LOAN FUND
JUNE 30, 2004

Year ended June 30,	Loan proceeds	Accrued interest	Net increase	Balance
2003	$ 301,466	$ 1,700	$ 301,466	$ 301,466
2004	804,273	17,959	804,273	1,105,739

PLAINWELL COMMUNITY SCHOOLS

ADDITIONAL REPORTS REQUIRED BY

OMB CIRCULAR A-133

YEAR ENDED JUNE 30, 2004

C O N T E N T S

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Maner, Costerisan & Ellis, P.C.
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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education
Plainwell Community Schools
Plainwell, Michigan

July 30, 2004

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Plainwell Community Schools as of and for the year ended June 30, 2004, which collectively comprise Plainwell Community Schools basic financial statements and have issued our report thereon dated July 30, 2004. 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Plainwell Community Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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To the Board of Education July 30, 2004
Plainwell Community Schools

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

Maney, Costerisan & Ellis, P.C.

Certified Public Accountants

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

To the Board of Education
Plainwell Community Schools
Plainwell, Michigan

July 30, 2004

Compliance

We have audited the compliance of Plainwell Community 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, 2004. Plainwell Community 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 Plainwell Community Schools' management. Our responsibility is to express an opinion on Plainwell Community 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 Plainwell Community 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 of Plainwell Community Schools' compliance with those requirements.

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To the Board of Education
Plainwell Community Schools

July 30, 2004

In our opinion, Plainwell Community Schools complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Plainwell Community Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Plainwell Community Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Plainwell Community Schools as of and for the year ended June 30, 2004, and have issued our report thereon dated July 30, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Maney, Costerisan & Ellis, P.C.

Certified Public Accountants

PLAINWELL COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass-through grantor's amount	Approved grant award amount	Accrued (deferred) revenue July 1, 2003	Prior year expenditures	Current year expenditures	Current year cash receipts	Accrued (deferred) revenue June 30, 2004
U.S. Department of Agriculture:								
Passed through Michigan Department of Education:								
Child Nutrition Cluster:								
National School Lunch Program - Section 4	10.555	031950	$ 42,533	$ 6,124	$ 36,274	$ 6,259	$ 12,383	$
National School Lunch Program - Section 4		041950	38,579			38,579	38,579	
National School Lunch Program - Section 11		031960	106,177	18,183	88,528	17,649	35,832	
National School Lunch Program - Section 11		041960	112,758			112,758	112,758	
			300,047	24,307	124,802	175,245	199,552	
National School Lunch Program - Breakfast	10.553	031970	21,133	3,401	18,735	2,398	5,799	
National School Lunch Program - Breakfast		041970	19,175			19,175	19,175	
			40,308	3,401	18,735	21,573	24,974	
Total Child Nutrition Cluster			340,355	27,708	143,537	196,818	224,526	
Food distribution:								
Entitlement Commodities	10.550		34,781			23,631	23,631	
Bonus Commodities			4,977			4,977	4,977	
			39,758			28,608	28,608	
Total U.S. Department of Agriculture			380,113	27,708	143,537	225,426	253,134	
U.S. Department of Education:								
Passed through Michigan Department of Education:								
E.C.I.A. Title I	84.010	041530-0304	212,084			177,383	97,963	79,420
E.C.I.A. Title I-Carryover		031530-0304	20,470			20,470	20,470	
E.C.I.A. Title I		031530-0203	184,112	39,824	183,374	738	40,562	
			416,666	39,824	183,374	198,591	158,995	79,420

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass-through grantor's amount	Approved grant award amount	Accrued (deferred) revenue July 1, 2003	Prior year expenditures	Current year expenditures	Current year cash receipts	Accrued (deferred) revenue June 30, 2004
U.S. Department of Education (Concluded):								
Title V LEA Allocation	84.298	030250-0203	$ 1,693	$ 729	$	$ 964	$ 1,693	$
Title V LEA Allocation	84.298	030250-0304	545			545	545	
Title V LEA Allocation	84.298	040250-0304	2,281			1,378	1,222	156
			4,519	729		2,887	3,460	156
Technical Literacy Challenge Fund	84.318	034290-0304	5,157					
Technical Literacy Challenge Fund	84.318	034290-0304	2,408			877	877	
Technical Literacy Challenge Fund	84.318	034290-0203	3,495		2,895	600	600	
			11,060		2,895	1,477	1,477	
Class size reduction program	84.340	021450-0203	52,992	740	52,252		740	
Title IIA, Improving Teacher Quality	84.367	030520-0203	83,188	10,466	77,526	5,662	16,128	
		030520-0304	9,382			9,382	9,382	
		040520-0304	94,305			84,083	37,889	46,194
			186,875	10,466	77,526	99,127	63,399	46,194
Total passed through Michigan Department of Education			672,112	51,759	316,047	302,082	228,071	125,770
Passed through Allegan County Intermediate School District:								
Transition Services	84.027	040490-1TS	1,030			1,030	1,030	
Preschool Incentive	84.173	040460-1	16,853			16,853	16,853	
Total passed through Allegan County Intermediate School District			17,883			17,883	17,883	
Passed through Ottawa County Intermediate School District:								
Safe and Drug Free School and Communities Act	84.186		10,515			10,503	10,503	
Total U.S. Department of Education			700,510	51,759	316,047	330,468	256,457	125,770
TOTAL FEDERAL AWARDS			$ 1,080,623	$ 79,467	$ 459,584	$ 555,894	$ 509,591	$ 125,770

See notes to schedule of expenditures of federal awards

PLAINWELL COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

NOTES:

1. Basis of presentation - The accompanying schedule of expenditures of federal awards includes the grant activity of Plainwell Community Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.

2. Title I, CFDA # 84.010 was audited as a major program.

3. Major programs represent 36% of federal expenditures.

4. The threshold for distinguishing Type A and Type B programs was $300,000.

5. Management has utilized the Grant Section Auditors' Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards.

6. Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	$ 330,468
Other nonmajor governmental funds	225,426
	$ 555,894

PLAINWELL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unqualified*

Internal control over financial reporting

* Material weakness(es) identified: ____ Yes _X_ No

* Reportable condition(s) identified that are 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

* Reportable condition(s) identified that are not considered to be material weakness(es)? ____ Yes _X_ None reported

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

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? ____ Yes _X_ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee? _X_ Yes ____ No

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

PLAINWELL COMMUNITY SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2004

There were no prior audit findings for the year ended June 30, 2003.

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July 30, 2004

To the Board of Education
Plainwell Community Schools
Plainwell, Michigan

In planning and performing our audit of the financial statements of Plainwell Community Schools for the year ended June 30, 2004, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated July 30, 2004, on the financial statements of Plainwell Community Schools.

Government Accounting Standards Board (GASB) Statement #40 "*Deposit and Investment Risk Disclosure*"

Effective June 30, 2005, governmental entities will be required to expand their current disclosure requirements addressing common risks of the deposit and investments. The disclosure requirements apply to debt and an equity investment held directly by the entity or indirectly by investment advisors and requires that a government entity disclose investment policies that are related to custodial credit risk, custodial risk, concentration of credit risk, interest rate risk, and foreign currency risk. If the entity has adopted no policy with respect to a particular risk, that fact should be part of the disclosure.

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The District should review its investment policies to determine all common risks areas are identified and the appropriate level of risk of each area is quantified.

Financial Information Database (FID) Filing

The Center for Educational Performance and Information (CEPI) is preparing for the implementation of a new upload application/database for financial reporting for school districts in Michigan. This new application/database is called the Financial Information Database (FID). This submission is due November 15, 2004. The EDN/Form B submission process has been eliminated and is no longer available. We strongly recommend your filing be done earlier this year to ensure all changes have been accepted. The penalty for late filing is withholding of your state aid by the State of Michigan.

Monitoring Internal Controls

Due to turnover in key financial positions, the implementation of internal controls becomes a much more important item. During the time of employees filling in or new employees being hired, the risk of errors or unintentional omissions will increase. Continue to set the proper tone from the top by placing the necessary importance on internal controls and proper training in appropriate areas.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of Plainwell Community Schools, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours

Maney, Costerisan & Ellis, P.C.

Maner, Costerisan & Ellis, P.C.
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August 2, 2004

To the Finance Committee
Plainwell Community Schools
Plainwell, Michigan

We have audited the financial statements of the Plainwell Community Schools for the year ended June 30, 2004, and have issued our report thereon dated August 2, 2004. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated May 18, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. Generally Accepted Accounting Standards. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

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

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

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2. Significant Accounting Policies

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

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were estimated fixed assets lives for depreciation and the allocation of expenses among the various funds, as well as compensated absences.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Plainwell Community School's financial reporting process (that is, cause future financial statements to be materially misstated). There were no significant entries made during the course of the audit.

5. Disagreements with Management

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

6. Consultations with Other Independent Accountants

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

7. Issues Discussed Prior to Retention of Independent Auditors

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

8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Finance Committee, Board of Directors, and management of the Plainwell Community Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Maner, Costerisan & Ellis, P.C.

(j:\lm\2004\Plainwell-SAS)