

**PLAINWELL COMMUNITY SCHOOLS**  
**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary and additional information)**  
**YEAR ENDED JUNE 30, 2007**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Plainwell Community Schools  
Plainwell, Michigan

October 19, 2007

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, 2007, 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 opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Plainwell Community Schools as of June 30, 2007 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.

To the Board of Education  
Plainwell Community Schools  
Plainwell, Michigan

October 19, 2007

In accordance with *Government Auditing Standards*, we have also issued our report October 19, 2007, on our consideration of Plainwell Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages vi through xii and page 28 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Plainwell Community Schools' basic financial statements. The additional information on pages 30 to 46 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.

A handwritten signature in black ink that reads "Mamer, Costenizer & Ellis, P.C." The signature is written in a cursive style with a large initial 'M' and a distinct 'E'.

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Plainwell Community School's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2007. 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, 2007, the District's general fund, fund balance has reached 13.4% of expenditures and outgoing transfers or \$3 million dollars.

Total general fund revenues were \$23 million dollars, which was greater than the general fund expenditures and transfers of \$22.8 million dollars by \$204,098. Revenues for the 2006-2007 school year increased by .5% over the previous year while expenditures increased .4% over the previous year.

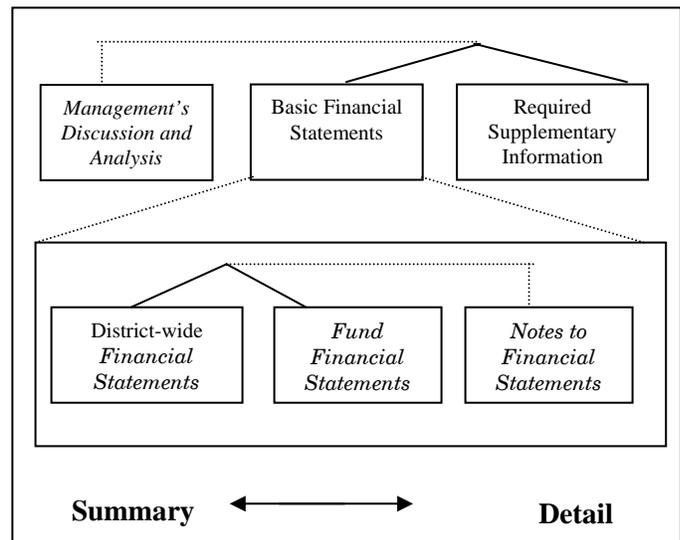
Enrollment decreased slightly during the 2006-2007 school year bringing the blended enrollment of the District to 2,904 students. Student enrollment is projected to stay the same over the next several years.

### 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.

<b>Figure A-2</b>			
<b>Major Features of District-Wide and Fund Financial Statements</b>			
	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 higher on June 30, 2007 than they were the year before increasing approximately 5% or \$12.9 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.

<b>Table A-3</b>		
<b>Plainwell Community Schools' Net Assets</b>		
	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 9,612,130	\$ 9,236,482
Capital assets and other	<u>45,778,554</u>	<u>46,610,061</u>
Total assets	<u>55,390,684</u>	<u>55,846,543</u>
Long-term liabilities	35,170,460	36,205,727
Other liabilities	<u>7,237,214</u>	<u>7,362,552</u>
Total liabilities	<u>42,407,674</u>	<u>43,568,279</u>
Net assets:		
Invested in capital assets, net of related debt	10,342,851	9,970,116
Unrestricted	<u>2,640,159</u>	<u>2,308,148</u>
Total net assets	<u>\$ 12,983,010</u>	<u>\$ 12,278,264</u>

<b>Table A-4</b>		
<b>Changes in Plainwell Community Schools' Net Assets</b>		
	<u>2007</u>	<u>2006</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,097,816	\$ 1,111,949
Federal and state categorical grants	1,009,168	953,524
General revenues:		
Property taxes	5,313,722	4,972,804
State aid - unrestricted	18,839,646	18,225,727
Other	<u>1,015,099</u>	<u>912,838</u>
Total revenues	<u>27,275,451</u>	<u>26,176,842</u>
Expenses:		
Instruction	14,213,057	13,592,946
Support services	7,612,911	7,452,561
Community services	526,383	510,062
Food services	759,423	749,322
Athletics	625,319	506,926
Interest on long-term debt	1,563,962	1,861,672
Unallocated depreciation	<u>1,269,650</u>	<u>607,769</u>
Total expenses	<u>26,570,705</u>	<u>25,281,258</u>
Change in net assets	<u>\$ 704,746</u>	<u>\$ 895,584</u>

## **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 \$7,085 per student in 2007. The State of Michigan increased funding to the District of \$210 per student.

Student overall growth in the District has been ongoing. The student count in September 1995 was 2,643 and has grown by 10% to 2,904 in September of 2006.

The District has continued to go through budget reductions each of the past few years. Expenditures were reduced by approximately \$250,000 - \$500,000 in years 2002 through 2007. The District has strived to restructure programs and services to balance state revenues with expenditures. With the State's uncertain revenue structure the District has reduced expenditures to maintain sufficient fund to survive a State proration.

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. 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 \$4.8 million, above last year's ending fund balances of \$4.5 million. The major portion of this increase was because of a healthier fund balance and the need for operational borrowing was decreased. Excluding the capital projects fund, the fund balance for the combined governmental funds (general fund, debt service fund and special revenue funds) of the District increased by \$584,441 or (18%) for 2007.

### **General Fund Budgetary Highlights**

During the 2007 fiscal year the District budget was amended twice to reflect changes which affected the District. The initial amendment took place in November 2006, taking into account student enrollment and staffing levels. Uncertain State revenues led to reductions in spending.

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. The actual year end balances showed a variance in budgeted revenues of .002 and a variance in budgeted expenditures of 1.5% overall. While working within the restraints of state funding, the District still maintained a fund balance above the Board's set goal of 10% and maintained all critical instructional and support services.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

By the end of 2007, the District had invested \$45.28 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 decrease of \$0.9 million, or 2 percent, from last year. (More detailed information about capital assets can be found in Note 5 to the financial statements.) Total depreciation expense for the year exceeded \$1.7 million.

	2007		2006	
	Cost	Accumulated depreciation	Net book value	Net of depreciation
Land	\$ 476,352	\$	\$ 476,352	\$ 285,494
Construction in progress				23,408,056
Buildings	52,871,460	11,323,409	41,548,051	21,116,748
Equipment and furniture	8,105,768	4,844,196	3,261,572	1,406,636
Net capital assets	\$ 61,453,580	\$ 16,167,605	\$ 45,285,975	\$ 46,216,934

The District's fiscal year 2007 capital budget anticipates spending another \$1 million for capital projects, principally to continue the construction in progress related to the 2002 bond project.

### Long-term Debt

At year-end the District had \$37.4 million in general obligation bonds and other long-term debt outstanding - a decrease of 9.7 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 \$1,400,000 to fully meet principal and interest payments. The current SBLF and School Bond Revolving Fund (SBRF) balance is \$3.8 million. By using the SBLF and the SBRF 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.

<b>Table A-6</b>		
<b>Plainwell Community Schools'</b>		
<b>Outstanding Long-Term Debt</b>		
<i>(in millions of dollars)</i>		
	2007	2006
General obligation debts (financed with property taxes)	\$ 36.8	\$ 37.9
Other	0.6	0.5
Total	37.4	38.4
Less due in one year	2.2	2.2
	<u>\$ 35.2</u>	<u>\$ 36.2</u>

#### **FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- The 2007-2008 foundation allowance has not 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.
- Student counts are always uncertain. The District has experienced a slight gain in students for 2007-2008.
- 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.

#### **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, 2007**

	<b>Governmental activities</b>
<b>ASSETS</b>	
<b>CURRENT ASSETS:</b>	
Cash	\$ 3,291,573
Investments	1,459,890
Investments - restricted for capital projects	1,181,800
Receivables:	
Accounts receivable	102
Accrued interest	19,368
Other governmental units	3,559,364
Taxes receivable	50,092
Due from student funds	7,707
Inventories	234
Prepaid expenditures	42,000
	<b>9,612,130</b>
<b>NONCURRENT ASSETS:</b>	
Issuance cost for bonds - net of amortization	492,579
Land	476,352
Other capital assets, net of accumulated depreciation	44,809,623
	<b>45,778,554</b>
<b>TOTAL ASSETS</b>	<b>\$ 55,390,684</b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES:</b>	
Accounts payable	\$ 379,968
Accrued expenses	742,994
Accrued interest payable	325,293
Deferred revenue	13,608
Salaries payable	2,072,603
Note payable	1,500,000
Current portion of long-term obligations	2,000,000
Current portion of compensated absences/severance pay	202,748
	<b>7,237,214</b>
<b>NONCURRENT LIABILITIES:</b>	
Noncurrent portion of long-term obligations	34,820,672
Noncurrent portion of compensated absences/severance pay	349,788
	<b>35,170,460</b>
<b>TOTAL LIABILITIES</b>	<b>42,407,674</b>
<b>NET ASSETS:</b>	
Invested in capital assets net of related debt	10,342,851
Unrestricted	2,640,159
	<b>12,983,010</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 55,390,684</b>

See notes to financial statements.

**PLAINWELL COMMUNITY SCHOOLS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007**

<b>Functions/programs</b>	<b>Expenses</b>	<b>Program revenues</b>		<b>Governmental activities</b>
		<b>Charges for services</b>	<b>Operating grants</b>	<b>Net (expense) revenue and changes in net assets</b>
Governmental activities:				
Instruction	\$ 14,213,057	\$	\$ 481,946	\$ (13,731,111)
Support services	7,612,911		184,075	(7,428,836)
Community services	526,383	434,682		(91,701)
Food services	759,423	523,203	343,147	106,927
Athletics	625,319	139,931		(485,388)
Interest	1,563,962			(1,563,962)
Unallocated depreciation	1,269,650			(1,269,650)
Total governmental activities	<u>\$ 26,570,705</u>	<u>\$ 1,097,816</u>	<u>\$1,009,168</u>	<u>(24,463,721)</u>
General revenues:				
Property taxes, levied for general purposes				2,256,887
Property taxes, levied for debt service				3,056,835
Investment earnings				348,077
State sources				18,839,646
Allegan ISD allocation				395,574
Other				289,672
Loss on sale of assets				(18,224)
Total general revenues				<u>25,168,467</u>
<b>CHANGE IN NET ASSETS</b>				704,746
<b>NET ASSETS, beginning of year</b>				<u>12,278,264</u>
<b>NET ASSETS, end of year</b>				<u>\$ 12,983,010</u>

**PLAINWELL COMMUNITY SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007**

	<b>General fund</b>	<b>2002 Capital projects fund</b>	<b>Other nonmajor governmental funds</b>	<b>Total governmental funds</b>
<b>ASSETS</b>				
<b>ASSETS:</b>				
Cash	\$ 2,346,209	\$	\$ 945,364	\$ 3,291,573
Investments	1,459,890	1,181,800		2,641,690
Receivables:				
Accounts receivable	102			102
Accrued interest	19,368			19,368
Other governmental units	3,559,364			3,559,364
Taxes receivable	5,036		45,056	50,092
Due from student groups	7,707			7,707
Due from other funds	169,346		38	169,384
Inventories			234	234
Prepaid expenditures	12,000		30,000	42,000
	<b>\$ 7,579,022</b>	<b>\$ 1,181,800</b>	<b>\$ 1,020,692</b>	<b>\$ 9,781,514</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 189,067	\$ 154,446	\$ 36,455	\$ 379,968
Accrued expenses	705,999		36,995	742,994
Accrued interest payable	47,751			47,751
Due to other funds	38		169,346	169,384
Salaries payable	2,072,603			2,072,603
Deferred revenue	18,644			18,644
Note payable	1,500,000			1,500,000
	<b>4,534,102</b>	<b>154,446</b>	<b>242,796</b>	<b>4,931,344</b>
<b>FUND BALANCES:</b>				
Reserved for debt service	\$	\$	\$ 489,436	\$ 489,436
Reserved for inventories			234	234
Reserved for prepaid expenditures	12,000		30,000	42,000
Designated for subsequent year's expenditures	208,739	1,027,354		1,236,093
Unreserved, undesignated	2,824,181		258,226	3,082,407
	<b>3,044,920</b>	<b>1,027,354</b>	<b>777,896</b>	<b>4,850,170</b>
	<b>\$ 7,579,022</b>	<b>\$ 1,181,800</b>	<b>\$ 1,020,692</b>	<b>\$ 9,781,514</b>
<b>Total governmental fund balances</b>				<b>\$ 4,850,170</b>
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			\$ 61,453,580	
Accumulated depreciation is			(16,167,605)	
				45,285,975
Long-term liabilities are not due and payable in the current period and are not reported in the funds				
Bonds and loans				(36,820,672)
Issuance cost for bonds				492,579
Compensated absences/severance pay				(552,536)
Long-term accrued interest is not included as a liability in government funds, it is recorded when paid				(277,542)
Balance of taxes receivable June 30, 2007 less allowance for doubtful accounts, expected to be collected after September 1, 2007				5,036
<b>Net assets of governmental activities</b>				<b>\$ 12,983,010</b>

See notes to financial statements.

**PLAINWELL COMMUNITY SCHOOLS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007**

	<u>General fund</u>	<u>2002 Capital projects fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>REVENUES:</b>				
Local sources:				
Property taxes	\$ 2,256,887	\$	\$ 3,056,835	\$ 5,313,722
Investment earnings	144,976	166,823	36,278	348,077
Tuition	65,626			65,626
Food sales and athletic admissions			656,333	656,333
Other local revenue	556,401		109,128	665,529
Total local sources	3,023,890	166,823	3,858,574	7,049,287
State sources	19,072,300		51,930	19,124,230
Federal sources	433,367		291,217	724,584
Intermediate and other sources	364,480			364,480
Total revenues	22,894,037	166,823	4,201,721	27,262,581
<b>EXPENDITURES:</b>				
Instruction:				
Basic programs	11,870,649			11,870,649
Added needs	2,210,698			2,210,698
Adult and continuing education	36,643			36,643
Total instruction	14,117,990			14,117,990
Supporting services:				
Pupil	1,102,774			1,102,774
Instructional staff	715,172			715,172
General administration	460,539			460,539
School administration	1,208,898			1,208,898
Business services	394,054			394,054
Operation and maintenance	2,692,706			2,692,706
Transportation services	786,404			786,404
Other support services	442,077			442,077
Total supporting services	7,802,624			7,802,624
<b>EXPENDITURES (Concluded):</b>				
Community services	\$ 526,383	\$	\$	\$ 526,383
Special revenue:				
Food service			796,008	796,008
Athletics			487,027	487,027
Debt service:				
Principal retirement			2,000,000	2,000,000
Interest and fiscal charges			1,386,528	1,386,528
Bond issuance costs			123,881	123,881
Other			771	771
Capital outlay:				
Construction		361,358		361,358
Total expenditures	22,446,997	361,358	4,794,215	27,602,570
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	447,040	(194,535)	(592,494)	(339,989)
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of bonds			7,900,000	7,900,000
Proceeds from school bond loan fund			568,593	568,593
Discount on bonds issued			(33,090)	(33,090)
Payment to refunded bond escrow agent			(7,743,030)	(7,743,030)
Proceeds from sale of fixed assets	6,328			6,328
AAESA software purchase	31,094			31,094
Operating transfers in from other funds	62,636		343,000	405,636
Operating transfers to other funds	(343,000)		(62,636)	(405,636)
Total other financing sources (uses)	(242,942)		972,837	729,895
<b>NET CHANGE IN FUND BALANCES</b>	204,098	(194,535)	380,343	389,906
<b>FUND BALANCES:</b>				
Beginning of year	2,840,822	1,221,889	397,553	4,460,264
End of year	\$ 3,044,920	\$ 1,027,354	\$ 777,896	\$ 4,850,170

**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, 2007**

**Net change in fund balances total governmental funds** \$ 389,906

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 (1,739,681)

Capital outlay 833,274

In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the assets sold. (24,552)

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 391,673

Accrued interest payable end of the year (277,542)

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 9,255,000

Proceeds from sale of bonds (7,900,000)

Proceeds from school bond loan fund (568,593)

Loss on bond refunding 488,030

Bond issuance costs 123,881

Discount on bonds issued 33,090

Amortization of bond discounts (394)

Amortization of bond premiums 70,959

Amortization of loss on bond refunding (168,379)

Long-term interest expense on school loan and revolving funds (168,551)

Amortization of bond issuance cost (24,429)

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 (5,036)

Accrued revenue end of the year 5,036

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 543,590

Accrued compensated absences end of the year (552,536)

**Change in net assets of governmental activities** \$ 704,746

**PLAINWELL COMMUNITY SCHOOLS**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**JUNE 30, 2007**

	<u>Agency funds</u>
<b>ASSETS</b>	
Cash	<u>\$ 235,329</u>
<b>LIABILITIES</b>	
Liabilities:	
Due to Plainwell Community Schools	\$ 7,707
Due to student groups	<u>227,622</u>
	<u>\$ 235,329</u>

**PLAINWELL COMMUNITY SCHOOLS  
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.

**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and fund financial statements (Continued)**

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 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.

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

**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and fund financial statements (Continued)**

Beginning with the year of bond issuance, the District has reported the annual construction activity in the 2002 capital projects fund. The project for which the 2002 bonds were issued was considered complete on June 30, 2007 and the cumulative expenditures recognized for the construction period were as follows:

	<u>2002 fund</u>
Revenue	<u>\$ 27,316,727</u>
Expenditures and transfers	<u>\$ 26,289,373</u>

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

The *2007 capital projects fund* accounts for the receipt of communication lease proceeds and the acquisition of fixed assets or construction of major capital projects.

**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).

**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and fund financial statements (Concluded)**

**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.

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

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

**Modified Accrual Method**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is 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 that 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, 2007, the foundation allowance was based on pupil membership counts taken in February and September of 2006.

**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**State Revenue (Concluded)**

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

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.

For the year ended June 30, 2007, approximately \$367,000 of non cash transactions from the Michigan Department of Education (MDE) has been recorded as state aid revenue and pension expenditures as a result of a change in funding by the MDE.

**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* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Other Accounting Policies (Continued)**

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

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.

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, 2007, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General Fund - Non-homestead	17.9442
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.

**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Other Accounting Policies (Continued)**

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.

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	40 - 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.

**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

**D. Other Accounting Policies (Concluded)**

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.

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.

9. Net asset reporting

In the computation of invested in capital assets, net of related debt, school bond loan fund and school bond revolving fund principal proceeds of \$3,507,693 are considered capital-related debt. Accrued interest on the school bond loan fund and school bond revolving fund of \$357,615 has been included in the calculation of restricted and unrestricted net assets.

**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, special revenue and capital projects funds. Encumbrance accounting is employed in governmental funds. Significant encumbrances outstanding at year, if any, are reported as reservations of fund balance because they will be re-appropriated in the subsequent fiscal year.

**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concluded)**

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 (1968 PA 2). 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, the School Board must approve these transfers and any revisions that alter the total expenditures of any fund.
5. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2007. The District does not consider these amendments to be significant.

**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

<b>Investment Type</b>	<b>Fair value</b>	<b>Weighted average maturity (years)</b>	<b>Standard &amp; Poor's Rating</b>	<b>%</b>
MILAF External Investment pool - MIMAX	\$ 1,182,360	0.0027	AAAm	44.80%
MILAF External Investment pool - CMF	126,039	0.0027	AAAm	4.80%
Guaranteed Investment Contract (GIC)	<u>1,333,291</u>	0.1397	A1+	<u>50.40%</u>
Total fair value	<u><u>\$ 2,641,690</u></u>			<u><u>100.00%</u></u>
Portfolio weighted average maturity		<u><u>0.0719</u></u>		

1 day maturity equals 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds which included 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, 2007, the fair value of the District’s investments is the same as the value of the pool shares.

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

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

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

**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, \$3,540,622 of the District's bank balance of \$3,841,647 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. The carrying amount is \$3,526,902.

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

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

The District's Guaranteed Investment Contract is collateralized and invested for the purpose of paying off the note payable disclosed in Note 6.

The Investment Agreement, dated as of August 18, 2006, is by and among Wells Fargo Bank, N.A. as the Depository on behalf of both the participating Governmental Units and the Authority, and Citigroup Global Markets Inc., as Provider.

The net proceeds from the sale of the 2006 Series B-1 Notes were loaned by the Authority to the Governmental Units. Such Loans are or will be repaid with monthly set-a-side installments deposited with the Depository for investment under the Investment Agreement Set-a-side installments are deposited under the Investment Agreement versus Permitted Investments<sup>1</sup> (collateral securities) equaling at least 102% of the deposited amount and such Permitted Investments are held by the Depository in a fiduciary capacity.

The Guaranteed Rate under this Investment Agreement (commonly referred to as guaranteed investment contract-GIC or collateralized investment agreement-CIA) is 5.010% (simple interest actual days elapsed over a 365 day year).

The Guarantor is Citigroup Inc. as guarantor of the Provider's obligations under this Investment Agreement. The Guarantor's short term ratings as of the date of this Investment Agreement were P1, A1+, F1+, for Moody's, S&P, and Fitch, respectively, as of August 2006.

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)**

The above amounts as previously reported in Note 3:

Deposits - including fiduciary funds of \$235,329	\$ 3,526,902
Investments	2,641,690
	<u>2,641,690</u>
	<u>\$ 6,168,592</u>

The above amounts are reported in the financial statements as follows:

Cash - agency fund	\$ 235,329
Cash	3,291,573
Investments	1,459,890
Investments - restricted for capital projects	1,181,800
	<u>1,181,800</u>
	<u>\$ 6,168,592</u>

**NOTE 4 - RECEIVABLES**

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

Governmental units:	
State aid	\$ 3,230,253
Federal revenue	276,004
Other	53,107
	<u>53,107</u>
	<u>\$ 3,559,364</u>

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.

**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - CAPITAL ASSETS**

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

	Balance June 30, 2006	Additions	Reclassifications/ deletions	Balance June 30, 2007
Asseets not being depreciated:				
Land	\$ 285,494	\$ 190,858	\$	\$ 476,352
Construction in process	23,408,056	361,358	23,769,414	
	<u>23,693,550</u>	<u>552,216</u>	<u>23,769,414</u>	<u>476,352</u>
Other capital assets:				
Building and improvements	31,236,420	21,635,040		52,871,460
Technology	2,721,984	513,444		3,235,428
School furnishings and equipment	1,181,211	1,739,959		2,921,170
Vehicles and buses	1,281,464	144,910	215,000	1,211,374
Outside equipment and construction	720,677	17,119		737,796
Total other capital assets	<u>37,141,756</u>	<u>24,050,472</u>	<u>215,000</u>	<u>60,977,228</u>
Accumulated depreciation:				
Building and improvements	10,119,672	1,203,737		11,323,409
Technology	2,479,066	125,860		2,604,926
School furnishings and equipment	790,833	215,900		1,006,733
Vehicle and buses'	922,464	160,157	190,448	892,173
Outside equipment and construction	306,337	34,027		340,364
Total accumulated depreciation	<u>14,618,372</u>	<u>1,739,681</u>	<u>190,448</u>	<u>16,167,605</u>
Net other capital assets	<u>22,523,384</u>	<u>22,310,791</u>	<u>24,552</u>	<u>44,809,623</u>
Net capital assets	<u>\$ 46,216,934</u>	<u>\$ 22,863,007</u>	<u>\$ 23,793,966</u>	<u>\$ 45,285,975</u>

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

**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - CAPITAL ASSETS (Concluded)**

Depreciation for the fiscal year ended June 30, 2007 amounted to \$1,727,526. The District allocated depreciation expense to the various activities as follows:

Instruction	\$ 216,720
Support services	115,019
Athletics	138,292
Unallocated	<u>1,257,495</u>
	<u><u>\$ 1,727,526</u></u>

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

**NOTE 6 - NOTE PAYABLE**

At June 30, 2007 the District has outstanding a \$1,500,000 revenue note (state aid note) dated August 18, 2006. The note, which has an interest rate of 3.68%, matures August 20, 2007. The District has \$1,333,291 of funds on deposit with a financial institution, which are included in investments on the general fund balance sheet, to be applied against the \$1,500,000 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.

<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2007</u>
<u>\$ 1,700,000</u>	<u>\$ 1,500,000</u>	<u>\$ 1,700,000</u>	<u>\$ 1,500,000</u>

**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**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 through May 1, 2009, with interest at 4.50% to 5.00%	\$ 2,000,000
2002 general obligation - bonds due in annual installments of \$745,000 to \$1,000,000 through May 1, 2021, with interest at 3.50% to 5.50%	7,745,000
2005 refunding serial bonds due in annual installments of \$1,000,000 to \$2,030,000 through May 1, 2020, with interest at 3.50% to 5.00%	15,250,000
2007 refunding serial bonds due in annual installments of \$350,000 to \$1,100,000 through May 1, 2028, with interest at 4.00%	<u>7,900,000</u>
Total general obligation bonded debt	32,895,000
Less deferred amounts on bond refunding	(1,060,587)
Less unamortized discount	(32,696)
Plus:	
Premium on bond refunding	<u>1,001,707</u>
	32,803,424
1998 limited obligation bonds (Durant bonds) due in annual installments of \$20,631 to \$62,206 through May 1, 2013, with interest at 4.76%. Certain State Aid payments have been pledged as security.	<u>151,940</u>
	32,955,364
Borrowings from the State of Michigan - school bond loan and revolving funds	3,865,308
Compensated absences	<u>552,536</u>
Total general long-term debt	<u><u>\$ 37,373,208</u></u>

The Durant bonds, including interest, were issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - LONG-TERM DEBT (Continued)**

On March 27, 2007, Plainwell Community Schools issued general obligation bonds of \$7,900,000 with an interest rate at 4.00% to advance refund bonds with an interest rate at 5.00%. The bonds mature at various time through May 1, 2028. The general obligation bonds were issued at a discount after paying issuance costs of \$123,881, which includes the underwriters discount of \$43,450, the net proceeds were \$7,743,030. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are paid in full. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the District's government-wide financial statements.

As a result of the advance refunding, the District reduced its total debt service requirements by \$360,431, which resulted in an economic gain (difference between the present value of the debt service payment on the old and new debt) of \$422,352.

The District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2007, \$22,380,000 of bonds outstanding are considered defeased.

**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - LONG-TERM DEBT (Continued)**

The annual requirements to amortize long-term obligations outstanding exclusive of compensating absences as of June 30, 2007, including interest of \$13,606,525 are as follows:

Year ending June 30,	Principal	Interest	Total
2008	\$ 2,000,000	\$ 1,474,024	\$ 3,474,024
2009	2,020,631	1,364,582	3,385,213
2010	2,056,613	1,278,599	3,335,212
2011	2,052,642	1,196,171	3,248,813
2012	2,097,206	1,132,616	3,229,822
2012-2016	10,164,848	4,196,433	14,361,281
2017-2021	6,205,000	2,065,500	8,270,500
2022-2026	5,390,000	856,200	6,246,200
2027-2028	1,060,000	42,400	1,102,400
	<u>33,046,940</u>	<u>\$ 13,606,525</u>	<u>\$ 46,653,465</u>
School bond loan and revolving funds	3,865,308		
Compensated absences/severance pay	552,536		
Deferred loss on bond refunding	(1,060,587)		
Discounts on refunding	(32,696)		
Premiums on refunding	1,001,707		
	<u>\$ 37,373,208</u>		

At June 30, 2007, net assets of \$489,436 are available in the debt service funds to service the general obligation debt.

Borrowing from the State of Michigan - The school bond loans payable represents notes payable to the State of Michigan for loans made to the school district, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. Interest rates ranging from 4.039% - 5.03529% for the School Revolving Fund notes and 4.50% - 4.875% for the School Bond Loan Fund notes have been assessed for the year ended June 30, 2007. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 7.00 mills. The school district is required to levy 7.00 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the above amortization schedule.

**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - LONG-TERM DEBT (Concluded)**

The following is a summary of long-term obligations for the District for the year ended June 30, 2007:

	Compensated absences/ severance pay	General obligation bonds	Limited obligation bonds	School bond loan and revolving funds	Total
Balance July 1, 2006	\$ 543,590	\$ 34,581,730	\$ 151,940	\$ 3,128,164	\$ 38,405,424
Additions	8,946	7,900,000		737,144	8,646,090
Deletions		9,678,306			9,678,306
Balance June 30, 2007	552,536	32,803,424	151,940	3,865,308	37,373,208
Less current portion	202,748	2,000,000	-	-	2,202,748
Total due after one year	<u>\$ 349,788</u>	<u>\$ 30,803,424</u>	<u>\$ 151,940</u>	<u>\$ 3,865,308</u>	<u>\$ 35,170,460</u>

**NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES**

Amounts due to and from other funds at June 30, 2007 are as follows:

Receivable fund	Amount	Payable fund	Amount
General fund	\$ 169,346	General fund	\$ 38
Athletics	38	School lunch	123,820
		Athletics	45,526
	<u>\$ 169,384</u>		<u>\$ 169,384</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN**

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

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. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS 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, 2007 were 16.34% of payroll through September 30, 2006 and 17.74% effective October 1, 2006 through June 30, 2007. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2007, 2006 and 2005 were \$2,087,000, \$2,025,000 and \$1,672,000, respectively, equal to the required contribution for each year.

Other Post-employment Benefits - Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension.

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

**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**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, 2007 was \$181,766. Any liability for incurred and unreported claims is considered immaterial. The District has approximately \$1,000,000 committed to complete its \$25,510,000 bond proposal construction program. At June 30, 2007 the management of the District is not aware of any arbitrage liability.

**NOTE 12 - TRANSFERS**

The general fund transferred \$343,000 to the athletics fund during the current fiscal year. The transfer to the athletic fund was to subsidize operations. The school lunch fund transferred \$62,636 to the general fund for current year indirect costs. The interfund transfers in the debt service funds represent the discretionary distribution of school bond loan fund proceeds.

**NOTE 13 - SUBSEQUENT EVENTS**

The District has approved borrowing \$1,500,000 for fiscal year 2008 to replace the note payable as described in Note 6.

**REQUIRED SUPPLEMENTARY INFORMATION**

**PLAINWELL COMMUNITY SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2007**

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget positive (negative)</b>
<b>REVENUES:</b>				
Local	\$ 2,831,552	\$ 3,046,314	\$ 3,023,890	\$ (22,424)
State sources	19,169,381	19,073,926	19,072,300	(1,626)
Federal sources	358,292	429,992	433,367	3,375
Intermediate sources	440,712	384,742	364,480	(20,262)
Total revenues	<u>22,799,937</u>	<u>22,934,974</u>	<u>22,894,037</u>	<u>(40,937)</u>
<b>EXPENDITURES:</b>				
Instruction:				
Basic programs	11,963,762	11,996,555	11,870,649	125,906
Added needs	2,177,641	2,240,838	2,210,698	30,140
Adult and continuing education	37,606	42,208	36,643	5,565
Total instruction	<u>14,179,009</u>	<u>14,279,601</u>	<u>14,117,990</u>	<u>161,611</u>
Supporting services:				
Pupil	1,133,447	1,118,456	1,102,774	15,682
Instructional staff	739,350	741,986	715,172	26,814
General administration	442,430	471,967	460,539	11,428
School administration	1,237,075	1,220,294	1,208,898	11,396
Business	375,513	399,866	394,054	5,812
Operations and maintenance	2,828,982	2,744,259	2,692,706	51,553
Transportation	849,354	818,441	786,404	32,037
Other support services	473,315	438,082	442,077	(3,995)
Total supporting services	<u>8,079,466</u>	<u>7,953,351</u>	<u>7,802,624</u>	<u>150,727</u>
Community services	<u>566,973</u>	<u>551,436</u>	<u>526,383</u>	<u>25,053</u>
Total expenditures	<u>22,825,448</u>	<u>22,784,388</u>	<u>22,446,997</u>	<u>337,391</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(25,511)	150,586	447,040	296,454
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of fixed assets		6,283	6,328	45
AAESA software purchase		-	31,094	31,094
Operating transfers in		65,000	62,636	(2,364)
Operating transfers out	(342,380)	(343,000)	(343,000)	
Total other financing sources (uses)	<u>(342,380)</u>	<u>(271,717)</u>	<u>(242,942)</u>	<u>28,775</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (367,891)</u>	<u>\$ (121,131)</u>	204,098	<u>\$ 325,229</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>2,840,822</u>	
End of year			<u>\$ 3,044,920</u>	

**ADDITIONAL INFORMATION**

**PLAINWELL COMMUNITY SCHOOLS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES  
JUNE 30, 2007**

	<u>Special revenue</u>	<u>Debt service</u>	<u>2007 Capital projects</u>	<u>Total nonmajor governmental funds</u>
<b>ASSETS</b>				
<b>ASSETS:</b>				
Cash	\$ 371,582	\$ 472,908	\$ 100,874	\$ 945,364
Taxes receivable		45,056		45,056
Prepaid expenditures	30,000			30,000
Due from other funds	38			38
Inventories	234			234
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 401,854</b>	<b>\$ 517,964</b>	<b>\$ 100,874</b>	<b>\$ 1,020,692</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 7,927	\$ 28,528	\$	\$ 36,455
Accrued expenses	36,995			36,995
Due to other funds	169,346			169,346
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b>214,268</b>	<b>28,528</b>		<b>242,796</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>FUND BALANCES:</b>				
Reserved for debt service		489,436		489,436
Reserved for inventories	234			234
Reserved for prepaid expenditures	30,000			30,000
Unreserved, undesignated	157,352		100,874	258,226
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL FUND BALANCES</b>	<b>187,586</b>	<b>489,436</b>	<b>100,874</b>	<b>777,896</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 401,854</b>	<b>\$ 517,964</b>	<b>\$ 100,874</b>	<b>\$ 1,020,692</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**PLAINWELL COMMUNITY SCHOOLS  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 2007**

	<u>Special revenue</u>	<u>Debt service</u>	<u>2007 Capital projects</u>	<u>Total nonmajor governmental funds</u>
<b>REVENUES:</b>				
Local sources:				
Property taxes	\$	\$ 3,056,835	\$	\$ 3,056,835
Investment earnings		35,404	874	36,278
Food sales and athletic admissions	656,333			656,333
Other local revenue	9,128		100,000	109,128
Total local sources	665,461	3,092,239	100,874	3,858,574
State sources	51,930			51,930
Federal sources	291,217			291,217
Total revenues	1,008,608	3,092,239	100,874	4,201,721
<b>EXPENDITURES:</b>				
Current:				
Food service	796,008			796,008
Athletics	487,027			487,027
Debt service:				
Principal retirement		2,000,000		2,000,000
Interest and fiscal charges		1,386,528		1,386,528
Bond issuance costs		123,881		123,881
Other		771		771
Total expenditures	1,283,035	3,511,180		4,794,215
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(274,427)	(418,941)	100,874	(592,494)
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of bonds		7,900,000		7,900,000
Proceeds from school bond loan fund		568,593		568,593
Discount on bonds issued		(33,090)		(33,090)
Payment to refunded bond escrow agent		(7,743,030)		(7,743,030)
Operating transfers to other funds	(62,636)			(62,636)
Operating transfers from other funds	343,000			343,000
Total other financing sources (uses)	280,364	692,473		972,837
<b>NET CHANGE IN FUND BALANCES</b>	5,937	273,532	100,874	380,343
<b>FUND BALANCES:</b>				
Beginning of year	181,649	215,904		397,553
End of year	\$ 187,586	\$ 489,436	\$ 100,874	\$ 777,896

**PLAINWELL COMMUNITY SCHOOLS  
SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2007  
(with comparative totals for June 30, 2006)**

			<b>Total</b>	
	<b>School lunch fund</b>	<b>Athletics fund</b>	<b>2007</b>	<b>2006</b>
<b>ASSETS</b>				
Cash	\$ 306,053	\$ 65,529	\$ 371,582	\$ 285,977
Accounts receivable				30,001
Prepaid expenditures	30,000		30,000	
Due from other funds		38	38	1,645
Inventories	234		234	234
	<u>\$ 336,287</u>	<u>\$ 65,567</u>	<u>\$ 401,854</u>	<u>\$ 317,857</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 7,927	\$	\$ 7,927	\$ 14,845
Accrued expenses	36,995		36,995	32,105
Due to other funds	123,820	45,526	169,346	89,258
	<u>168,742</u>	<u>45,526</u>	<u>214,268</u>	<u>136,208</u>
 <b>FUND BALANCES:</b>				
Reserved for inventories	234		234	234
Reserved for prepaid expenditures	30,000		30,000	
Designated for subsequent years expenditures				18,677
Unreserved, undesignated	137,311	20,041	157,352	162,738
	<u>167,545</u>	<u>20,041</u>	<u>187,586</u>	<u>181,649</u>
	<u>\$ 336,287</u>	<u>\$ 65,567</u>	<u>\$ 401,854</u>	<u>\$ 317,857</u>

**PLAINWELL COMMUNITY SCHOOLS  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2007  
(with comparative totals for the year ended June 30, 2006)**

	School lunch fund	Athletics fund	Total	
			2007	2006
<b>REVENUES:</b>				
Food service sales	\$ 281,548	\$	\$ 281,548	\$ 289,644
Adult food service sales	18,147		18,147	13,682
Ala carte and milk sales	214,924		214,924	217,206
Reduced meal services	8,584		8,584	11,842
State aid	51,930		51,930	49,535
Federal aid	291,217		291,217	269,776
Athletic activities		133,130	133,130	142,157
Other	2,327	6,801	9,128	12,128
Total revenues	<u>868,677</u>	<u>139,931</u>	<u>1,008,608</u>	<u>1,005,970</u>
<b>EXPENDITURES:</b>				
Salaries	176,266	302,947	479,213	468,698
Benefits	50,109	69,770	119,879	114,359
Purchased services	122,516	71,415	193,931	183,819
Supplies and materials	397,050	42,895	439,945	442,296
Capital outlay	39,485		39,485	17,891
Other	10,582		10,582	45,700
Total expenditures	<u>796,008</u>	<u>487,027</u>	<u>1,283,035</u>	<u>1,272,763</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	72,669	(347,096)	(274,427)	(266,793)
<b>OTHER FINANCING SOURCES:</b>				
Operating transfer to general fund	(62,636)		(62,636)	(40,000)
Operating transfer in from general fund		343,000	343,000	325,682
<b>NET CHANGE IN FUND BALANCES</b>	10,033	(4,096)	5,937	58,889
<b>FUND BALANCES, beginning of year</b>	<u>157,512</u>	<u>24,137</u>	<u>181,649</u>	<u>122,760</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 167,545</u>	<u>\$ 20,041</u>	<u>\$ 187,586</u>	<u>\$ 181,649</u>

**PLAINWELL COMMUNITY SCHOOLS  
DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2007  
(with comparative totals for June 30, 2006)**

<b>ASSETS</b>	<b>Debt service funds</b>				<b>Totals</b>	
	<b>2007</b>	<b>2005</b>	<b>2002</b>	<b>1998</b>	<b>2007</b>	<b>2006</b>
Cash	\$ 139,460	\$ 82,567	\$ 170,219	\$ 80,662	\$ 472,908	\$ 213,217
Taxes receivable	2,252	6,308	19,374	17,122	45,056	454
Due from other funds						2,233
	<u>\$ 141,712</u>	<u>\$ 88,875</u>	<u>\$ 189,593</u>	<u>\$ 97,784</u>	<u>\$ 517,964</u>	<u>\$ 215,904</u>
 <b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 1,426	\$ 3,994	\$ 12,267	\$ 10,841	\$ 28,528	\$
 <b>FUND BALANCES:</b>						
Reserved for debt service	<u>140,286</u>	<u>84,881</u>	<u>177,326</u>	<u>86,943</u>	<u>489,436</u>	<u>215,904</u>
	<u>\$ 141,712</u>	<u>\$ 88,875</u>	<u>\$ 189,593</u>	<u>\$ 97,784</u>	<u>\$ 517,964</u>	<u>\$ 215,904</u>

**PLAINWELL COMMUNITY SCHOOLS  
DEBT SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2007  
DEBT SERVICE FUNDS**

	<u>Debt service funds</u>				<u>Totals</u>	
	<u>2007</u>	<u>2005</u>	<u>2002</u>	<u>1998</u>	<u>2007</u>	<u>2006</u>
<b>REVENUES:</b>						
Local sources:						
Property taxes	\$ 9,889	\$ 591,243	\$ 1,462,326	\$ 993,377	\$ 3,056,835	\$ 2,893,664
Investment income	1,505	6,011	16,641	11,247	35,404	30,902
State sources						122,848
 Total revenues	 <u>11,394</u>	 <u>597,254</u>	 <u>1,478,967</u>	 <u>1,004,624</u>	 <u>3,092,239</u>	 <u>3,047,414</u>
 <b>EXPENDITURES:</b>						
Principal retirement			1,000,000	1,000,000	2,000,000	2,179,896
Interest on bonded debt		702,165	541,123	143,240	1,386,528	1,625,957
Bond issuance costs	123,881				123,881	
Other		225	248	298	771	300
 Total expenditures	 <u>123,881</u>	 <u>702,390</u>	 <u>1,541,371</u>	 <u>1,143,538</u>	 <u>3,511,180</u>	 <u>3,806,153</u>
 <b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	 <u>(112,487)</u>	 <u>(105,136)</u>	 <u>(62,404)</u>	 <u>(138,914)</u>	 <u>(418,941)</u>	 <u>(758,739)</u>
 <b>OTHER FINANCING SOURCES (USES):</b>						
Interfund transfers	128,893	161,922	(448,512)	157,697		
Proceeds from sale of bonds	7,900,000				7,900,000	
Proceeds from school bond loan fund			568,593		568,593	429,835
Discount on bonds issued	(33,090)				(33,090)	
Payment to refunded bond escrow agent	(7,743,030)				(7,743,030)	
 Total other financing sources (uses)	 <u>252,773</u>	 <u>161,922</u>	 <u>120,081</u>	 <u>157,697</u>	 <u>692,473</u>	 <u>429,835</u>
 <b>NET CHANGE IN FUND BALANCES</b>	 <u>140,286</u>	 <u>56,786</u>	 <u>57,677</u>	 <u>18,783</u>	 <u>273,532</u>	 <u>(328,904)</u>
 <b>FUND BALANCES:</b>						
Beginning of year		28,095	119,649	68,160	215,904	544,808
 End of year	 <u>\$ 140,286</u>	 <u>\$ 84,881</u>	 <u>\$ 177,326</u>	 <u>\$ 86,943</u>	 <u>\$ 489,436</u>	 <u>\$ 215,904</u>

**PLAINWELL COMMUNITY SCHOOLS  
AGENCY FUND  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND LIABILITY BY ACTIVITY  
YEAR ENDED JUNE 30, 2007**

	<b>Balance</b>				<b>Balance</b>
	<b>July 1, 2006</b>	<b>Additions</b>	<b>Deductions</b>		<b>June 30, 2007</b>
Admin. Flower fund	\$ 1,904	\$ 2,330	\$ 3,249	\$	985
Alternative Education Activity fund	909	1,857	1,917		849
Bus garage lounge and pop machine	82	387	628		(159)
Community Education - senior citizens	4,294	11	1,281		3,024
Community Education and Hicks Gym Pepsi	534	94			628
Cooper-activities	6,743	12,432	13,127		6,048
Cooper - library fund	412	43	130		325
J. Gordon - Memorial Library fund		1,104	1,099		5
Cooper - dental	(228)	307	157		(78)
GRASP	2,718	1,759	1,734		2,743
Gilkey - Dental Assistance	750		20		730
Gilkey - earth shuttle	12,221				12,221
Gilkey - general activities	1,407	7,714	6,544		2,577
Gilkey - Parent's grants		10,000	10,294		(294)
Gilkey - Ismond environmental	8,442	2,578	6,786		4,234
Gilkey - library	3,482	1,965	2,321		3,126
Gilkey - 5th grade activity	1,081	5,311	5,389		1,003
Gilkey - Jody Deanda - PPI	2,831		2,237		594
Gilkey - school store	740				740
Gilkey - teachers lounge	1,219	936	828		1,327
High school:					
Athletic - concessions	90				90
Athletics - baseball	446	4,725	4,042		1,129
Athletics - basketball mens	1,285	2,934	3,561		658
Athletics - basketball womens	2,211	5,821	6,661		1,371
Athletics - boosters account	(236)				(236)

**PLAINWELL COMMUNITY SCHOOLS  
AGENCY FUND  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND LIABILITY BY ACTIVITY  
YEAR ENDED JUNE 30, 2007**

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
High school (Continued):				
Athletics - cheerleading	\$ (2,067)	\$ 1,921	\$ 1,548	\$ (1,694)
Athletics - mens cross country		140		140
Athletics - womens cross country		140		140
Athl - Angeletti football fund		30		30
Athletics - golf mens	106			106
Athletics - golf womens		1,124	1,044	80
Athletics - soccer mens	472	4,180	1,632	3,020
Athletics - soccer womens	424	1,655	1,685	394
Athletics - softball	2,284	3,293	4,138	1,439
Athletics - tennis mens	(363)	4,264	3,011	890
Athletics - tennis womens	877	1,125	1,605	397
Athletics - track mens	661		324	337
Athletics - track womens	(1,054)	900	1,237	(1,391)
Athletics - volleyball	3,080	8,058	6,816	4,322
Art	38		6	32
Auto shop	166	4,217	3,892	491
Band Council	1,366	1,090	1,535	921
Bookstore	7,793	3,503	2,803	8,493
Choir	18,643	21,607	15,747	24,503
Class of 2000	358		358	
Class of 2001	242		242	
Class of 2002	1,734		1,734	
Class of 2003	6,311		6,311	
Class of 2004	301		301	
Class of 2005	3,948		3,948	
Class of 2006	1,428		1,097	331
Class of 2007	5,048		2,211	2,837
Class of 2008	2,050	9,987	7,374	4,663
Class of 2009	1,663	4,137	3,753	2,047
Class of 2010	283	4,954	3,115	2,122

**PLAINWELL COMMUNITY SCHOOLS  
AGENCY FUND  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND LIABILITY BY ACTIVITY  
YEAR ENDED JUNE 30, 2007**

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
High school (Continued):				
Class of 2011	\$	\$ 296	\$	\$ 296
Culture club	110			110
Drafting	141			141
Duane Strobl memorial	160			160
EMI/AI	35			35
Fine arts department	325			325
Football	624	13,960	12,469	2,115
Former classes	349	12,894	5,864	7,379
French club	3,467	796	773	3,490
General activities	6,861	20,005	23,306	3,560
Quiz bowl	615	1,406	1,526	495
Island City Café	516	4,473	1,971	3,018
Jean scholarship fund	518	394	500	412
Lasher memorial	1,194	36		1,230
Library	163	36		199
Lifquest		198	23	175
Math supply account	42			42
Metal shop	1,136			1,136
Miscellaneous	8,426		1,374	7,052
National honor society	1,691	2,475	2,266	1,900
P.A.L.S.	319	1,009	1,049	279
Pepsi scholarship fund	549		500	49
Peace Jam	1,303	2,053	3,074	282
Play	2,608			2,608
Race team	716	43		759
Resource room	743		350	393
S.A.D.D.	403			403
School store-Post 1997	7,933	2,244	4,824	5,353
Senior fees	4,432	3,218	4,199	3,451
Spanish club	4,342			4,342

**PLAINWELL COMMUNITY SCHOOLS  
AGENCY FUND  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND LIABILITY BY ACTIVITY  
YEAR ENDED JUNE 30, 2007**

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
High School (Concluded):				
Student senate	\$ 2,060	\$ 9,363	\$ 7,937	\$ 3,486
Swimming (Newman)	5,196	5,175	6,646	3,725
Swimming memorial - Robert O'Leary	435	500		935
Teachers lounge	552	663	1,037	178
Trojan	17,243	29,816	32,591	14,468
Trojan Torch	3,049	2,211	4,113	1,147
Varsity club	3,734	29,110	31,220	1,624
Video Club	2,091			2,091
Wood shop	4,841	2,561	4,172	3,230
Wrestling activity fund	1,503	1,165	1,525	1,143
Wrestling T. Picket memorial	605		500	105
Middle school:				
Administrator's team	(72)			(72)
Athletic concessions	2,501	2,360	3,791	1,070
Band	457	3,726	3,175	1,008
Book fines	1,351	236		1,587
Dental assistance	675	9	232	452
Gym locks	1			1
Home Economics	3			3
Library	2,824	527	(1)	3,352
Money for many	1,142	65	292	915
Mentors	430			430
Parents group	60			60
Photography	106			106
Pop/teachers	1,830	937	46	2,721
Related arts	262	593	584	271
Ski Club	2,321	6,334	6,923	1,732
Student activities	13,330	44,800	46,340	11,790
Student Council	(436)	1,775	1,691	(352)
Student recognition	(684)	692		8

**PLAINWELL COMMUNITY SCHOOLS  
AGENCY FUND  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND LIABILITY BY ACTIVITY  
YEAR ENDED JUNE 30, 2007**

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
Middle school (Concluded):				
Student services	\$ 1,553	\$ 593	\$ 1,212	\$ 934
Team 1	274	593	840	27
Team 2	30	692	552	170
Team 3	39	823	676	186
Team 4	113	915	1,018	10
Team 5	747	692	825	614
Team 6	263	700	606	357
Wood shop	131		63	68
Needy Children's Fund	937			937
Ski Club-Elementary	417	4,242	2,532	2,127
Starr:				
Chicago Trip	8,000	270	300	7,970
General activities	1,663	5,209	6,666	206
Library fund	237	91	14	314
Memorials (Allen & Brus)	2,583	44		2,627
Dental assistance	263		479	(216)
Supplies plus (school store)	2,870	956	713	3,113
Teachers Lounge	577	1,336	1,677	236
Streidl Scholarship Fund	(234)	234		
TAC fundraising		220	(1)	221
Welcher Scholarship Fund	1,334	23	329	1,028
<b>TOTAL AGENCY FUNDS</b>	<u>\$ 248,057</u>	<u>\$ 364,420</u>	<u>\$ 384,855</u>	<u>\$ 227,622</u>

**PLAINWELL COMMUNITY SCHOOLS  
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS - 1998 DEBT  
YEAR ENDED JUNE 30, 2007**

Year ending June 30,	Interest rate	Principal amount	Interest amount	Total
2008	5.00%	\$ 1,000,000	\$ 95,000	\$ 1,095,000
2009	4.50%	1,000,000	45,000	1,045,000
		<u>\$ 2,000,000</u>	<u>\$ 140,000</u>	<u>\$ 2,140,000</u>

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, 2007**

Year ending June 30,	Interest rate	Principal amount	Interest	Total
2008	3.50%	\$ 1,000,000	\$ 330,250	\$ 1,330,250
2009	4.00%	1,000,000	295,250	1,295,250
2010	4.00%	1,000,000	255,250	1,255,250
2011	4.00%	1,000,000	215,250	1,215,250
2012	4.10%	1,000,000	175,250	1,175,250
2013	4.20%	1,000,000	134,250	1,134,250
2014	5.50%	1,000,000	92,250	1,092,250
2015	5.50%		37,250	37,250
2016	5.50%		37,250	37,250
2017	5.50%		37,250	37,250
2018	5.50%		37,250	37,250
2019	5.50%		37,250	37,250
2020	5.50%		37,250	37,250
2021	5.00%	745,000	37,250	782,250
Total		<u>\$ 7,745,000</u>	<u>\$ 1,758,500</u>	<u>\$ 9,503,500</u>

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 -DURANT**  
**YEAR ENDED JUNE 30, 2007**

<u>Year ending June 30,</u>	<u>Interest rate</u>	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total</u>
2008	4.76%	\$ -	\$ -	\$ -
2009		20,631	5,402	26,033
2010		21,613	4,419	26,032
2011		22,642	3,391	26,033
2012		62,206	15,886	78,092
2013		<u>24,848</u>	<u>1,183</u>	<u>26,031</u>
Total		<u>\$ 151,940</u>	<u>\$ 30,281</u>	<u>\$ 182,221</u>

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 AND REVOLVING FUNDS  
 JUNE 30, 2007**

<u>Year ended June 30,</u>	<u>Loan proceeds</u>	<u>Interest</u>	<u>Balance</u>
2006	\$ 2,939,100	\$ 189,064	\$ 3,128,164
2007	568,593	168,551	3,865,308

**PLAINWELL COMMUNITY SCHOOLS**  
**ADDITIONAL REPORTS REQUIRED BY**  
**OMB CIRCULAR A-133**  
**YEAR ENDED JUNE 30, 2007**

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Lamonte T. Lator  
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Jeffrey C. Stevens  
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Steven W. Scott  
David M. Raeck  
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Steven B. Robbins  
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James R. Dedyne

Timothy H. Adams  
David B. Caldwell  
Edward L. Williams, III  
Timothy J. Orians  
Dennis D. Theis

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Walter P. Maner, Jr. (1921-2004)  
Floyd L. Costerisan  
Leon A. Ellis (1933-1988)

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

To the Board of Education  
Plainwell Community Schools  
Plainwell, Michigan

October 19, 2007

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, 2007, which collectively comprise Plainwell Community Schools' basic financial statements and have issued our report thereon dated October 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Plainwell Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plainwell Community Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Plainwell Community Schools' internal control over financial reporting.

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



To the Board of Education  
Plainwell Community Schools  
Plainwell, Michigan

October 19, 2007

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

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

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of Plainwell Community Schools in a separate letter dated October 19, 2007.

This report is intended solely for the information and use of management, Board of Education, 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.

A handwritten signature in black ink that reads "Mamer, Costeniser & Ellis, P.C." The signature is written in a cursive style with a large initial 'M' and a distinct 'E'.

Certified Public Accountants



Lamonte T. Lator  
Bruce J. Dunn  
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Leon A. Ellis (1933-1988)

**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

October 19, 2007

**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 its major federal program for the year ended June 30, 2007. Plainwell Community Schools' major federal program is 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 its major federal program 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.

In our opinion, Plainwell Community Schools complied, in all material respects, with the requirements referred to above that are applicable to of its major federal program for the year ended June 30, 2007.



### **Internal Control Over Compliance**

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

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

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

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

To the Board of Education  
Plainwell Community Schools

October 19, 2007

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Plainwell Community Schools as of and for the year ended June 30, 2007, and have issued our report thereon dated October 19, 2007. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Plainwell Community Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Mama, Costanzo & Ellis, P.C.*

Certified Public Accountants

**PLAINWELL COMMUNITY SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through grantor's number	Approved grant award amount	Accrued (deferred) revenue July 1, 2006	Prior year expenditures (memo only)	Current year expenditures	Current year cash receipts	Accrued (deferred) revenue June 30, 2007
<b>U.S. Department of Agriculture:</b>								
Passed through Michigan Department of Education:								
Child Nutrition Cluster:								
National School Lunch Program - Section 4	10.555	061950	\$ 6,052	\$ 46,222	\$ 6,052	\$ 6,052	\$ 6,052	\$
National School Lunch Program - Section 4		061960	19,338		151,373	19,338	19,338	
National School Lunch Program - Section 11		071950	49,211			49,211	49,211	
National School Lunch Program - Section 11		071960	154,581			154,581	154,581	
			229,182		197,595	229,182	229,182	
National School Lunch Program - Breakfast	10.553	061970	3,341			3,341	3,341	
National School Lunch Program - Breakfast		071970	36,830		30,314	36,830	36,830	
			40,171		30,314	40,171	40,171	
Total Child Nutrition Cluster			269,353		227,909	269,353	269,353	
Food distribution:								
Entitlement Commodities	10.550		46,873		15,652	21,633	21,633	
Bonus Commodities			231		1,058	231	231	
			47,104		16,710	21,864	21,864	
Total U.S. Department of Agriculture			316,457		244,619	291,217	291,217	
<b>U.S. Department of Education:</b>								
Passed through Michigan Department of Education:								
E.C.I.A. Title I	84.010	061530-0506	223,207	68,732	210,655	12,552	81,284	
E.C.I.A. Title I		061530-0607	12,701			12,701	12,701	
E.C.I.A. Title I		071530-0607	255,184			255,184	50,447	204,737
			491,092	68,732	210,655	280,437	144,432	204,737
Title V LEA Allocation-Carryover	84.298	060250-0506	1,150	767	1,011	139	767	139
Title V LEA Allocation		070250-0607	597			597		597
			1,747	767	1,011	736	767	736

The accompanying notes are an integral part of this schedule.

**PLAINWELL COMMUNITY SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through grantor's number	Approved grant award amount	Accrued (deferred) revenue July 1, 2006	Prior year expenditures (memo only)	Current year expenditures	Current year cash receipts	Accrued (deferred) revenue June 30, 2007
<b>U.S. Department of Education (Concluded):</b>								
Passed through Michigan Department of Education:								
Technical Literacy Challenge Fund	84.318	064290-0506	\$ 4,401	\$ 50	\$ 1,548	\$	\$ 50	\$
Technical Literacy Challenge Fund-Carryover	84.318	064290-0607	2,853			2,853	2,853	
Technical Literacy Challenge Fund	84.318	074290-0607	2,160			768		768
			<u>9,414</u>	<u>50</u>	<u>1,548</u>	<u>3,621</u>	<u>2,903</u>	<u>768</u>
Title IIA, Improving Teacher Quality	84.367	060520-0506	88,173	19,805	70,082	18,090	37,895	
Title IIA, Improving Teacher Quality	84.367	060520-0607	5,782			5,782	5,782	
Title IIA, Improving Teacher Quality	84.367	070520-0607	94,213			90,180	20,417	69,763
			<u>188,168</u>	<u>19,805</u>	<u>70,082</u>	<u>114,052</u>	<u>64,094</u>	<u>69,763</u>
Total passed through Michigan Department of Education			<u>690,421</u>	<u>89,354</u>	<u>283,296</u>	<u>398,846</u>	<u>212,196</u>	<u>276,004</u>
Passed through Allegan Area Education Service Agency:								
Preschool Incentive	84.173	060660-1	17,073			17,073	17,073	
Passed through Ottawa County Intermediate School District:								
Safe and Drug Free School and Communities Act	84.186A	0506-062860	1,465		6,912	1,465	1,465	
	84.186	0607-072860	6,702			6,702	6,702	
Total passed through Ottawa Intermediate			<u>8,167</u>		<u>6,912</u>	<u>8,167</u>	<u>8,167</u>	
Emergency Impact Aid	84.938C	064120-1	256	186	186		186	
Total U.S. Department of Education			<u>715,917</u>	<u>89,540</u>	<u>290,394</u>	<u>424,086</u>	<u>237,622</u>	<u>276,004</u>
<b>U.S. Department of Health and Human Services:</b>								
Passed through Allegan Area Education Service Agency:								
Medicaid Outreach	93.778		9,281			9,281	9,281	
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 1,041,655</u>	<u>\$ 89,540</u>	<u>\$ 535,013</u>	<u>\$ 724,584</u>	<u>\$ 538,120</u>	<u>\$ 276,004</u>

The accompanying notes are an integral part of this schedule.

**PLAINWELL COMMUNITY SCHOOLS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007**

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 39% 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) and the Grant Audits Report 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	\$ 433,367
Other nonmajor governmental funds	<u>291,217</u>
	<u><u>\$ 724,584</u></u>

**PLAINWELL COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**Section I – Summary of Auditors’ Results**

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***Financial Statements***

Type of auditors’ report issued: *Unqualified*

Internal control over financial reporting

➤ Material weakness(es) identified: \_\_\_\_\_ Yes X No

➤ Significant deficiency(ies) 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

➤ Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ 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 501(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**

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None.

**Section III - Federal Award Findings and Questioned Costs**

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None.

**PLAINWELL COMMUNITY SCHOOLS  
SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2007**

There were no prior audit findings which need to be reported.



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Walter P. Maner, Jr. (1921-2004)  
Floyd L. Costerisan  
Leon A. Ellis (1933-1988)

October 19, 2007

To the Board of Education  
Plainwell Community Schools  
Plainwell, Michigan

In planning and performing our audit of the financial statements of Plainwell Community Schools as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Plainwell Community Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 19, 2007 on the financial statements of Plainwell Community Schools. We will review the status of these comments during our next audit engagement.

Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows.

### **Prior Year Comments**

Prior year recommendations were addressed during the year.

### **Current Year Comments**

#### **New Notification Requirements for Related Not-for-Profit Organizations with Gross Receipts of \$25,000 or less Such as Booster Groups and PTO's**

The Pension Protection Act of 2006 requires these organizations to file an annual electronic notice for tax periods beginning after December 31, 2006, if these organizations are not required to file Form 990 (or 990-EZ), Return of Organization Exempt From Income Tax because their gross receipts are normally \$25,000 or less.

If they are a section 509(a)(3) supporting organization, generally, they must file a paper or electronic Form 990 (or Form 990-EZ) even if their gross receipts are normally \$25,000 or less. However, if they are a supporting organization of a religious organization and their gross receipts are normally \$5,000 or less they may file an annual electronic notice instead of Form 990 (or Form 990-EZ).

The annual electronic notice is due by the 15<sup>th</sup> day of the fifth month after the close of their tax period. For example, if their tax period ends on December 31, 2007, the annual electronic notice is due May 15, 2008.

The notice will require these organizations to provide the following information:

- Organization's legal name,
- Any other names your organization uses,
- Organization's mailing address,
- Organization's website address (if applicable),
- Organization's employer identification number (EIN),
- Name and address of a principal officer of your organization.

- Organization's annual tax period,
- Verify that your organization's annual gross receipts are still normally \$25,000 or less, and
- Indicate if your organization has terminated (is no longer in business).

### **IRS 403(b) Final Regulations**

#### Intent

The intent of the regulations is to consolidate guidance on §403(b) plans issued since 1964.

#### Effective Date

These regulations are generally effective for taxable years beginning after December 31, 2008. Plan documents should be in place December 31, 2008 to be implemented as of January 1, 2009.

#### Written Plan Document

The IRS is working on a model plan document and guidance for school districts. This should contain the provisions necessary for compliance with the new rules.

A plan may consist of several documents, or make reference to other documents, such as annuity contracts and custodial agreements. The employer must ensure that there are no conflicts or inconsistencies between the documents.

The document must contain eligibility rules, benefits available, limitations, allowable vendors, and time and form distributions.

The document must allocate administrative and compliance responsibilities to the employer and/or designated third parties. The plan may not allocate compliance responsibilities to the participants.

#### Other Provisions

- Exchange of investment products
- Universal availability
- Distributions
- Terminations

#### Suggestions

Set up a committee of benefit officials and participants to review the current plan and design the future plan.

Determine if you need a third party administrator (TPA) to administer the plan and create a request for proposal (RFP) for services.

Offer employee education. The IRS is developing this type of information as well as a model plan for school districts.

#### **New Auditing Standards**

Recently, 10 new auditing standards have been released and are effective, or will become effective for your June 30, 2008 year end. In reviewing the new standards, they will have an impact on our overall audit approach. The trend is to perform audit procedures utilizing more of a risk based approach. One area which will continue to be emphasized is your internal controls.

#### **New Interpretation of Deferred Compensation Rules Applicable to Teachers and Similar Employees**

In August of 2007, the IRS issued new questions and answers related to deferred compensation which can affect teachers and similar employees.

When employees can elect to defer part of their compensation to a future year, they are generally subject to the rules applicable to deferred compensation under the Internal Revenue Code. These payments could be subject to an additional 20% tax if the specified procedures are not followed. For example, school employees who work 10 months but are paid over 12 months would be deferring compensation into a future year.

These rules are not applicable unless an election must be made. If a school district provides that all employees must spread their pay over 12 months, these rules do not apply. In order to avoid imposition of extra taxes, the employees must give a written or electronic election to notify the employer that they want to spread out the compensation. This election must be provided before the start of the school year and must be irrevocable. The election must state how the compensation is going to be paid (for example, ratably over the 12 months starting with the beginning of the school year). This election does not need to be made for future years if the arrangement provides that the election will remain in place until the employee elects a change. These rules are effective January 1, 2008. Therefore, they are not applicable until the election for the 2008 - 2009 school years.

**Conclusion**

This report is intended solely for the information and use of Plainwell Community Schools, management, and others within the District, 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,

*Mayer, Costeniser & Ellis, P.C.*



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October 19, 2007

To the Plainwell Board of Education  
Plainwell Community Schools  
Plainwell, Michigan

We have audited the financial statements of Plainwell Community Schools for the year ended June 30, 2007, and have issued our report thereon dated October 19, 2007. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter, 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 accounting principles generally accepted in the United States of America. 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 School's 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 law, 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 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.

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 Plainwell Community Schools are described in Note 1 to the financial statements. We noted no transactions entered into by 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.

Management's estimate of the liability of the payout for the employee compensated absences upon their retirement is based on expected payout; the balance reported for compensated absences was approximately \$553,000. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements as a whole.

Certain amounts included in capital assets have estimates based on an outside appraisal company. Certain allocations on the statement of activities allocating revenue between instruction and support services have been used in preparing the statements.

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 Plainwell Community Schools' financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by Plainwell Community Schools, either individually or in the aggregate, indicate matters that could have a significant effect on Plainwell Community Schools' financial reporting process.

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 Plainwell Community Schools' 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, the Board of Education, management, and federal awarding agencies and pass through entities of Plainwell Community Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Mayer, Costenizer & Ellis, P.C.*