FENNVILLE PUBLIC SCHOOLS

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

YEAR ENDED JUNE 30, 2007

C O N T E N T S

	Page
Independent auditors' report	iv - v
Management's Discussion and Analysis	vi - xv
Basic financial statements	
Government-wide financial statements	
Statement of net assets	1
Statement of activities	2
Fund financial statements	
Balance sheet - governmental funds	3
Statement of revenues, expenditures and changes in fund balances - governmental funds	4
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	5
Fiduciary funds	
Statement of fiduciary assets and liabilities	6
Notes to financial statements	7 - 25
Required supplementary information	26
Budgetary comparison schedule - general fund	27

C O N T E N T S

	Page
Additional information	28
Nonmajor governmental fund types	
Combining statement of revenues, expenditures, and changes in fund balances	29
Special revenue funds	
Combining balance sheet	30
Combining statement of revenues, expenditures and changes in fund balances	31
Fiduciary funds	
Statement of receipts, disbursements and liabilities by activity	32- 36
Long-term debt	
Bonded debt	37 - 39
Schedule of land purchase	40
Schedule of roof replacement	41
Schedule of bus loan	42
Schedule of data storage loan	43

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Fennville Public Schools
Fennville, Michigan

October 8, 2007

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fennville Public 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 Fennville Public Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fennville Public 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.

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To the Board of Education
Fennville Public Schools
Fennville, Michigan

October 8, 2007

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2007, on our consideration of Fennville Public 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 controls 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 xv and page 27, 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 Fennville Public Schools' basic financial statements. The additional information on pages 29 to 43 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.

Maner, Costerisan & Ellis, P.C.

Certified Public Accountants

FENNVILLE PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS
Fiscal Year Ending June 30, 2007

Fennville Public Schools, a K-12 school district located in Allegan County, Michigan, is in its fifth year of implementation for the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements.

FINANCIAL HIGHLIGHTS

Below is a table showing the fund balances for the past six years.

DATE	GENERAL FUND BALANCE	DIFFERENCE
June 30, 2002	$ 815,213	$ (32,162)
June 30, 2003	906,648	91,435
June 30, 2004	1,149,200	242,552
June 30, 2005	1,479,503	303,303
June 30, 2006	1,254,283	(225,220)
June 30, 2007	1,006,356	(247,927)

In 2006-07 the total general fund revenues exceeded $11.9 million dollars with expenditures approximately $12.6 million dollars. In 2005-06 the total revenues exceeded $12.0 million dollars with expenditures approximately $12.4 million dollars. In the past two years, revenues have decreased over $.1 million dollars while expenditures increased by $.2 million.

The District continues to participate in short-term borrowing and borrowed $1.7 million dollars during the year that was repaid in August 2007.

On June 14, 2004, the voters approved a $25,760,000 bond for building a new elementary building, major renovations to the middle school, site renovations to the high school and a new community athletic center. These projects were being completed as the 2007/08 school year began.

As in the past several years the food service department was able to generate a surplus and continues with an enviable fund balance in excess of $200,000.

The athletic fund again was in a deficit position for fiscal 2007, and with only a slight fund balance of $3,443 and will need additional subsidies in the future unless changes in sports offerings are undertaken.

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:

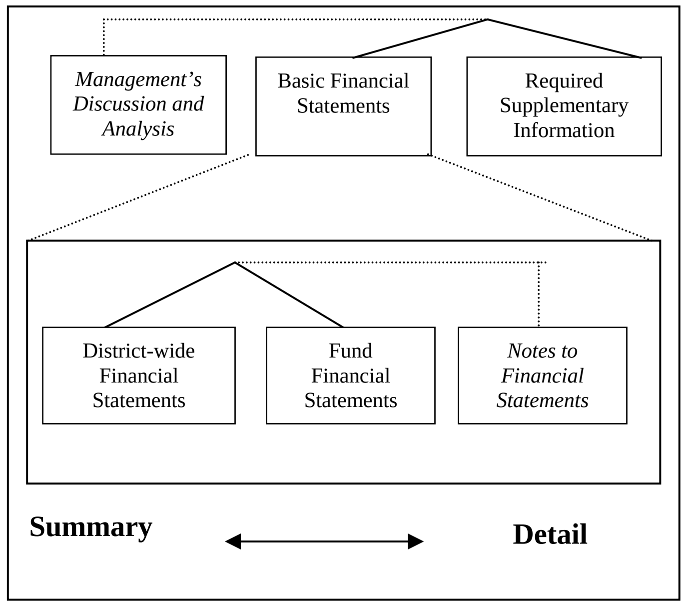
- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.

- 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 Fennville Public Schools' 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 a supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

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

	District-wide Statements	Fund Financial Statements: Governmental Funds	Fund Financial Statements: 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, FPS'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 summarizes 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 FINANCIAL STATEMENTS:

All of the District's assets and liabilities are reported in the district-wide financial statements and are on a full accrual basis that are similar to those used by private-sector companies. For example, capital assets and long-term obligations of the District are reported in the Statement of Net Assets of the district-wide financial statements. The difference between the District's assets and liabilities (net assets) are one way to measure the District's financial position. However, you need to consider other non-financial factors such as changes in the District's property tax base and the condition and age of the school buildings and other facilities.

The current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. Most of the District's basic services are included here, such as regular and special education, transportation and administration. These activities are financed through the state foundation grant, property taxes and various federal and state programs.

The District's combined net assets at the beginning of the fiscal year were $4,783,072 and on June 30, 2007 they were $4,383,333 which represents an decrease of $399,739 as recorded in the Statement of Activities.

FUND FINANCIAL STATEMENTS

The fund financial statements are reported on a modified accrual basis and consist of governmental funds and fiduciary funds. Governmental funds include most of the District's basic services 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 on future District programs.

Fiduciary funds are for assets that belong to others, such as the scholarship fund and the student activities fund where the District is the trustee or fiduciary. The District cannot use these assets to finance its operations but it is responsible to ensure that these funds are used for their intended purposes. Only measurable and currently available funds are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources. Some of these funds are established by State law and by bond covenants while others can be established for the District to control and manage money for a particular purpose such as school lunch and athletics.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets – In 2006-07, the District's combined net assets as of June 30, 2007 totaled $4,383,333 which was slightly less than as of June 30, 2006, $4,783,072.

Table A-3
Fennville Public School's Net Assets

	2007	2006
Current and other assets	$ 5,782,323	$ 19,305,828
Noncurrent assets	28,560,214	17,338,368
Total assets	34,342,537	36,644,196
Long-term debt outstanding	25,687,572	25,405,698
Other liabilities	4,271,632	6,455,426
Total liabilities	29,959,204	31,861,124
Net assets:		
Invested in capital assets, net of related debt	2,110,020	2,833,405
Restricted	485,082	526,066
Unrestricted	1,788,231	1,423,601
Total net assets	$ 4,383,333	$ 4,783,072

Table A-4
Changes in Fennville Public Schools' Net Assets

	2007	2006
Revenues:		
Program revenues:		
Charges for services	$ 227,910	$ 235,921
Federal and state categorical grants	1,789,738	1,918,818
General revenues:		
Property taxes	3,405,051	3,203,665
Investment earnings	390,335	768,648
State aid – unrestricted	8,339,272	8,567,117
Allegan ISD	247,359	208,162
Gain on sale and capital assets	345	5,446
Other	48,400	78,774
Total revenues	14,448,410	14,986,551
Expenses:		
Instruction	8,315,219	7,405,922
Support services	4,580,271	4,694,790
Community services	36,616	15,945
Food services	623,271	545,380
Athletics	243,881	190,269
Interest on long-term debt	1,048,891	1,213,687
Unallocated depreciation		197,024
Total expenses	14,848,149	14,263,017
Change in net assets	$ (399,739)	$ 723,534

STATE OF MICHIGAN UNRESTRICTED AID (State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

a. The Michigan State Aid Act per student foundation allowance which was established under Proposal A has increased from $4,352 per student in 1995 to $7,085 per student in 2006-2007. In addition there was a $23 per student equity payment in 2006/07.

b. Student Enrollment - The blended count is 75 percent of current year's fall count and 25 percent of prior year's February count.

c. The District's non-homestead levy for 2006-07 was 18.0000 mills which the voters approved in June 2005.

Student Enrollment

Student enrollments fell slightly from fiscal 2006 to 2007. Indications are that this trend will be reversed in the 2007/08 fiscal year.

GOVERNMENTAL FUNDS

Results of Operations:

For the fiscal years ended June 30, 2007 and 2006, the district-wide results of operations were:

	2007	2006
REVENUES:		
Local sources:		
Property taxes	$ 3,401,403	$ 3,204,132
Investment earnings	390,335	768,648
Food sales and athletic admissions	203,417	211,428
Other	72,893	103,267
Total local sources	4,068,048	4,287,475
State sources	8,959,149	9,198,102
Federal sources	1,169,861	1,287,833
Intermediate sources	247,359	208,162
TOTAL REVENUES	$ 14,444,417	$ 14,981,572
EXPENDITURES:		
Current:		
Instruction	$ 7,410,468	$ 7,391,960
Supporting services	5,218,523	4,995,542
Food service activities	649,145	564,469
Athletic activities	235,478	190,269
Community service activities	18,292	15,945
Debt service:		
Principal	305,000	301,304
Interest expense	1,000,056	1,220,372
Other	293,045	225
Capital outlay	11,951,428	12,042,620
TOTAL EXPENDITURES	$ 27,081,435	$ 26,722,706

The following summarizes the revenues and expenses by comparing fiscal year 2007 to 2006 as shown in the previous Results of Operations.

Revenues:

- Property taxes were increased due to increased taxable values and assessments.
- Interest earnings decreased with the reduction of investments in the capital projects fund.
- State sources decreased with the lower student counts.
- Federal sources also showed a decrease with reduction in federal program funds.
- Intermediate sources increased slightly over the previous year.

Expenses:

- Salaries and benefits increased as insurance pension costs continue to rise.
- Food service continues to show a profit.
- Athletic service expenses were increased due to additional programs.
- Transportation expenses were higher due to increased field trips and athletic events.

NON-HOMESTEAD PROPERTY TAXES LEVIED FOR GENERAL OPERATIONS

The Fennville Public School District voters approved the 18 mill renewal in June 2006 for one year and again in June 2007. The State of Michigan allows each school district to levy 18 mills on non-homestead property and the foundation grant is calculated after the 18 mills. The approval of this renewal resulted in a little over $1.8 million in revenue for the District in fiscal year 2006-07.

Following is a table showing the past six years of property taxes collected on non-homestead property.

Fiscal year		Non-Homestead Tax Levy	Mills
2006 - 2007	$	1,891,005	18.0000
2005 - 2006		1,739,017	18.0000
2004 - 2005		1,564,900	17.5338
2003 - 2004		1,516,817	18.0000
2002 - 2003		1,407,377	18.0000
2001 - 2002		1,175,266	
2000 - 2001		1,143,337	

The 18 mill renewal was approved by the Fennville voters again in 2007.

GENERAL FUND AND BUDGET HIGHLIGHTS

Original vs. Final Budget:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The 2006-07 budget was approved on June 26, 2006.

The budget was revised several time throughout the fiscal, with final revisions being approved in June of 2007, representing changes that were estimated during the month of May. The final budget revision anticipated a lower revenue figure than was budgeted in June and significantly higher expenditures than the original budget had anticipated. Actual results showed expenditures increased by about 3% over the original budget, while revenues came in at 95% of their originally predicted level.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2007, the District had invested $21.1 million in a broad range of capital assets.

Table A-5
Fennville Public Schools' Capital Assets

	2007			2006
	Cost	Accumulated depreciation	Net book value	Net book value
Land and construction in process	$ 933,658	$ -	$ 933,658	$13,946,136
Buildings & additions	27,846,166	3,804,253	24,041,913	1,398,188
Land improvements	1,661,071	58,744	1,602,327	
Transportation equipment	1,326,918	843,699	483,219	568,720
Computer & office equipment	1,748,797	524,750	1,224,047	168,876
Other	426,345	342,859	83,486	89,735
Total	$ 33,942,955	$ 5,574,305	$ 28,368,650	$16,171,655

LONG-TERM DEBT

The 2004 construction and remodeling bond was approved by the voters on June 14, 2004 in the amount of $25,760,000. 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. See Note 7 for more information.

Table A-6
Outstanding Long-term Debt

	2007	2006
General oblilgation bonds - net	$ 24,742,890	$ 25,141,527
Limited obligation bonds	118,666	118,666
Compensated absences	36,271	56,395
Bus loans	204,660	250,900
Capital leases		56,950
Voluntary severance plan	330,000	
Other loans	923,844	
	$ 26,356,331	$ 25,624,438

FACTORS BEARING ON THE DISTRICT'S FUTURE

There are several factors that could significantly affect the financial health of the District in the future.

- The foundation allowance from the State of Michigan has not yet been determined. In fact as of this writing the State of Michigan has yet to put a budget in place for fiscal 2008.

- The District has not received final allocation letters for amount of funds awarded on many of the federal and state programs at the time of this writing.

- The teacher's contract has been settled and those results are reflected in the 2007-08 budget. The District is a plaintiff along with other school districts in a lawsuit against the State, seeking to rectify inequities in the State's formula for appropriating special education aid to the districts.

- Enrollment increases are anticipated for the upcoming school year, which should result in increased district general fund revenues.

- The Capital project fund will be closed out during fiscal 2008. At that time a payment for arbitrage income may be required to the IRS. This will be determined at the conclusion of the project.

- The costs for fuel and gas have also been estimated and will be revised if prices are higher than expected.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the revenues it receives. If you have any questions about this report or need any additional information, please contact Business Services Office, Fennville Public Schools, Fennville, Michigan 49408, phone 269-561-7331.

FENNVILLE PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2007

		Governmental activities
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$	1,183,105
Investments		1,259,782
Receivables:		
Accounts receivable		48,358
Interest receivable		15,043
Due from other governmental units		1,685,673
Taxes receivable		4,173
Inventories		78,233
Prepaid expenditures		99,915
Restricted cash and cash equivalents - capital projects		597,493
Restricted investments - capital projects		810,548
TOTAL CURRENT ASSETS		5,782,323
NONCURRENT ASSETS:		
Issuance cost for bonds, net of amortization		191,564
Land and construction in process		933,658
Other capital assets, net of accumulated depreciation		27,434,992
TOTAL NONCURRENT ASSETS		28,560,214
TOTAL ASSETS	$	34,342,537
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$	640,388
Retainage payable		476,611
Note payable		1,700,000
Accrued interest		297,400
Accrued salaries and related items		473,538
Due to other governmental units		10,377
Deferred revenue		4,559
Current portion of long-term debt		550,419
Current portion of voluntary severance plan		110,000
Current portion of compensated absences		8,340
TOTAL CURRENT LIABILITIES		4,271,632
NONCURRENT LIABILITIES:		
Noncurrent portion of long-term debt		25,439,641
Noncurrent portion of voluntary severance plans		220,000
Noncurrent portion of compensated absences		27,931
TOTAL NONCURRENT LIABILITIES		25,687,572
TOTAL LIABILITIES		29,959,204
NET ASSETS:		
Invested in capital assets net of related debt		2,110,020
Restricted for debt service		485,082
Unrestricted		1,788,231
TOTAL NET ASSETS		4,383,333
TOTAL LIABILITIES AND NET ASSETS	$	34,342,537

FENNVILLE PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

Functions/programs	Expenses	Program revenues: Charges for services	Program revenues: Operating grants	Governmental activities: Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	$ 8,315,219	$	$ 1,109,012	$ (7,206,207)
Support services	4,580,271		206,782	(4,373,489)
Community services	36,616	24,493		(12,123)
Food service	623,271	165,181	473,944	15,854
Athletics	243,881	38,236		(205,645)
Interest on long-term debt	1,048,891			(1,048,891)
Total governmental activities	$ 14,848,149	$ 227,910	$ 1,789,738	(12,830,501)
General revenues:				
Property taxes, levied for general purposes				1,894,653
Property taxes, levied for debt service				1,510,398
Investment earnings				390,335
State sources				8,339,272
Allegan ISD allocation				247,359
Gain on sale of capital assets				345
Other				48,400
Total general revenues				12,430,762
CHANGE IN NET ASSETS				(399,739)
NET ASSETS, beginning of year				4,783,072
NET ASSETS, end of year				$ 4,383,333

See notes to financial statements.

FENNVILLE PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General fund	2005 Debt service fund	Capital projects fund	Other nonmajor governmental funds	Total governmental funds
ASSETS					
ASSETS:					
Cash and cash equivalents	$ 426,231	$ 620,630	$	$ 136,244	$ 1,183,105
Investments	1,161,770	94,872		3,140	1,259,782
Receivables:					
Accounts receivable	43,877	3,386		5,268	52,531
Interest receivable		36	15,007		15,043
Due from other governmental units	1,681,541			4,132	1,685,673
Due from other funds		4,385		102,337	106,722
Inventories	69,301			8,932	78,233
Prepaid expenditures	99,915				99,915
Restricted cash and cash equivalents			597,493		597,493
Restricted investments			810,548		810,548
TOTAL ASSETS	$ 3,482,635	$ 723,309	$ 1,423,048	$ 260,053	$ 5,889,045
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	$ 122,296	$	$ 486,303	$ 31,789	$ 640,388
Retainage payable			476,611		476,611
Note payable	1,700,000				1,700,000
Accrued interest payable	62,560				62,560
Accrued salaries and related items	473,538				473,538
Due to other funds	106,722				106,722
Due to other governmental units	10,377				10,377
Deferred revenue	786	3,387		4,559	8,732
TOTAL LIABILITIES	2,476,279	3,387	962,914	36,348	3,478,928

	General fund	2005 Debt service fund	Capital projects fund	Other nonmajor governmental funds	Total governmental funds
FUND BALANCES:					
Reserved for debt service	$	$ 719,922	$	$	$ 719,922
Reserved for inventories	69,301			8,932	78,233
Reserved for prepaid expenditures	99,915				99,915
Unreserved, undesignated	837,140		460,134	214,773	1,512,047
TOTAL FUND BALANCES	1,006,356	719,922	460,134	223,705	2,410,117
TOTAL LIABILITIES AND FUND BALANCES	$ 3,482,635	$ 723,309	$ 1,423,048	$ 260,053	$ 5,889,045

Total governmental fund balances		$ 2,410,117
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 the capital assets is	$ 33,942,955	
Accumulated depreciation is	(5,574,305)	
		28,368,650
Long-term liabilities are not due and payable in the current period and are not reported in the funds		
Bonds payable, net		(24,742,890)
Issuance cost for bonds, net of amortization of $11,683		191,564
Long-term debt		(1,247,170)
Voluntary severance plan		(330,000)
Compensated absences		(36,271)
Accrued interest is not included as a liability in government funds, it is recorded when paid		(234,840)
Balance of taxes receivable at June 30, 2007 less allowance for doubtful accounts, expected to be collected at September 1, 2007		4,173
Net assets of governmental activities		$ 4,383,333

FENNVILLE PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General fund	2005 Debt service fund	Capital projects fund	Other nonmajor governmental funds	Total governmental funds
REVENUES:					
Local sources:					
Property taxes	$ 1,891,005	$ 1,510,398	$	$	$ 3,401,403
Investment earnings	69,549	29,663	286,077	5,046	390,335
Food sales and athletic admissions				203,417	203,417
Other	66,893			6,000	72,893
Total local sources	2,027,447	1,540,061	286,077	214,463	4,068,048
State sources	8,925,365			33,784	8,959,149
Federal sources	729,701			440,160	1,169,861
Intermediate sources	247,359				247,359
Total revenues	11,929,872	1,540,061	286,077	688,407	14,444,417
EXPENDITURES:					
Current:					
Instruction	7,410,468				7,410,468
Supporting services	5,218,523				5,218,523
Food service activities				649,145	649,145
Athletic activities				235,478	235,478
Community service activities	18,292				18,292
Debt service:					
Principal		305,000			305,000
Interest		1,000,056			1,000,056
Other		225			225
Payment to escrow account		201,000			201,000
Issuance costs		91,820			91,820

	General fund	2005 Debt service fund	Capital projects fund	Other nonmajor governmental funds	Total governmental funds
EXPENDITURES (Concluded):					
Capital outlay:					
Construction	$	$	$ 11,933,531	$	$ 11,933,531
Other			17,897		17,897
Total expenditures	12,647,283	1,598,101	11,951,428	884,623	27,081,435
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(717,411)	(58,040)	(11,665,351)	(196,216)	(12,637,018)
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of bonds		7,825,000			7,825,000
Bonds issued at a discount		(117,624)			(117,624)
Proceeds from long term debt	937,956				937,956
Proceeds from sale of assets	345				345
Payment to escrow account		(7,613,406)			(7,613,406)
Operating transfers from other funds				144,733	144,733
Operating transfers to other funds	(144,733)				(144,733)
Total other financing sources (uses)	793,568	93,970		144,733	1,032,271
SPECIAL ITEM:					
Purchase of land	(324,084)				(324,084)
NET CHANGE IN FUND BALANCES	(247,927)	35,930	(11,665,351)	(51,483)	(11,928,831)
FUND BALANCES:					
Beginning of year	1,254,283	683,992	12,125,485	275,188	14,338,948
End of year	$ 1,006,356	$ 719,922	$ 460,134	$ 223,705	$ 2,410,117

See notes to financial statements.

FENNVILLE PUBLIC 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	$ (11,928,831)
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	(728,983)
Capital outlay	12,925,978
Proceeds from assets sold	(345)
Gain on sale of capital assets	345
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	207,926
Accrued interest payable end of the year	(234,840)
Repayments of principal on long-term debt is an expenditure 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	7,767,302
Bonds issued at discount	117,624
Bond issuance cost	91,820
Loss on refunding	469,406
Proceeds from long-term debt	(937,956)
Proceeds from sale of bonds	(7,825,000)
Amortization of bond discounts	(9,047)
Amortization of bond issuance cost	(4,564)
Amortization of loss on refunding	(4,346)
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:	
Deferred revenue beginning of the year	(525)
Deferred revenue end of the year	4,173
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	56,395
Accrued compensated absences end of the year	(36,271)
Accrued voluntary severance plan end of the year	(330,000)
Change in net assets of governmental activities	$ (399,739)

FENNVILLE PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2007

		Agency funds
ASSETS		
Cash	$	85,596
Investments		65,055
	$	150,651
LIABILITIES		
Liabilities:		
Accounts payable	$	26,127
Due to student groups		124,524
	$	150,651

See notes to financial statements.

FENNVILLE PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Fennville Public 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 Fennville Public Schools (the “District”) is governed by the Fennville Public School's 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 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The District first utilizes restricted resources to finance qualifying activities.

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 and other revenue.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

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

The District does not allocate indirect costs.

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

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

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

The District reports the following major governmental funds:

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

The *2005 debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The following is a summary of the revenue and expenditures for the capital projects bond activity since inception:

	Capital projects
Revenue and other financing sources (uses)	$ 26,566,243
Expenditures	$ 26,106,109

Other Non-major Funds

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

The *debt service fund* - Durant accounts for the resources accumulated and payments made for principal and interest on long-term limited obligation debt as a result of the Durant settlement.

The *permanent fund* accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support athletic programs of the District. During the fiscal year the principal and interest earned was given back to the original donors.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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.

Modified Accrual Method

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

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

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007, the foundation allowance was based on pupil membership counts taken in February and September of 2006.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 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. Categorical funds which are not expended by the close of the fiscal year are recorded as deferred revenue.

For the year ended June 30, 2007, approximately $193,000 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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

2. Property Taxes

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

For the year ended June 30, 2007, the District levied the following amounts per $1,000 of assessed valuation:

Fund	Mills
General Fund - Non-homestead	18.00
Debt service fund - Homestead and non-homestead	5.20

3. Inventories and Prepaid Expenditures

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

4. Receivables and Payables

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

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

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

The District's capitalization policy is to capitalize individual amounts exceeding $5,000.

6. Compensated Absences

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

7. Long-term Obligations

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Other Accounting Policies (Concluded)

8. Use of Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Encumbrance accounting is employed in governmental funds. Significant encumbrances outstanding at year end, if any, are reported as reservations of fund balance because they will be re-appropriated in the subsequent fiscal year.

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, for the general fund are noted in the required supplementary information section.

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concluded)

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.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

Investment Type	Fair value	Weighted average maturity (years)	Standard & Poor's Rating	%
MILAF External Investment pool - CMF	$ 144,017	0.0027	AAAm	7.4%
MILAF External Investment pool - MAX	107	0.0027	AAAm	
MILAF Fixed income portfolio	1,006,545	0.1014	AAAf	51.6%
U.S. Agency Notes and Bonds	799,471	0.0567	AAA	41.0%
Total fair value	$ 1,950,140			100.0%
Portfolio weighted average maturity		0.0757		

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.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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.

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, $1,941,408 of the District's bank balance of $2,318,971 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. Included in the above figures are bank money market deposits of $109,089, certificates of deposits of $65,055 and savings of $11,071. The carrying value on the books for deposits at the end of the year was $2,051,439.

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.

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

The above amounts as previously reported in Note 3:

Deposits - including fiduciary funds of $150,651	$ 2,051,439
Investments	1,950,140
	$ 4,001,579

NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)

The above amounts are reported in the financial statements as listed below. Certain interest bearing deposits have been reported as investments.

Fiduciary fund:		
Cash	$	85,596
Investments		65,055
District wide:		
Current assets:		
Cash		1,183,105
Investments		1,259,782
Restricted cash - capital projects		597,493
Restricted investments - capital projects		810,548
	$	4,001,579

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS

Receivables at June 30, 2007 consist of the following:

		Government wide
State aid	$	1,485,843
Federal revenue		162,036
Intermediate sources		37,794
	$	1,685,673

No allowance for doubtful accounts is considered necessary based on previous experience.

NOTE 5 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Assets not being depreciated:				
Land	$ 31,105	$ 306,232	$	$ 337,337
Construction in progress	13,915,031	585,000	13,903,710	596,321
Total assets not being depreciated	13,946,136	891,232	13,903,710	933,658
Other capital assets:				
Buildings and additions	5,031,824	22,994,342	180,000	27,846,166
Land improvements		1,661,071		1,661,071
Computer and office equipment	478,866	1,269,931		1,748,797
Outdoor equipment	413,233	13,112		426,345
Transportation equipment	1,326,918			1,326,918
Subtotal	7,250,841	25,938,456	180,000	33,009,297
Accumulated depreciation:				
Buildings and additions	3,633,636	350,617	180,000	3,804,253
Land improvements		58,744		58,744
Computer and office equipment	309,990	214,760		524,750
Outdoor equipment	323,498	19,361		342,859
Transportation equipment	758,198	85,501		843,699
Total accumulated depreciation	5,025,322	728,983	180,000	5,574,305
Net capital assets being depreciated	2,225,519	25,209,473		27,434,992
Net governmental capital assets	$ 16,171,655	$ 26,100,705	$ 13,903,710	$ 28,368,650

Depreciation for the fiscal year ended June 30, 2007 amounted to $728,983. The District allocated depreciation to the various activities as follows:

Instruction	$ 576,630
Support	113,301
Food service	9,294
Athletic activities	11,434
Community service activities	18,324
	$ 728,983

NOTE 6 - NOTE PAYABLE

At June 30, 2007, the District has outstanding a $1,700,000 revenue note (state aid note) dated August 18, 2006. The note, which has an interest rate of 3.68%, matures August 20, 2007. The note is secured by the full faith and credit of the District as well as pledged state aid.

Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
$ 2,000,000	$ 1,700,000	$ 2,000,000	$ 1,700,000

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.

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

	General obligation bonds	Limited obligation bonds	Compensated absences	Voluntary severance plan	Bus loans
Balance July 1, 2006	$ 25,141,527	$ 118,666	$ 56,395	$ -	$ 250,900
Additions	7,825,000			330,000	
Deletions	(8,223,637)		(20,124)		(46,240)
Balance June 30, 2007	24,742,890	118,666	36,271	330,000	204,660
Less current portion	(425,000)		(8,340)	(110,000)	(48,131)
Total due after one year	$ 24,317,890	$ 118,666	$ 27,931	$ 220,000	$ 156,529

	Capital leases	Roof replacement loan	Land purchase	Data storage	Total
Balance July 1, 2006	$ 56,950	$ -	$ -	$ -	$ 25,624,438
Additions		650,000	268,000	19,957	9,092,957
Deletions	(56,950)	(4,177)	(9,936)		(8,361,064)
Balance June 30, 2007	-	645,823	258,064	19,957	26,356,331
Less current portion		(51,513)	(20,786)	(4,989)	(668,759)
Total due after one year	$ -	$ 594,310	$ 237,278	$ 14,968	$ 25,687,572

NOTE 7 – LONG-TERM DEBT (Continued)

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

1998 limited obligation bonds (Durant bonds) due in annual installments of $16,880 to $46,172 through May 15, 2013, with interest at ;4.76%. Certain state aid payments have been pledged as security.	$ 118,666
2004 serial bonds due in annual installments of $385,000 to $1,295,000 through May 1, 2029 with interest from 3.00% to 5.00%.	17,715,000
2007 serial bonds due in annual installments of $35,000 to $1,640,000 through May 1, 2034 with interest from 4.00% to 4.20%.	7,825,000
Less: deferred amount on bond refunding	(465,060)
Issuance discounts	(332,050)
Land purchase - January 2007 purchase of land. Loan due in monthly installments of $2,975 through December 14, 2016 with an interest rate of 6.00%.	258,064
Roof replacement - March 2007 replacement of the high school roof. Loan due in monthly installments of $6,907 through May 10, 2017 with an interest rate of 5.04%.	645,823
Bus loan - October 13, 2005, 5 new buses. Loan due in annual installments of $48,131 to $54,281 through October 13, 2011 with interest at 4.1%.	204,660
AAESA Data storage purchase - April 2007 purchase of data warehouse storage. Loan due in annual installments of $4,989 through April 2011.	19,957
Total bonded debt and other long-term obligations	25,990,060
Voluntary severance	330,000
Compensated absences	36,271
Total general long-term debt	$ 26,356,331

NOTE 7 - LONG-TERM DEBT (Continued)

On March 21, 2007, Fennville Public Schools issued general obligation bonds of $7,825,000 with an interest rate ranging from 4.00% to 4.20% to advance refund bonds with an interest rate of 3.0% to 5.0%. The bonds mature on May 1, 2034. The general obligation bonds were issued at a discount after paying issuance costs of $91,820 which includes the underwriters discount, the net proceeds were $7,615,556. 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 a 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 $567,596, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $389,415.

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, $7,345,000 of bonds outstanding are considered defeased.

NOTE 7 - LONG-TERM DEBT (Continued)

The annual requirements to amortize long-term obligations outstanding exclusive of compensated absences payments as of June 30, 2007, including interest of $19,909,228 are as follows:

Year ending June 30,	Principal	Interest	Total
2008	$ 550,419	$ 1,225,268	$ 1,775,687
2009	692,498	1,183,735	1,876,233
2010	659,412	1,147,938	1,807,350
2011	691,732	1,122,312	1,814,044
2012	662,926	1,094,751	1,757,677
2013-2017	3,760,183	5,035,999	8,796,182
2018-2022	4,155,000	4,202,651	8,357,651
2023-2027	5,375,000	3,078,725	8,453,725
2028-2032	7,010,000	1,613,309	8,623,309
2033-2034	3,230,000	204,540	3,434,540
	26,787,170	19,909,228	46,696,398
Deferred amount on bond and funding	(465,060)		(465,060)
Issuance discounts	(332,050)		(332,050)
Voluntary severance	330,000		330,000
Compensated absences	36,271		36,271
	$ 26,356,331	$ 19,909,228	$ 46,265,559

The Durant bonds, including interest, was 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.

Interest expense (all funds) for the year ended June 30, 2007 was approximately $1,000,000.

The District had entered into voluntary termination benefit arrangements with certain employees. The original agreement provides for a total payment to each individual of either $18,000 or $24,000. This amount is paid over three equal payments of either $6,000 or $8,000 annually. There are currently thirteen employees entitled to future payments of $24,000 and one for $18,000. The liability has been recorded at the face amount as the discounted present value approximates face amount of liability.

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2007 are as follows:

Receivable fund			Payable fund		
Food Service	$	102,337	General	$	106,722
Debt service		4,385			
	$	106,722			

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 system, and (3) payments between funds are made.

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPSERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPSERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPSERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 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 MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

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

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 MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2007, 2006 and 2005 were $1,186,000, $1,085,328 and $967,269, respectively, and were equal to the required contribution for those years.

Other Post-employment Benefits **-** Also within the MPSERS system, retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The MPSERS has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by the MPSERS 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.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The 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 under a retrospectively rated policy to the pools 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. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of $500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2007 or any of the prior three years.

NOTE 11 - TRANSFERS

The general fund transferred $144,733 to the athletic fund during the current fiscal year. The transfer to the athletic fund was to subsidize operations.

NOTE 12 - SUBSEQUENT EVENTS

The District has approved borrowing $1,980,000 for fiscal year 2007 to replace the note payable as described in Note 6.

NOTE 13 - COMMITMENTS

The District has approximately $460,000 committed to complete its $25,760,000 bond proposal construction program.

REQUIRED SUPPLEMENTARY INFORMATION

FENNVILLE PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISION SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2007

	Original budget	Final budget	Actual	Variance with final budget - postivie (negative)
REVENUES:				
Local sources	$ 1,922,259	$ 1,969,650	$2,027,447	$ 57,797
State sources	9,645,392	8,666,226	8,925,365	259,139
Federal sources	711,748	756,429	729,701	(26,728)
Intermediate sources	215,500	464,474	247,359	(217,115)
Total revenues	12,494,899	11,856,779	11,929,872	73,093
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	5,590,139	5,522,834	5,576,169	(53,335)
Added needs	1,663,301	1,732,906	1,754,064	(21,158)
Adult and continuing education	71,329	79,931	80,235	(304)
Total instruction	7,324,769	7,335,671	7,410,468	(74,797)
Supporting services:				
Pupil	575,722	591,951	595,493	(3,542)
Instructional staff	471,246	480,094	451,035	29,059
General administration	394,677	380,890	375,122	5,768
School administration	830,994	763,087	755,087	8,000
Business	393,162	412,801	416,862	(4,061)
Operation/maintenance	1,563,392	2,120,109	1,916,414	203,695
Pupil transportation	705,353	699,775	694,264	5,511
Central	12,300	11,050	14,246	(3,196)
Other	2,200	1,000		1,000
Total supporting services	4,949,046	5,460,757	5,218,523	242,234
Community service activities	16,383	18,167	18,292	(125)
Total expenditures	12,290,198	12,814,595	12,647,283	167,312
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	204,701	(957,816)	(717,411)	240,405
OTHER FINANCING SOURCES (USES):				
Proceeds from long term borrowing		937,956	937,956	
Proceeds from sale of assets		400	345	(55)
Operating transfers to other funds	(156,906)	(152,181)	(144,733)	7,448
Total other financing sources (uses)	(156,906)	786,175	793,568	7,393
SPECIAL ITEM:				
Purchase of land		(318,200)	(324,084)	(5,884)
NET CHANGE IN FUND BALANCE	$ 47,795	$ (489,841)	(247,927)	$ 241,914
FUND BALANCE:				
Beginning of year			1,254,283	
End of year			$1,006,356	

ADDITIONAL INFORMATION

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

	Special revenue	Permanent fund Athletics contribution	Total nonmajor governmental funds
REVENUES:			
Local sources:			
Investment earnings	$ 5,046	$	$ 5,046
Food sales and athletic admissions	203,417		203,417
Other	6,000		6,000
Total local sources	214,463		214,463
State sources	33,784		33,784
Federal sources	440,160		440,160
Total revenues	688,407		688,407
EXPENDITURES:			
Current:			
Food service activities	649,145		649,145
Athletic activities	185,478	50,000	235,478
Total expenditures	834,623	50,000	884,623
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(146,216)	(50,000)	(196,216)
OTHER FINANCING SOURCES:			
Operating transfers from other funds	144,733		144,733
NET CHANGE IN FUND BALANCES	(1,483)	(50,000)	(51,483)
FUND BALANCES:			
Beginning of year	225,188	50,000	275,188
End of year	$ 223,705	$	$ 223,705

FENNVILLE PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2007

	Food service fund	Athletic fund	Totals
ASSETS			
Cash	$ 135,941	$ 303	$ 136,244
Investments		3,140	3,140
Accounts receivable	5,268		5,268
Due from other governmental units	4,132		4,132
Due from other funds	102,337		102,337
Inventories	8,932		8,932
TOTAL ASSETS	$ 256,610	$ 3,443	$ 260,053
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 31,789	$	$ 31,789
Deferred revenue	4,559		4,559
Total liabilities	36,348		36,348
Fund balances:			
Reserved for inventories	8,932		8,932
Undesignated	211,330	3,443	214,773
Total fund balances	220,262	3,443	223,705
TOTAL LIABILITIES AND FUND BALANCES	$ 256,610	$ 3,443	$ 260,053

FENNVILLE PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2007

	Food service fund	Athletic fund	Totals
REVENUES:			
Sales	$ 165,181	$	$ 165,181
Athletics		38,236	38,236
State aid	33,784		33,784
Federal aid	440,160		440,160
Interest income	5,046		5,046
Other	6,000		6,000
Total revenues	650,171	38,236	688,407
EXPENDITURES:			
Salaries and wages	190,524	103,767	294,291
Employee benefits	74,208	25,965	100,173
Donated commodities	33,160		33,160
Purchased services	4,265	25,145	29,410
Materials and supplies	41,276	21,473	62,749
Food costs	264,876		264,876
Capital outlay	40,836	4,027	44,863
Miscellaneous		5,101	5,101
Total expenditures	649,145	185,478	834,623
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,026	(147,242)	(146,216)
OTHER FINANCING SOURCES:			
Operating transfers from other funds		144,733	144,733
NET CHANGE IN FUND BALANCES	1,026	(2,509)	(1,483)
FUND BALANCES:			
Beginning of year	219,236	5,952	225,188
End of year	$ 220,262	$ 3,443	$ 223,705

FENNVILLE PUBLIC SCHOOLS
AGENCY FUNDS - STUDENT ACTIVITIES
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2007

	Balance 07/01/06	Additions	Deductions	Balance 06/30/07
All School Play Fund	$ 1,181	$ 8,270	$ 7,478	$ 1,973
Alternative Education	348			348
Animal Science	36			36
Annual Fund - Yearbook	5,406	16,283	15,751	5,938
Art Department	165	33	112	86
ArtStar		1,345	438	907
Athletic Contributions	(1,217)	21,305	27,851	(7,763)
Auditorium	470			470
Band Club	16,315	17,590	25,348	8,557
Baseball Fundraiser	986	1,069	1,738	317
Bo Mason Memorial Fund	964			964
Boys Basketball Fundraiser	3,001	5,825	7,001	1,825
Camp Blackhawk Fundraisers	394			394
Cheerleaders	(1,376)	3,620	3,889	(1,645)
Childrens Theater	2,000			2,000
Class of:				
1997	157			157
1999	1,428			1,428
2002	916		916	
2003	987			987
2004	1,673			1,673
2005	(236)			(236)
2006	4,572		3,018	1,554
2007	4,225	3,032	4,850	2,407
2008	1,298	8,374	5,843	3,829

FENNVILLE PUBLIC SCHOOLS
AGENCY FUNDS - STUDENT ACTIVITIES
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2007

	Balance 07/01/06	Additions	Deductions	Balance 06/30/07
Class of (Concluded):				
2009	$ 1,177	$ 1,265	$ 273	$ 2,169
2010		1,186	528	658
Community Athletic Center		8,247	4,244	4,003
Community Partnership Institute	102			102
Conflict Managers	941	385	986	340
Cross Country Fundraiser	10	420	315	115
D.A.R.E	58			58
DI Fundraisers				
DI/OM Fundraisers	269	2,153	406	2,016
Ed Foundation Mini-Grants	5,062	6,687	8,374	3,375
Eighth Grade Fund	(1,526)	39,511	40,617	(2,632)
Elementary Art Department	1,000	50		1,050
Elementary Dance		780	226	554
Elementary Library Fund	3,042	10,322	9,179	4,185
Elementary Office Fund (Lower)	114	3,300	2,915	499
Elementary Office Fund (Upper)	25	516	16	525
Elementary Playground	3,679	1,028	68	4,639
Elementary Pop Fund	1,250	4,816	4,768	1,298
Elementary Student Council (Lower)	7,233	562	6,239	1,556
Elementary Student Council (Upper)	9,176	15,607	14,982	9,801
Elementary Yearbook	3,746	1,298	2,506	2,538
Environmental Club	1,181	25	25	1,181
Fennville Chamber Scholarship	600	1,000	600	1,000
Fennville Foundation	(1,025)			(1,025)
Football Fundraisers	(229)	5,138	5,609	(700)

FENNVILLE PUBLIC SCHOOLS
AGENCY FUNDS - STUDENT ACTIVITIES
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2007

	Balance 07/01/06	Additions	Deductions	Balance 06/30/07
Fund Raisers	$ 156	$	$	$ 156
Future Educators of America	23			23
Future Farmers of America	1,067			1,067
Girls Basketball Fundraisers	549	1,797	1,098	1,248
Hero Team	443			443
High School Choir		5,024	2,380	2,644
High School Library Fund	811		86	725
High School Picture Fund	2,063			2,063
High School Student Council	1,413	1,667	2,233	847
High School Technology Fund	1,260			1,260
Hunt Memorial Fund	625			625
Journalism Class	131			131
Middle School Cheerleading	605	121		726
Middle School Art Club	777		163	614
Middle School Fund	226	1,012	2,428	(1,190)
Middle School Library	977	3,457	3,520	914
Middle School Pop Fund	621	805	1,336	90
Middle School Student Council	5,202	1,401	2,698	3,905
Migrant Pop Fund				
Miscellaneous contingency	11,826		16	11,810
Multicultural Club	317		317	
Music Revolving Fund	29			29
National Honor Society	4			4
Nelson Steel Scholarship		1,000	1,000	
One in a Million		4,515	345	4,170

FENNVILLE PUBLIC SCHOOLS
AGENCY FUNDS - STUDENT ACTIVITIES
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2007

	Balance 07/01/06	Additions	Deductions	Balance 06/30/07
Parent Teachers Organization	$ 10,775	$ 17,672	$ 24,241	$ 4,206
Pearl Project Fund	1,950	338	835	1,453
Pearl Student Council	1,608		300	1,308
Perrigo Scholarship	1,120		500	620
Pre-School Co-Op	5,406	1,608	1,980	5,034
Professional Library	3			3
Project Graduation	761	18,171	18,665	267
Quiz Bowl	98	302	198	202
RIF Program	939	1,179	1,672	446
Rocket Football	1,933	1,797	4,245	(515)
SAC Athletic Activities		918	756	162
SADD	239			239
Saugatuck/Douglas Garden Club	5,000		1,000	4,000
Seventh Grade Fund	941	11,507	12,113	335
Sixth Grade Fund	3,200	3,900	5,614	1,486
Ski Club	1,303	3,869	3,598	1,574
Softball Fundraiser	(221)	1,660	1,337	102
Sorensen Memorial Staff Development.	2,560			2,560
Spanish Club	487	100	578	9
Students Assisting Students Association	147	827	647	327
Student Coke Fund	419	13,296	13,082	633
Student Relief Fund	2,084	3,288	3,000	2,372
Summer Recreation	405	195	622	(22)
Superintendent Office Fund	190	6	65	131
Teachers Coke Fund (HS)	1,375	643	1,666	352

FENNVILLE PUBLIC SCHOOLS
AGENCY FUNDS - STUDENT ACTIVITIES
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2007

	Balance 07/01/06	Additions	Deductions	Balance 06/30/07
Third Grade Fundraiser	$ 19	$	$	$ 19
Track Fundraiser	404	45	424	25
VFW Scholarship	500	2,000	500	2,000
VI Monique Memorial	661		661	
Volleyball Fundraiser	988	390	390	988
Wrestling Fundraising	166	660	421	405
Youth Committee	518			518
Youth League Summer Ball	(2,875)	8,548	8,203	(2,530)
	$ 151,806	$ 304,760	$ 332,042	$ 124,524

FENNVILLE PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS-1998 DEBT
1998 SCHOOL IMPROVEMENT BONDS (DURANT)
YEAR ENDED JUNE 30, 2007

Year ending June 30,	Interest rate	Principal amount	Interest amount	Total
2009	4.76%	$ 46,172	$ 14,820	$ 60,992
2010		16,880	3,452	20,332
2011		17,684	2,648	20,332
2012		18,525	1,806	20,331
2013		19,405	924	20,329
		$ 118,666	$ 23,650	$ 142,316

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 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.

FENNVILLE PUBLIC SCHOOLS
BONDED DEBT
YEAR ENDED JUNE 30, 2007

$25,760,000 Bonds issued August 1, 2004 ($7,740,000 was refunded in 2007)

	Interest due		Debt service requirement for fiscal year	
Principal due May 1,	May 1,	November 1,	June 30,	Amount
$ 385,000	$ 403,640	$ 403,641	2008	$ 1,192,281
475,000	397,384	397,385	2009	1,269,769
505,000	389,072	389,072	2010	1,283,144
530,000	379,919	379,919	2011	1,289,838
555,000	369,982	369,981	2012	1,294,963
585,000	359,575	359,575	2013	1,304,150
615,000	347,875	347,875	2014	1,310,750
645,000	335,575	335,575	2015	1,316,150
680,000	322,675	322,675	2016	1,325,350
715,000	308,650	308,650	2017	1,332,300
750,000	293,456	293,456	2018	1,336,912
790,000	277,331	277,332	2019	1,344,663
830,000	260,050	260,050	2020	1,350,100
870,000	241,375	241,375	2021	1,352,750
915,000	219,625	219,625	2022	1,354,250
965,000	196,750	196,750	2023	1,358,500
1,015,000	172,625	172,625	2024	1,360,250
1,065,000	147,250	147,250	2025	1,359,500
1,120,000	120,625	120,625	2026	1,361,250
1,175,000	92,625	92,625	2027	1,360,250
1,235,000	63,250	63,250	2028	1,361,500
1,295,000	32,375	32,375	2029	1,359,750
$ 17,715,000	$ 5,731,684	$ 5,731,686		$ 29,178,370

The above bonds were authorized at an election June 14, 2004 and have interest rates from 3.00% to 5.00%. The bonds were issued for the purpose of erecting, furnishing and equipping a new elementary school; erecting, furnishing and equipping an addition or additions to, and partially remodeling and re-equipping the middle school and high school buildings; partially remodeling a portion of the existing elementary building to use for adult/alternative education and administrative office purposes; erecting, furnishing and equipping a community athletic center; acquiring and installing education technology; constructing and equipping improvements to the outdoor athletic facilities, including a running track, soccer field and playground; and developing and improving sites.

FENNVILLE PUBLIC SCHOOLS
BONDED DEBT
YEAR ENDED JUNE 30, 2007

$7,825,000 Refunding bonds issued March 31, 2007

	Interest due		Debt service requirement for fiscal year	
Principal due May 1,	May 1,	November 1,	June 30,	Amount
$ 40,000	$ 199,830	$ 163,498	2008	$ 403,328
40,000	162,697	162,698	2009	365,395
	161,898	161,897	2010	323,795
	161,897	161,898	2011	323,795
	161,898	161,897	2012	323,795
	161,897	161,898	2013	323,795
	161,898	161,897	2014	323,795
	161,897	161,898	2015	323,795
	161,898	161,897	2016	323,795
	161,897	161,898	2017	323,795
	161,898	161,897	2018	323,795
	161,897	161,898	2019	323,795
	161,898	161,897	2020	323,795
	161,897	161,898	2021	323,795
	161,898	161,897	2022	323,795
	161,897	161,898	2023	323,795
	161,898	161,897	2024	323,795
	161,897	161,898	2025	323,795
	161,898	161,897	2026	323,795
35,000	161,897	161,898	2027	358,795
40,000	161,172	161,171	2028	362,343
45,000	160,341	160,342	2029	365,683
1,405,000	159,408	159,408	2030	1,723,816
1,465,000	130,254	130,253	2031	1,725,507
1,525,000	99,855	99,855	2032	1,724,710
1,590,000	67,830	67,830	2033	1,725,660
1,640,000	34,440	34,440	2034	1,708,880
$ 7,825,000	$ 4,089,982	$ 4,053,650		$ 15,968,632

The bonds were approved by the board of education at the December 6, 2006 meeting to refinance $7,740,000 of the 2004 bond issuance. The bonds will refinance the 2029 through 2034 payments. The bonds will carry interest rates from 4.00% to 4.20%.

FENNVILLE PUBLIC SCHOOLS
SCHEDULE OF LAND PURCHASE
YEAR ENDED JUNE 30, 2007

$268,000 for purchase of 33.5 acres of land, loan dated January 14, 2007

Principal	Interest	June 30,	Amount
$ 20,786	$ 14,918	2008	$ 35,704
22,068	13,636	2009	35,704
23,429	12,275	2010	35,704
24,874	10,830	2011	35,704
26,408	9,296	2012	35,704
28,037	7,667	2013	35,704
29,766	5,938	2014	35,704
31,602	4,102	2015	35,704
33,551	2,153	2016	35,704
17,543	308	2017	17,851
$ 258,064	$ 81,123		$ 339,187

FENNVILLE PUBLIC SCHOOLS
SCHEDULE OF ROOF REPLACEMENT
YEAR ENDED JUNE 30, 2007

$650,000 for the replacement of the high school roof, loan dated March 10, 2007.

Principal	Interest	June 30,	Amount
$ 51,513	$ 31,370	2008	$ 82,883
54,170	28,713	2009	82,883
56,965	25,919	2010	82,884
59,903	22,981	2011	82,884
62,993	19,891	2012	82,884
66,242	16,642	2013	82,884
69,659	13,225	2014	82,884
73,252	9,632	2015	82,884
77,030	5,853	2016	82,883
74,096	1,880	2017	75,976
$ 645,823	$ 176,106		$ 821,929

FENNVILLE PUBLIC SCHOOLS
SCHEDULE OF BUS LOAN
YEAR ENDED JUNE 30, 2007

$250,900 for purchase of 5 buses, loan dated October 13, 2005

Principal due October, 13	Interest due October, 13	June 30,	Amount
$ 48,131	$ 8,371	2008	$ 56,502
50,099	6,402	2009	56,501
52,149	4,353	2010	56,502
54,281	2,220	2011	56,501
$ 204,660	$ 21,346		$ 226,006

FENNVILLE PUBLIC SCHOOLS
AAESA SCHEDULE OF DATA STORAGE LOAN
YEAR ENDED JUNE 30, 2007

$19,957 for the purchase of data storage, loan dated April 2007.

Principal		June 30,
$	4,989	2008
	4,989	2009
	4,989	2010
	4,990	2011
$	19,957	

FENNVILLE PUBLIC SCHOOLS

ADDITIONAL REPORTS REQUIRED BY

OMB CIRCULAR A-133

YEAR ENDED JUNE 30, 2007

C O N T E N T S

	Page
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*	1 - 2
Report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133	3 - 5
Schedule of expenditures of federal awards	6 - 8
Notes to schedule of expenditures of federal awards	9
Schedule of findings and questioned costs	10 - 14
Schedule of prior audit findings	15
Corrective action plan	16 - 17

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
Fennville Public Schools
Fennville, Michigan

October 8, 2007

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fennville Public Schools as of and for the year ended June 30, 2007, which collectively comprise Fennville Public Schools' basic financial statements and have issued our report thereon dated October 8, 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 Fennville Public 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 Fennville Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fennville Public Schools' internal control over financial reporting.

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the 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. We consider the deficiencies described as 2007-1, 2007-2 and 2007-3 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

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To the Board of Education
Fennville Public Schools

October 8, 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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above are not material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fennville Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an 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 Fennville Public Schools in a separate letter dated October 8, 2007.

Fennville Public Schools' response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Fennville Public Schools' response and accordingly, we express no opinion on it.

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

Maner, Costerisan & Ellis, P.C.

Certified Public Accountants

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

To the Board of Education
Fennville Public Schools
Fennville, Michigan

October 8, 2007

Compliance

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

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

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

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To the Board of Education
Fennville Public Schools

October 8, 2007

Internal Control Over Compliance

The management of Fennville Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Fennville Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Fennville Public Schools' 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-4 to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs as 2007-4 to be a material weakness.

To the Board of Education
Fennville Public Schools

October 8, 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 Fennville Public Schools as of and for the year ended June 30, 2007, and have issued our report thereon dated October 8, 2007. Our audit was performed for the purpose of forming opinions on the 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.

Fennville Public Schools' response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Fennville Public Schools' response and, accordingly, we express no opinion on it.

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

Maner, Costerisan & Ellis, P.C.

Certified Public Accountants

FENNVILLE PUBLIC 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	Current year expenditures	Current year cash receipts	Accrued (deferred) revenue June 30, 2007
U.S. Department of Agriculture:								
Passed through Michigan Department of Education:								
Child Nutrition Cluster:								
National School Lunch Program - Breakfast	10.553	071970	$ 70,947	$	$	$ 70,947	$ 70,947	$
National School Lunch Program - Breakfast		061970	5,707			5,707	5,707	
			76,654			76,654	76,654	
National School Lunch Program - Section 4	10.555	071950	38,621			38,621	38,621	
National School Lunch Program - Section 4		061950	4,830			4,830	4,830	
National School Lunch Program - Section 11		071960	255,152			255,152	255,152	
National School Lunch Program - Section 11		061960	31,256			31,256	31,256	
National School Lunch Snacks		071980	343			343	343	
Local Wellness Policy		060980	500			485	485	
			330,702			330,687	330,687	
Total Child Nutrition Cluster			407,356			407,341	407,341	
Food distribution:								
Entitlement Commodities	10.550		35,099			32,819	32,819	
Total U.S. Department of Agriculture			442,455			440,160	440,160	

The accompanying notes are an integral part of this schedule.

FENNVILLE PUBLIC 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	Current year expenditures	Current year cash receipts	Accrued (deferred) revenue June 30, 2007
U.S. Department of Education:								
Passed through Michigan Department of Education:								
E.C.I.A. Title I	84.010	071530-0607	$ 341,861	$	$	$ 316,342	$ 244,524	$ 71,818
E.C.I.A. Title I		061530-0506	279,395	37,564	279,395		37,564	
E.S.E.A. Title I 2% School Improvement		051550-0506	45,000	10,477	30,975	3,648	24,502	(10,377)
			666,256	48,041	310,370	319,990	306,590	61,441
Migrant Summer Formula	84.011	071830-2007	74,701			9,702		9,702
Migrant Summer Formula		061830-2006	122,937	2,245	2,245	120,692	122,937	
Migrant Regular Formula		071890-0607	137,226			131,311	91,118	40,193
Migrant Regular Formula		061890-0506	132,348	8,701	132,348		8,701	
			467,212	10,946	134,593	261,705	222,756	49,895
Special Education Grants to States	84.027A	070440-0607	4,000			814		814
Title V LEA Allocation	84.298	070250-0607	3,003			3,003	3,003	
Title V LEA Allocation		060250-0506	6,563	(1,717)	4,846	1,717		
			9,566	(1,717)	4,846	4,720	3,003	
Technical Literacy Challenge Fund	84.318	074290-0607	3,509			3,509	3,509	
Technical Literacy Challenge Fund		064290-0506	5,212		4,693	519	519	
			8,721		4,693	4,028	4,028	
Comp Schools Reform Demonstration	84.332	051870-0506	54,869	(6,699)	41,899	12,969	6,270	

The accompanying notes are an integral part of this schedule.

FENNVILLE PUBLIC 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	Current year expenditures	Current year cash receipts	Accrued (deferred) revenue June 30, 2007
U.S. Department of Education (Concluded):								
Passed through Michigan Department of Education (Concluded):								
English Language Acquisition	84.365	070580-0607	$ 29,427	$	$	$ 29,427	$	$ 29,427
English Language Acquisition		060580-0506	53,421	10,376	53,421		10,376	
			82,848	10,376	53,421	29,427	10,376	29,427
Title IIA, Improving Teacher Quality	84.367	070520-0607	82,377			67,486	57,404	10,082
Title IIA, Improving Teacher Quality		060520-0506	82,457	(8,448)	71,212	11,245	2,797	
			164,834	(8,448)	71,212	78,731	60,201	10,082
Total passed through Michigan Department of Education			1,458,306	52,499	621,034	712,384	613,224	151,659
Passed through Allegan Area Education Service Agency								
Pre School Incentive	84.173	060660/1	11,738			11,738	11,738	
Passed through Ottawa Area Intermediate School District:								
Drug Free Schools	84.186A	062860-0607	5,579			5,579	5,579	
Total U.S. Department of Education			1,475,623	52,499	621,034	729,701	630,541	151,659
TOTAL FEDERAL AWARDS			$ 1,918,078	$ 52,499	$ 621,034	$ 1,169,861	$ 1,070,701	$ 151,659

The accompanying notes are an integral part of this schedule.

FENNVILLE PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

1. Basis of presentation - The accompanying schedule of expenditures of federal awards includes the grant activity of Fennville Public 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. E.C.I.A. Title I, CFDA #84.010 was audited as a major program representing 27% of expenditures.

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

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

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

General fund	$ 729,701
Other nonmajor governmental funds	440,160
Current year expenditures	$ 1,169,861

6. Federal Commodities

Great Lakes Co-Op	$ 19,271
Northern Warehousing, Inc.	13,548
	$ 32,819

FENNVILLE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	*Unqualified*			
➢ Material weakness(es) identified:		Yes	X	No
➢ Significant deficiency(ies) identified that are not considered to be material weaknesses?	X	Yes		
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 weakness(es)?	X	Yes		None reported
Type of auditors' report issued on compliance for major programs:	*Unqualified*			
Any audit findings disclosed that are required to be reported with Sections 510(a) of Circular A-133?	X	Yes		No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	E.C.I.A 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

FENNVILLE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Section II – Findings – Financial Statement Audit

Finding - 2007-1

Finding considered a significant deficiency

Criteria: Effective for the year ended June 30, 2007, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the footnotes required in the annual audit reporting in accordance with accounting principles generally accepted in the United States of America.

Condition: Currently, the District's staff prepares the interim financial reports and assists the external auditor in the preparation of the annual audit report.

Context: External assistance is required to prepare the annual audit report. During the year, the District experienced turnover in the business office. The District has reorganized and is now outsourcing certain services in this area. It is expected next year the outsourced staff will be able to take responsibility for the annual audit report.

Cause: The staff of the District does understand all information included in the annual financial statements; however, assistance of the external auditor was utilized in preparing the footnotes to the financial statements and certain reconciliations required by Governmental Accounting Standards Board Statement #34.

Effect: Utilization of the external auditor in preparing the footnotes and certain reconciliations to the financial statements assists management with the external reporting responsibility, to ensure their financial statements are accurate.

Recommendation: At this time, we recommend no changes to this situation and communicate this as required by professional standards. The current process meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

FENNVILLE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Finding - 2007-2

Finding considered a significant deficiency

Criteria: The general ledger should be adjusted monthly to reconciled balances.

Condition: During the year, bank reconciliations are performed, however necessary adjustments to the general ledger were not made for certain accounts.

Context: Failure to record adjustments internally to the general ledger increases the risk that the financial statements will be materially misstated. During the year, the District experienced turnover in the business office. The District has reorganized and is now outsourcing certain services in this area. It is expected next year the outsourced staff will be able to take responsibility for the annual audit report.

Effect: Inaccurate financial information may be used for management decisions and reporting.

Cause: Lack of review over month-end procedures.

Recommendation: Monthly bank reconciliations should be reviewed by an appropriate individual every month. In addition, the reconciled balance should be compared to the general ledger to ensure all necessary adjustments to the general ledger are made in a timely manner. This will improve the accuracy of interim reporting.

FENNVILLE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Finding - 2007-3

Finding considered a significant deficiency

Criteria: Year end adjustments were proposed by the external auditor and recorded by the client during the audit.

Condition: All accounts were not adjusted to accurately reflect the transactions taking place at year end.

Context: Failure to make material adjustments increases the risk that the financial statements will be materially misstated. During the year, the District experienced turnover in the business office. The District has reorganized and is now outsourcing certain services in this area. It is expected next year the outsourced staff will be able to take responsibility for all year end entries.

Effect: Inaccurate financial information may be used for management decisions and reporting.

Cause: Oversight by the staff and management to record journal entries that properly reflect the transactions that have occurred at year end.

Recommendation: The District should review year end transactions and record journal entries for any transactions not recorded.

FENNVILLE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Section III – Federal Award Findings and Questioned Costs

Finding 2007-4

Finding considered a significant deficiency

Federal Program: E.S.E.A. Title I School Improvement CFDA #84.010

Specific Requirement: Cash management

Criteria: The grant in question allows for timely requests for reimbursements.

Condition: The District incorrectly forecasted its cash needs throughout the school year, and consequently received cash advances in excess of immediate cash needs.

Context: During the year, the District experienced turnover in the business office. The District has reorganized and is now outsourcing certain services in this area. It is expected next year the outsourced staff will be able to take responsibility for the annual audit report.

Questioned Costs: The District may owe interest income earned back to the Michigan Department of Education. At June 30, 2007, $10,377 had been received and not expended. The excess cash was subsequently refunded after June 30, 2007, to the Michigan Department of Education.

Effect: The District has excess cash and due to governmental balance at June 30, 2007. The District received the benefit of interest earnings on the unspent federal funds.

Cause: Premature request of funds which could not be spent within the subsequent 3 days.

Recommendation: The District should base its cash advance requests on accruable expenditures which meet the 3 day cash needs criteria.

FENNVILLE PUBLIC SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2006

Finding - 2006-1

Month-end adjustments of bank accounts for the year ended June 30, 2006

Condition: During the year, bank reconciliations are performed, however, necessary adjustments to the general ledger to balance the bank reconciliations were not made to the general ledger for certain accounts.

Recommendation: Monthly bank reconciliations should be reviewed by an appropriate individual every month. In addition, the reconciled bank balance should be compared to the general ledger to ensure all necessary adjustments to the general ledger are made in a timely manner. This will improve the accuracy of interim reporting.

Status: Month-end adjustments for 2007 were not always recorded. See finding 2007-2

FENNVILLE PUBLILC SCHOOLS
CORRECTIVE ACTION PLAN
JUNE 30, 2007
CONTACT PERSON: MARK DOBIAS
OVERSIGHT AGENCY: U.S. DEPARTMENT OF EDUCATION

Fennville Public Schools respectfully submits the following corrective action plan for the year ended June 30, 2007.

Auditor: Maner, Costerisan & Ellis, P.C.
544 Cherbourg Drive, Suite 200
Lansing, Michigan 48917-5010

Audit Period: Year ended June 30, 2007

The finding from the June 30, 2007 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

Finding - Financial statement audit

Finding 2007-1 Considered a significant deficiency

Recommendation: At this time, we recommend no changes to this situation and communicate this as required by professional standards. The current process meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

Action to be taken: We will continue to utilize our external auditors to assist in the preparation of the annual audited financial statements and footnotes.

Finding 2007-2 Considered a significant deficiency

Recommendation: Monthly bank reconciliations should be reviewed by an appropriate individual every month. In addition, the reconciled balance should be compared to the general ledger to ensure all necessary adjustments to the general ledger are made in a timely manner. This will improve the accuracy of interim reporting.

Action to be taken: We concur with the recommendation. We have worked diligently to resolve all issues. We are currently in the process of instituting month-end closing procedures.

Finding 2007-3 Considered a significant deficiency

Recommendation: The District should review year end transactions and record journal entries for any transactions not recorded.

Action to be taken: We concur with the recommendation. We will review year end transactions to insure that they are recorded in the proper period.

Finding 2007-4 Considered a significant deficiency

Recommendation: The District should base its cash advance requests on accruable expenditures which meet the 3 day cash needs criteria.

Action to be taken: We believe this instance was isolated. New procedures and personnel are now responsible for federal requests of funds.

Maner, Costerisan & Ellis, P.C.
Certified Public Accountants

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October 8, 2007

To the Board of Education
Fennville Public Schools
Fennville, Michigan

In planning and performing our audit of the financial statements of Fennville Public 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 Fennville Public 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 8, 2007 on the financial statements of Fennville Public 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.

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Prior Year Comments

Bonds

The construction process is still ongoing. The District should keep in mind that all bonds issued after May 1, 1994, a separate interim audit must be completed for each individual series of a bond authorization prior to the issuance of the next series. This interim audit must be completed within 120 days after completion of all projects and filed immediately with the Department of Treasury. This requirement is pursuant to Section 1351a(2) of Act 451 of the Public Acts of 1976. The management of the District should contact us with information as to the completion of all capital projects meeting this requirement so we can perform our audit procedures in a timely manner.

Current Year Comments

Staff Turnover and New Procedures

At year end, the District implemented new procedures with other district personnel. As a result, certain personnel we worked with during the audit had only been working with the District for a short period of time.

We have discussed these comments and the findings listed in the A-133 report. They have informed us they are committed to addressing all issues.

We recommend they complete a corrective action plan for all comments and submit it to the superintendent by November 30, 2007. Anticipated completion dates should be included in the plan.

Capital Projects

During our audit, we performed procedures to comply with Section 1351(a) which outlines guidelines for expending bond proceeds. There were no findings in this area.

Initial Listing of Cash Receipts Review

It is the District's policy, that an initial list of cash receipts is prepared by an individual independent of the receipt and deposit process. However, it was noticed during the audit, the initial receipt is not always compared to the deposit made for the day. To strengthen internal controls, we recommend the initial listing be compared to the deposits within a timely manner, including documenting the review process.

Federal Award Employee Time Documentation

During our audit, we were able to satisfy ourselves that adequate documentation supporting the activities was available. Documentation of appraisals was not always present.

Employees who split their time between federal and non federal programs need to have the necessary documentation to substantiate their time allocation. Currently, that allocation is reviewed, but not consistently documented. We recommend the District use the (MDE) format personal activity report (PAR) to ensure consistent documentation. The PAR report should be filled out monthly to verify that the time allocation of the individual's payroll is accurate, or adjustments can be made within a timely manner.

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 15th 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).

<u>IRS 403(b) Final Regulations</u>

<u>Intent</u>

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

<u>Effective Date</u>

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 effect 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 year.

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.

This report is intended solely for the information and use of Fennville Public 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,

Maner, Costerisan & Ellis, P.C.

Maner, Costerisan & Ellis, P.C.
Certified Public Accountants

October 8, 2007

To the Board of Education
Fennville Public Schools
Fennville, Michigan

We have audited the financial statements of Fennville Public Schools for the year ended June 30, 2007, and have issued our report thereon dated October 8, 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 Fennville Public 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 Fennville Public School's 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 Fennville Public School's 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 Fennville Public School's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Fennville Public School's compliance with those requirements.

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2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Fennville Public Schools are described in Note 1 to the financial statements. No new accounting policies were adapted and the application of existing policies was not changed during 2007. We noted no transactions entered into by Fennville Public Schools during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, of transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is the estimated liability for compensated absences and capital assets as determined by an independent appraisal company.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Fennville Public Schools' financial reporting process, that is, cause future financial statements to be materially misstated. In our judgment, several of the adjustments we proposed, whether recorded or unrecorded by the Fennville Public Schools, either individually or in the aggregate, indicate matters that could have a significant effect on the Fennville Public Schools' financial reporting process. A total of approximately 40 journal entries were recorded during the audit.

5. Disagreements with Management

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

6. Consultations with Other Independent Accountants

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

7. Issues Discussed Prior to Retention of Independent Auditors

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

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 board of Education and management of Fennville Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Maner, Costerisan & Ellis, P.C.