

COLDWATER COMMUNITY SCHOOLS

FINANCIAL STATEMENTS

JUNE 30, 2007

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INDEPENDENT AUDITOR'S REPORT

**Board of Education
Coldwater Community Schools
Coldwater, Michigan**

October 9, 2007

We have audited the accompanying financial statements of the governmental activities, and each major fund, and the aggregate remaining fund information of the Coldwater Community Schools as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Coldwater Community Schools' management. Our responsibility is to express an opinion on these basic 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 the Coldwater Community Schools as of June 30, 2007 and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Governmental Auditing Standards, we have also issued our report dated October 9, 2007 on our consideration of the School's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Required Supplemental Information

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 33 through 36 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 inquires of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Combining Financial Statements and Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Coldwater Community Schools' basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not required part of the basic financial statements. The other supplemental 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.



RUMSEY & WATKINS, P.C.

COLDWATER COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Coldwater Community Schools financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007.

Using the Annual Report

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements and Supplemental Information. The financial statements also include notes that explain some of the information in the statements and provide more detail data. The statements are followed by a section of Required Supplementary Information that further explains and supports the financial statements with a comparison of the District's budget for the year.

The Basic Financial Statements include two kinds of statements that present different views of the district. The two kinds of statements are: 1) District-wide Financial Statements; and, 2) Fund Financial Statements.

District-Wide Financial Statements

These statements are full accrual basis statements and provide information about the District's overall financial status. The full accrual basis means that all assets and liabilities of the District are recorded, regardless of when related cash is received or paid. This is the basis of accounting used by most private sector companies. These financial statements are used to help determine whether or not the District is better off or worse as a result of the year's activities. It is important to keep in mind that while we are required to report financial information in this manner, it is not the goal of the District to generate a profit. Financial reports are just one indicator of the overall health of the District.

The Statement of Net Assets reports all of the District's assets and liabilities, both short-term and long-term, regardless if they are currently available or not. Capital assets and long-term obligations of the District are reported in this statement.

All of the current year's revenue and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The total revenue less the total expense is referred to as the operating results for the current year. Sustained, positive operating results may indicate improving financial health, while decreasing operating results may indicate deteriorating financial condition.

The two District-Wide Statements report the District's net assets and how they have changed. Net assets are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the District's overall health, additional non-financial factors need to be considered, such as changes in the District's property tax base, the quality of education provided, and the condition of the District's buildings.

COLDWATER COMMUNITY SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

In the District-Wide Statements, the District's activities are classified as Governmental Activities. This includes most of the District's basic services, such as instruction, support services, transportation and administration. Property taxes, state aid and state and federal grants finance most of these activities.

Fund Financial Statements

The fund financial statements focus on individual parts of the District, reporting the District's operations in more detail than the District-Wide Statements. The fund level statements are reported on a modified accrual basis and include only current assets and current liabilities of the District. Only those assets that are measurable and currently available are reported. Liabilities are reported to the extent they will be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's Accounting Manual. The District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including Athletics, Food Service, Debt Service, Capital Project Funds and Fiduciary Funds.

In the fund financial statements, capital asset purchases are reported as expenditures in the year of acquisition. No asset is recorded. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

COLDWATER COMMUNITY SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Financial Analysis of the District as a Whole

Below is a summary of the District's net assets as of June 30, 2007 and 2006.

	Governmental Activities		Total Percentage Change
	2007	2006	
Current assets	\$ 7,525,682	\$ 7,297,319	3%
Noncurrent assets	31,932,953	30,790,313	4%
Total assets	39,458,635	38,087,632	4%
Current liabilities	4,006,845	3,410,420	17%
Noncurrent liabilities	23,494,430	23,924,591	-2%
Total liabilities	27,501,275	27,335,011	1%
Net assets			
Invested in capital assets, net of related debt	7,949,821	6,527,698	22%
Restricted	492,023	1,174,906	-58%
Unrestricted	3,515,516	3,050,017	15%
Total net assets	\$ 11,957,360	\$ 10,752,621	11%

The District's net assets as of June 30, 2007 were \$11,957,360. Included in this amount is \$3,515,516 in unrestricted assets. This represents the accumulation of past years' operations of the District. The District has restricted assets for the Sinking Fund requirements to provide future construction and repairs along with any debt requirements. The Board of Education has designated \$459,994 of the fund balance for spending on specific supply and equipment needs. The remaining net assets represent investments in capital assets (land, buildings and improvements and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services for students; consequently these assets are not available for spending. Although the District's investment in capital assets is reported net of related debt, the debt must be repaid from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The primary source for debt repayment is local property taxes.

COLDWATER COMMUNITY SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

The net assets of the District increased by \$1,204,739 or 11% during the 2006-07 fiscal year. The summary below shows the breakdown of this change.

	Governmental Activities		Total
	2007	2006	Percentage
			Change
Revenues			
Program revenues			
Charges for services	\$ 1,151,999	\$ 1,389,311	-17%
Operating grants and contributions	2,748,898	2,650,905	4%
General revenues:			
Property taxes	9,300,213	8,816,120	5%
State formula aid	16,069,981	16,105,602	0%
Interest	195,371	156,806	25%
Other	154,397	8,134	1798%
Total revenues	29,620,859	29,126,878	2%
Expenses			
Instruction	15,425,344	15,911,252	-3%
Support services	8,823,664	8,824,853	0%
Community services	77,971	6,884	1033%
Hot Lunch program	1,171,335	1,193,187	-2%
Athletic program	639,930	676,953	-5%
Interest	1,370,068	1,316,400	4%
Other	189	1,194	-84%
Unallocated depreciation	907,619	893,959	2%
Total expenses	28,416,120	28,824,682	-1%
Change in net assets	1,204,739	302,196	
Beginning net assets	10,752,621	10,687,809	
Prior period adjustment	-	(237,384)	
Beginning net assets, as restated	10,752,621	10,450,425	
Ending net assets	\$ 11,957,360	\$ 10,752,621	

As reported in the Statement of Activities, the cost of the District's governmental activities for the year is \$28,416,120. However, the amount that the District's taxpayers ultimately financed for these activities was only \$24,515,223 because \$1,151,999 was paid for by those benefiting from the programs and \$2,748,898 was paid for by other governments and organizations who subsidized certain programs with grants and contributions.

COLDWATER COMMUNITY SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Total revenue increased by \$493,981 or 2% in 2006-07 as compared to 2005-06. The District received \$7,085 per pupil in the state foundation aid allowance, which represented an increase of \$210 per pupil from 2005-06. Offsetting the increase in the state aid foundation allowance was a decrease in student enrollment of approximately 56 full-time equivalent students during the 2006-07 school year resulting in a net decline in state aid. Property tax revenue increased as the taxable value of property increased within the District's boundaries. Interest income increased as interest rates rose and the District conservatively managed cash flow to maximize average earning assets. Other revenue increased due to the sale of certain District assets.

Total expenses decreased by \$408,562 or 1% in 2006-07 as compared to 2005-06. Direct classroom instruction represents the District's largest expenditure. Support services include library services, counselors and social workers, administration, clerical staff, maintenance and custodial activities and transportation services. Instructional costs decreased in 2006-07 due to the closing of an elementary school and the 2005-06 retirement of several higher paid teachers. The savings from these reductions were partially offset by an increase in retirement and health insurance costs.

Financial Analysis of the District's Funds

The financial performance of the District as a whole is reflected in its governmental funds as well. The combined governmental funds equity decreased by \$564,006 based upon operating results for the 2006-07 school year. The individual results of each fund are discussed below.

The District's General Fund experienced increased revenue over expenditures during the 2006-07 school year leading to a \$395,984 increase in fund balance. Increased property tax revenue was the primary reason for the increase in fund balance. The General Fund experienced a decrease in instructional expenditures but an increase in capital outlay expenditures as technology purchases and building repairs were made in 2006-07.

The District's Food Service Fund had higher operating expenses than operating revenue in 2006-07 and thus experienced a decline in fund balance of \$147,049. This is primarily due to planned upgrades to the lunch facilities and equipment.

The District's Athletic Fund balance increased by \$49,709 in 2006-07. This is due to an increase in the General Fund transfer. The District's General Fund supports the Athletic Fund by transferring funds to cover most of the salaries, fringe benefits, transportation and insurance costs of the athletic programs. Additional funds were transferred in 2006-07 to increase the funds available to support future athletic programs.

COLDWATER COMMUNITY SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

The District's Capital Projects Sinking Fund experienced a \$884,880 decrease in fund balance during the 2006-07 fiscal year. Significant renovations to District's facilities occurred during the summer break including the restructuring of two parking lots and upgrades to an elementary school building.

The District's other funds experienced a \$22,230 increase in fund balance. This is due to increased property tax revenue and a decline in interest costs as a result of the reissuance of a portion the District's long-term debt at lower interest rates.

General Fund Budgetary Highlights

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. As a matter of practice, the District amends its budget periodically during the year. These revisions are made in order to deal with unexpected changes in revenues and expenditures which could have not been anticipated when the original budget is adopted. The Board adopted the final amendment to the operating budget in June 2007. A schedule showing the District's original and final adopted budgets, as well as final actual revenue and expense, is provided in the annual report. The following analysis describes the major reasons for changes in the budget during the year.

Revenues – Revenues were decreased by \$80,914 in the General Fund revenue budget from the beginning to the end of the year. The adjustments to the general operating budget to more accurately reflect current revenues can be summarized as follows:

- Received lower State revenue due to a decrease in student enrollment.
- Received additional property tax revenue due to an increase in taxable value.
- Adjustment of grant and grant carry-over revenue to the final approved grant amount

Expenditures – Expenditures were increased by \$331,568 in the General Fund expenditure budget from the beginning to the end of the year. The adjustments to the general operating budget to more accurately reflect current expenses can be summarized as follows:

- Capital outlay expenditures were increased for additional technology purchases and the high school roof replacement.
- Professional development activities for professional staff were increased.
- Maintenance support staff expenditures were increased due to the inclusion of some expenditures associated with the privatization of the custodial staff.
- Amended grant and grant carry-over expenditures to reflect current funding levels.

COLDWATER COMMUNITY SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Capital Assets and Debt Administration

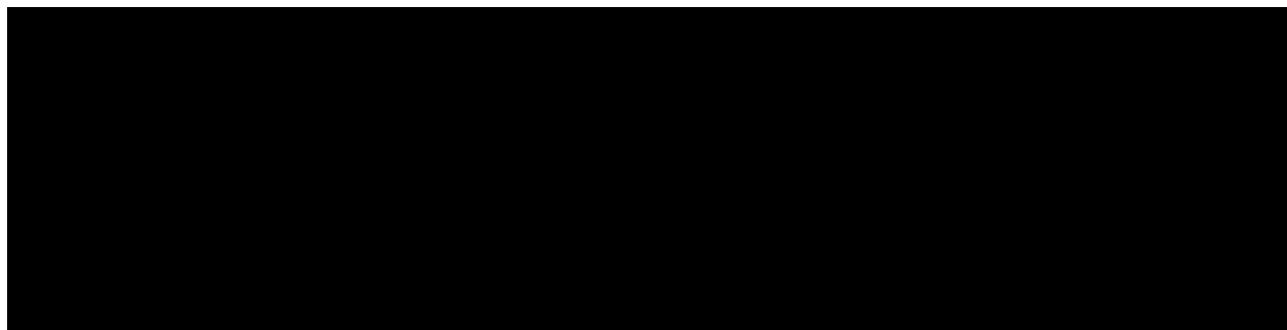
Capital Assets – A summary of the District's capital assets, net of depreciation, at year-end is outlined below. Additional information on the District's capital assets may be found in Note F of the Notes to the Financial Statements in this annual report.

Summary of Capital Assets (Net of Depreciation)

	Governmental Activities	
	2007	2006
Land	\$ 107,429	\$ 107,429
Buildings	30,483,660	29,365,105
Equipment	397,393	468,320
Vehicles	383,451	552,019
Construction in progress	45,339	45,738
Total	\$ 31,417,272	\$ 30,538,611

Current year purchases consist of the high school roof replacement, parking lot restructuring, various remodeling projects and equipment purchases.

Debt Administration – A comparative summary of the District's indebtedness at year-end is outlined below. Additional information on the District's long-term debt may be found in Note H of the Notes to the Financial Statements in this annual report.



Factors Bearing on the District's Future

There are several factors bearing on Coldwater Community Schools' general fund future. A substantial portion of the District's governmental fund revenues is received from state sources. As a result, the financial stability of the District is heavily dependent on the economic health of the State of Michigan. Annual adjustments to state aid per pupil allowances have not been sufficient to cover the increase in operating expenses forcing the District to reduce expenditures in other areas.

COLDWATER COMMUNITY SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Schools are funded at the State level based on the number of students they educate. Projections for future years indicate a decline in Coldwater Community Schools students of approximately 50 students per year. It is very difficult to decrease staffing levels for this enrollment decline because the loss of students is not distributed in only one grade.

While revenues change little from the previous year, many expenditures will continue to increase. The fastest growing cost in the budget is employee health insurance, as has been experienced in all industries nationwide. Employee health insurance is projected to increase by at least 10% per year. The next fastest growing cost in the budget is employee retirement. Due to health care costs for retirees and lower than projected earnings, the State has imposed a higher retirement rate on all salaries and wages paid to school employees. In 2006-07, the retirement rate increased from 16.34% to 17.74%. As of October 1, 2007, the retirement rate decreased to 16.72% due to one-time accounting adjustments made to the pension accounts by the State.

All of these factors place a heavy burden on the District's general fund equity. The Board of Education and administration are continuously looking for cost-savings methods to keep as many of the District's programs in place as possible.

Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances, and to show how the District is accountable for the money it receives. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to Milli A. Haug, Superintendent, Coldwater Community Schools, 401 Sauk River Drive, Coldwater, Michigan 49036, telephone (517) 279-5910.

COLDWATER COMMUNITY SCHOOLS

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Governmental Activities
ASSETS	
Cash and cash equivalent investments	\$ 4,236,087
Receivables	
Accounts receivable	95,733
Due from other governmental units	3,023,792
Inventory	89,967
Prepaid expenses	80,103
Issuance cost for bonds, net of amortization	515,681
Capital assets less accumulated depreciation of \$13,857,856	<u>31,417,272</u>
 Total assets	 39,458,635
LIABILITIES	
Accounts payable	569,125
Salaries payable	1,458,566
Accrued expenditures	722,899
Deferred revenue	28,788
Long term liabilities:	
Bonds payable, due within one year	1,142,053
Bonds payable, due in more than one year	22,755,665
Accrued interest payable - bonds	85,414
Compensated absences	<u>738,765</u>
 Total liabilities	 27,501,275
NET ASSETS	
Investment in capital assets - net of related debt	7,949,821
Restricted	492,023
Undesignated	<u>3,515,516</u>
 Total net assets	 <u><u>\$ 11,957,360</u></u>

See Notes to Financial Statements

COLDWATER COMMUNITY SCHOOLS

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

Functions/Programs	Program Revenues			Governmental Activities
	Expenses	Charges for Services	Operating / Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Instruction	\$ 15,425,344	\$ 166,158	\$ 2,140,785	\$ (13,118,401)
Support services	8,823,664	237,425	28,369	(8,557,870)
Community services	77,971	-	-	(77,971)
Food Service	1,171,335	621,008	550,184	(143)
Athletics	639,930	127,408	29,560	(482,962)
Interest	1,370,068	-	-	(1,370,068)
Other	189	-	-	(189)
Depreciation unallocated	907,619	-	-	(907,619)
Total governmental activities	\$ 28,416,120	\$ 1,151,999	\$ 2,748,898	(24,515,223)
General revenues:				
				6,420,501
				2,184,341
				695,371
				16,069,981
				195,371
				154,397
				25,719,962
				1,204,739
				10,752,621
				\$ 11,957,360

See Notes to Financial Statements

COLDWATER COMMUNITY SCHOOLS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2007

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Athletic Fund</u>	<u>Capital Projects Sinking Fund</u>
ASSETS				
Cash and cash equivalent investments	\$ 3,262,545	\$ 362,717	\$ 52,037	\$ 356,791
Accounts receivable	5,748	89,985	-	-
Due from other governmental units	3,023,792	-	-	-
Due from other funds	42,437	-	44,377	-
Inventory	74,208	15,759	-	-
Prepaid expenses	80,103	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 6,488,833</u>	<u>\$ 468,461</u>	<u>\$ 96,414</u>	<u>\$ 356,791</u>
 LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 447,047	\$ 48,540	\$ 6,773	\$ 66,765
Salaries payable	1,456,595	-	1,971	-
Accrued expenditures	720,513	-	2,386	-
Deferred revenue	28,788	-	-	-
Due to other funds	44,377	42,437	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	2,697,320	90,977	11,130	66,765
 FUND BALANCE				
Reserved	-	-	-	290,026
Designated	291,373	168,621	-	-
Undesignated	3,500,140	208,863	85,284	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balance	<u>3,791,513</u>	<u>377,484</u>	<u>85,284</u>	<u>290,026</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balance	<u>\$ 6,488,833</u>	<u>\$ 468,461</u>	<u>\$ 96,414</u>	<u>\$ 356,791</u>

See Notes to Financial Statements

Other Nonmajor Governmental Funds	Totals
\$ 201,997	\$ 4,236,087
-	95,733
-	3,023,792
-	86,814
-	89,967
-	80,103
\$ 201,997	\$ 7,612,496
\$ -	\$ 569,125
-	1,458,566
-	722,899
-	28,788
-	86,814
-	2,866,192
201,997	492,023
-	459,994
-	3,794,287
201,997	4,746,304
\$ 201,997	\$ 7,612,496

COLDWATER COMMUNITY SCHOOLS
GOVERNMENTAL FUNDS
RECONCILIATION OF BALANCE SHEET OF
GOVERNMENTAL FUNDS TO NET ASSETS
JUNE 30, 2007

Total Fund Balance - Governmental Funds	\$ 4,746,304
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p> <p>Capital assets used in governmental activities are not financial resources and are not reported in funds:</p>	
The cost of the capital assets	45,275,128
Accumulated depreciation	<u>(13,857,856)</u>
Total capital assets not reported in funds	31,417,272
Unamortized bond costs	515,681
<p>Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:</p>	
Bonds payable	(23,897,718)
Compensated absences	<u>(738,765)</u>
Total long-term liabilities not reported in funds	(24,636,483)
Accrued interest payable is not included as a liability in governmental activities	<u>(85,414)</u>
Total Net Assets - Governmental Activities	<u><u>\$ 11,957,360</u></u>

COLDWATER COMMUNITY SCHOOLS

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2007**

	General Fund	Food Service Fund	Athletic Fund	Capital Projects Sinking Fund
REVENUES				
Local sources	\$ 6,921,886	\$ 568,284	\$ 158,311	\$ 721,917
State sources	17,354,836	79,061	-	-
Federal sources	776,868	602,909	-	-
Other districts	229,201	-	-	-
Total revenues	25,282,791	1,250,254	158,311	721,917
EXPENDITURES				
Instruction	15,177,802	-	-	-
Support services	8,617,168	1,156,372	621,330	-
Community services	77,971	-	-	-
Capital outlay	1,001,138	240,931	-	1,378,433
Bond issuance cost	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and charges	-	-	-	-
Miscellaneous	-	-	-	189
Total expenditures	24,874,079	1,397,303	621,330	1,378,622
Excess (deficiency) of revenues over expenditures	408,712	(147,049)	(463,019)	(656,705)
OTHER SOURCES (USES)				
Proceeds from debt	500,000	-	-	-
Proceeds from refunding debt	-	-	-	-
Bond premium	-	-	-	-
Payments to escrow agent	-	-	-	-
Transfers from (to) other funds	(512,728)	-	512,728	(228,175)
Total other sources (uses)	(12,728)	-	512,728	(228,175)
Excess (deficiency) of revenues and other sources over expenditures and other uses	395,984	(147,049)	49,709	(884,880)
FUND BALANCE - BEGINNING	3,395,529	524,533	35,575	1,174,906
FUND BALANCE - ENDING	\$ 3,791,513	\$ 377,484	\$ 85,284	\$ 290,026

See Notes to Financial Statements

Other Nonmajor Governmental Funds	Totals
\$ 2,207,586	\$ 10,577,984
-	17,433,897
-	1,379,777
-	229,201
2,207,586	29,620,859
-	15,177,802
-	10,394,870
-	77,971
-	2,620,502
282,535	282,535
1,058,723	1,058,723
1,196,808	1,196,808
-	189
2,538,066	30,809,400
(330,480)	(1,188,541)
-	500,000
9,235,000	9,235,000
262,854	262,854
(9,373,319)	(9,373,319)
228,175	-
352,710	624,535
22,230	(564,006)
179,767	5,310,310
\$ 201,997	\$ 4,746,304

COLDWATER COMMUNITY SCHOOLS
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Net change in Fund Balance - Total Governmental Funds	\$ (564,006)
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation expense	(1,021,292)
Non-depreciable capital outlay	(437,274)
Capital outlay	2,620,502
Net book value of disposed assets	<u>(283,275)</u>
Total	878,661
Accrued interest is recorded in the statement of activities when incurred and it is not reported in governmental funds until paid	2,846
Accrued expenses for retirement buy-outs is recorded in the statement of activities when incurred and is not reported in the governmental funds until paid	262,898
Proceeds and repayments of principal on long-term debt are other financing sources and expenditures in the governmental funds, but not in the statement of activities (where they are additions and reductions of liabilities):	
Principal repayment	1,058,723
Proceeds of school improvement loan	(500,000)
Bond issuance cost	282,535
Bond issuance amortization	(18,557)
Premium on debt issuance	(262,854)
Amortization on bond premium	13,430
Amortization on deferred amount of bond refunding	(32,661)
Decreases in compensated absences are reported as a reduction to expenditures in accordance with GASB Interpretation No. 6	<u>83,724</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 1,204,739</u></u>

COLDWATER COMMUNITY SCHOOLS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2007

	<u>Student Activities Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 169,483
Investments	10,000
Accounts receivable	<u>18,640</u>
 Total assets	 <u><u>\$ 198,123</u></u>
 LIABILITIES	
Due to student groups	 <u><u>\$ 198,123</u></u>

COLDWATER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Coldwater Community Schools conform to generally accepted accounting principles in the United States of America as applicable to local school districts. The following is a summary of significant policies:

REPORTING ENTITY:

The Board of Education, a seven member group, has responsibility for activities relating to public elementary and secondary education within their jurisdiction of Coldwater, Michigan. The Board receives funding from local, state and federal sources and must comply with the requirements of these funding sources. The Board is not a component unit of any other government reporting entity. The Board is elected by the public and has decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

There were no other governmental entities considered for inclusion with the District as a component unit.

DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS:

The district-wide financial statements, the statement of net assets and the statement of activities, report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

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

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

COLDWATER COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION:

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

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

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

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

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

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

COLDWATER COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION:

MAJOR GOVERNMENTAL FUNDS

General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Food Service Fund is used to account for the resources and administration of the District's school lunch program.

Athletic Fund is used to account for the resources and administration of the athletic programs for the District.

Capital Projects Sinking Fund is used to account for resources specifically designated for the acquisition and constructions of facilities and for major capital repairs and improvements of facilities.

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the district in an agency capacity for student organizations and student special projects. Agency funds are custodian in nature, assets equal liabilities, and do not involve measurement of results of operations.

Additionally, the District reports the following nonmajor governmental fund types:

1994/1997/2007 Refunding Debt Fund is used to account for the accumulation of resources for, and the payment of long-tem debt principal, interest and other related costs.

2003 Debt Service Fund is used to account for the accumulation of resources for, and the payment of long-tem debt principal, interest and other related costs.

Durant Debt Service Fund is used to account for the accumulation of resources for, and the payment of long-tem debt principal, interest and other related costs. There was no activity in this fund for the year ended June 30, 2007. Payments for the Durant Debt Service Fund are totally funded by the State of Michigan.

2001/2005 Refunding Debt Fund is used to account for the accumulation of resources for, and the payment of long-tem debt principal, interest and other related costs.

COLDWATER COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS, LIABILITIES AND NET ASSETS:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with maturity of three months or less when acquired. Investments are stated at cost, which approximates fair market value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.”

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts.

Inventory and Prepaid items – Inventory is valued at cost, on a first-in, first-out basis. Inventory of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. The District defines capital assets as assets with an initial individual cost of more than \$5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The District does not have infrastructure type assets.

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

Buildings	20-50 Years
Equipment	5-20 Years
Vehicles	3-5 Years

Compensated Absences – The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

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

COLDWATER COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS, LIABILITIES AND NET ASSETS: - Continued

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

BASIS OF BUDGETING:

The District adopted their annual budgets based on the modified accrual method of accounting. Revenues and expenditures were estimated by the individual line item basis, but adopted and amended by the Board of Education by the functional level for each fund. Once a budget is approved, it can be amended at the functional level. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval. Such amendments are reflected in the official minutes of the Board, and are not made after year end as dictated by law. Revisions to the budgets were made during the year.

ENCUMBRANCE ACCOUNTING:

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances at year end are reappropriated in the next year. No reservation of fund balance equal to outstanding encumbrances at year end is required.

STATE AID REVENUE:

The State of Michigan had adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide 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 the average pupil membership counts taken in February and October of 2006.

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, currently the fiscal year, and was funded through 11 payments from October 20, 2006 through August 20, 2007.

COLDWATER COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2007

NOTE B – DEPOSITS AND INVESTMENTS

The District uses financial institutions for cash purposes, which is in accordance with statutory authority. The accounts maintained in the financial institutions are checking, savings and certificates of deposit. The interest rates of the checking and savings accounts are at variable daily rates.

Investments with the bank consist of certificate of deposits with an original maturity date of greater than three months. The investments are carried at cost which approximates market value. The certificates of deposits are currently earning rates of 4.25% to 5.20%.

The District's cash and investments, at June 30, 2007, are as follows:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Government</u>
Cash and investments	<u>\$ 4,236,087</u>	<u>\$ 179,483</u>	<u>\$ 4,415,570</u>

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 the market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk – State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). The District does not allow direct investment in commercial paper or corporate bonds.

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 institutional failure, the District's deposits may not be recovered. As of June 30, 2007, \$4,115,876 of the District's bank balance of \$4,403,746 was exposed to custodial credit risk because it was uninsured and uncollateralized. Certificates of deposit and money market accounts are included in the above totals.

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

COLDWATER COMMUNITY SCHOOLS

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE C – TAXES RECEIVABLE

The District’s property taxes are levied each December 1 in all local governmental units except for the City of Coldwater. The taxes are levied in the City of Coldwater on July 1. Taxes are collected by the local governmental units within Branch County and are remitted to District. After February 28 of each year, all uncollected taxes are returned delinquent to the county.

The 2006 operating tax rates were as follows:

General Fund	18.000
1994/1997/2007 Refunding Debt Fund	1.520
2001/2005 Refunding Debt Fund	1.480
2001 Sinking Fund	<u>0.974</u>
Total tax rate	<u><u>21.974</u></u>

There were no receivables recorded for taxes receivable as of June 30, 2007.

NOTE D – DUE FROM (TO) OTHER FUNDS

The due from (to) other funds, at June 30, 2007, for the District are as follows:

FOOD SERVICE FUND

Due from General Fund	\$ 42,437
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ATHLETIC FUND

Due from General Fund	<u>44,377</u>
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Total due from other funds	<u><u>\$ 86,814</u></u>
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COLDWATER COMMUNITY SCHOOLS

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE E – TRANSFERS FROM (TO) OTHER FUNDS

Transfers from (to) other funds, during the year ended June 30, 2007, for the District are as follows:

GENERAL FUND

Transfer to Athletic Fund	<u><u>\$ (512,728)</u></u>
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ATHLETIC FUND

Transfer from General Fund	<u><u>\$ 512,728</u></u>
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CAPITAL PROJECTS SINKING FUND

Transfer to 2003 Debt Service Fund	<u><u>\$ (228,175)</u></u>
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OTHER NONMAJOR FUNDS

2003 Debt Service Fund	
Transfer from Capital Projects Sinking Fund	<u><u>\$ 228,175</u></u>

Transfers are used (1) to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

COLDWATER COMMUNITY SCHOOLS

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE F – CAPITAL ASSETS

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

	Balance July 1, 2006	Additions	Disposals	Balance June 30, 2007
GROUP:				
Land	\$ 107,429	\$ -	\$ -	\$ 107,429
Buildings	39,602,775	2,113,743	322,502	41,394,016
Equipment	2,038,911	24,146	-	2,063,057
Vehicles	1,940,920	-	275,633	1,665,287
Construction in Progress	45,738	45,339	45,738	45,339
Total Capital Assets	43,735,773	2,183,228	643,873	45,275,128
 ACCUMULATED DEPRECIATION:				
Buildings	10,237,670	786,676	113,990	10,910,356
Equipment	1,570,591	95,073	-	1,665,664
Vehicles	1,388,901	139,543	246,608	1,281,836
Total accumulated depreciation	13,197,162	1,021,292	360,598	13,857,856
Net Capital Assets	<u>\$ 30,538,611</u>	<u>\$ 1,161,936</u>	<u>\$ 283,275</u>	<u>\$ 31,417,272</u>

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

GOVERNMENTAL ACTIVITIES:	
Instruction	\$ 34,654
Support services	45,456
Food service	14,963
Athletics	18,600
Depreciation unallocated	907,619
Total governmental activities	<u>\$ 1,021,292</u>

COLDWATER COMMUNITY SCHOOLS

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE G – DEFERRED REVENUE

Deferred revenue, at June 30, 2007, represents the following:

General Fund:

Adult Education	\$ 19,904
School Readiness	<u>8,884</u>
Total General Fund	<u><u>\$ 28,788</u></u>

NOTE H – LONG-TERM DEBT

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2007</u>
Governmental Activities:				
Bonds	\$ 24,174,355	\$ 10,082,086	\$ 10,358,723	\$ 23,897,718
Compensated absences	<u>822,489</u>	<u>-</u>	<u>83,724</u>	<u>738,765</u>
Total governmental activities	<u><u>\$ 24,996,844</u></u>	<u><u>\$ 10,082,086</u></u>	<u><u>\$ 10,442,447</u></u>	<u><u>\$ 24,636,483</u></u>

COLDWATER COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2007

NOTE H – LONG-TERM DEBT – Continued

The following is a summary of the long-term obligations for the District:

General obligation bonds payable at interest rates varying from 4.1% to 4.40%, annual principal payments ranging from \$575,000 to \$600,000, due May 2011	\$ 2,325,000
Refunding bonds payable at interest rate of 5.125%, annual principal payments ranging from \$230,000 to \$885,000, starting May 2021, due May 2023	2,000,000
Capital appreciation bonds payable at interest rates varying from 6.1% to 6.2%, annual principal payments ranging from \$238,018 to \$239,222, due May 2009	477,240
General obligation bonds payable at interest rates varying from 3.0% to 3.7%, annual principal payments ranging from \$205,000 to \$225,000, due May 2011	855,000
School improvement bond payable (Durant), at an interest rate of 4.76%, annual principal payments ranging from \$14,853 to \$43,266, due May 15, 2013	109,382
Refunding bonds payable at interest rates varying from 3.0% to 4.0%, annual principal payments ranging from \$50,000 to \$1,000,000, starting May 2006, due May 2021	8,365,000
Refunding bonds payable at interest rates varying from 4.0% to 5.0%, annual principal payments ranging from \$20,000 to \$870,000, starting May 2008, due May 2021	9,235,000
School improvement loan payable at interest rate of 4.75%, annual principal payments ranging from \$52,831 to \$73,108, starting March 2008, due March 2015	500,000
Less: deferred amount on bond refunding	(395,307)
Plus: premium on bond issuance (net)	426,403
Total bonded debt	23,897,718
Accumulated compensated absences	738,765
Total long-term debt	<u>\$ 24,636,483</u>

COLDWATER COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2007

NOTE H – LONG-TERM DEBT – Continued

In February 2007, Coldwater Community Schools issued general obligation bonds of \$9,235,000 with an interest rate ranging from 4.0% to 5.0% to advance refund bonds with an interest rate ranging from 5.0% to 5.125%. The bonds mature May 2021. The general obligation bonds were issued at premium after paying issuance costs of \$282,535 which includes underwriters discount, the net proceeds were \$9,292,886. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are paid in full. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the District's government – wide financial statements.

As a result of the advance refunding, the District reduced its total debt service requirements by \$81,155, which resulted in an economic gain, difference between present value of the debt service payments on the old and new debt of \$80,433.

The District has defeased 2001 and 1997 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 bond. Accordingly, the trust account assets and liability for the defeased bond is not included in the District's financial statements. At June 30, 2007, \$17,250,000 of bonds outstanding is considered defeased.

The annual requirements to service all bonds outstanding as of June 30, 2007, including interest payments of \$9,367,450 for the debt service requirements, is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,142,053	\$ 1,295,226	\$ 2,437,279
2009	1,163,211	1,306,776	2,469,987
2010	1,596,235	923,477	2,519,712
2011	1,627,023	850,199	2,477,222
2012	1,455,682	783,189	2,238,871
2013-2017	7,917,418	2,971,915	10,889,333
2018-2022	8,080,000	1,191,312	9,271,312
2023	885,000	45,356	930,356
	<u>23,866,622</u>	<u>9,367,450</u>	<u>33,234,072</u>
Total	23,866,622	9,367,450	33,234,072
Deferred amount on bond refunding	(395,307)	-	(395,307)
Unamortized premium on bond issuance	426,403	-	426,403
	<u>\$ 23,897,718</u>	<u>\$ 9,367,450</u>	<u>\$ 33,265,168</u>

Interest expense for the year ended June 30, 2007 was \$1,370,068. Interest expense in the Statement of Activities includes cost and amortization of bond issuance and bond premiums.

COLDWATER COMMUNITY SCHOOLS

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE I – RESERVED AND DESIGNATED FUND BALANCE

The District has reserved and designated fund balances, as of June 30, 2007, as follows:

Reserved fund balance:

Capital Projects Sinking Fund:

Reserve for equipment and repair projects	<u>\$ 290,026</u>
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Other Nonmajor Funds:

1994/1997/2007 Refunding Debt Fund	\$ 96,682
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2001/2005 Refunding Debt Fund	<u>105,315</u>
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Total Other Nonmajor Funds	<u>\$ 201,997</u>
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Designated fund balances:

Food Service Fund

Reserve for equipment and repair projects	<u>\$ 168,621</u>
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General Fund

Teaching supplies	\$ 53,870
Instructional equipment	114,503
Buses	<u>123,000</u>

Total General Fund	<u>\$ 291,373</u>
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COLDWATER COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2007

NOTE J – RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; errors and omissions; injuries to employee's and natural disasters. The District participates in two distinct pools of education institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subjected to special assessment to make up the deficiency. Each of the pools maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required. The District continues to carry commercial insurance for other risk.

NOTE K – RETIREMENT PROGRAM

Plan Description – The District contributes to the statewide Michigan Public School Employee's Retirement System (MPSERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine-member board of the MPSERS. The MPSERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPSERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909 or by calling (800) 381-5111. The MPSERS does not make separate measurements of assets and pension benefit obligations for individual districts.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

COLDWATER COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2007

NOTE K – RETIREMENT PROGRAM – Continued

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 for the first quarter and 17.74% through the remainder of the fiscal year. 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 \$2,442,264, \$2,471,879, and \$2,114,112 respectively, equal to the required contribution for the year.

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

Other Post employment Benefits – Under MPSERS' Act all retirees have the option of continuing health, dental and vision coverage. These benefits are not included in the pension benefit obligation referred above.

NOTE L – COMMITMENT

At June 30, 2007, the District had commitments for construction on the High School and Middle School in the amounts of approximately \$439,000 and \$169,000 respectively.

COLDWATER COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
REVENUES			
Local sources	\$ 6,395,852	\$ 6,903,458	\$ 6,921,886
State sources	17,951,629	17,389,515	17,354,836
Federal sources	868,506	822,573	776,868
Other districts	211,631	231,158	229,201
	<hr/>	<hr/>	<hr/>
Total revenues	25,427,618	25,346,704	25,282,791
EXPENDITURES			
Instruction	16,203,193	15,456,014	15,220,695
Support services	8,774,357	9,791,282	9,575,413
Community services	9,117	70,939	77,971
	<hr/>	<hr/>	<hr/>
Total expenditures	24,986,667	25,318,235	24,874,079
Excess of revenues over expenditures	440,951	28,469	408,712
OTHER SOURCES (USES)			
Proceeds from debt	-	500,000	500,000
Transfers from (to) other funds	(441,000)	(437,500)	(512,728)
	<hr/>	<hr/>	<hr/>
Total other sources	(441,000)	62,500	(12,728)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(49)	90,969	395,984
FUND BALANCE - BEGINNING	<hr/>	<hr/>	<hr/>
	3,395,529	3,395,529	3,395,529
FUND BALANCE - ENDING	<hr/>	<hr/>	<hr/>
	\$ 3,395,480	\$ 3,486,498	\$ 3,791,513

COLDWATER COMMUNITY SCHOOLS
FOOD SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
REVENUES			
Local sources	\$ 620,372	\$ 620,372	\$ 568,284
State sources	76,900	76,900	79,061
Federal sources	628,408	628,408	602,909
	<u>1,325,680</u>	<u>1,325,680</u>	<u>1,250,254</u>
EXPENDITURES			
Support services:			
Food service	<u>1,523,011</u>	<u>1,523,011</u>	<u>1,397,303</u>
Excess (deficiency) of revenues over expenditures	(197,331)	(197,331)	(147,049)
FUND BALANCE - BEGINNING	<u>524,533</u>	<u>524,533</u>	<u>524,533</u>
FUND BALANCE - ENDING	<u><u>\$ 327,202</u></u>	<u><u>\$ 327,202</u></u>	<u><u>\$ 377,484</u></u>

COLDWATER COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
ATHLETIC FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Local sources	\$ 169,130	\$ 169,130	\$ 158,311
EXPENDITURES			
Support services:			
Athletic programs	<u>605,067</u>	<u>605,067</u>	<u>621,330</u>
Excess (deficiency) of revenues over expenditures	(435,937)	(435,937)	(463,019)
OTHER SOURCES			
Transfers from other funds	<u>437,500</u>	<u>437,500</u>	<u>512,728</u>
Excess of revenues and other sources over expenditures	1,563	1,563	49,709
FUND BALANCE - BEGINNING	<u>35,575</u>	<u>35,575</u>	<u>35,575</u>
FUND BALANCE - ENDING	<u><u>\$ 37,138</u></u>	<u><u>\$ 37,138</u></u>	<u><u>\$ 85,284</u></u>

COLDWATER COMMUNITY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2007

NOTE A - COMPLIANCE WITH STATE REGULATIONS

A comparison of actual results of operations to the budgeted amounts, at the level of control adopted by the District, for the General Fund, and Athletic Fund is presented as Required Supplemental Information. The budget is adopted on the functional level.

During the year the District incurred expenditures that were in excess of the amounts budgeted, as follows:

	Final Budget	Actual
General Fund		
Community services	\$ 70,939	\$ 77,971
Transfers to other funds	\$ 437,500	\$ 512,728
Athletic Fund		
Athletic programs	\$ 605,067	\$ 621,330

**COLDWATER COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2007**

	Debt Service Funds		
	1994/1997/2007 Refunding Debt Fund	2001/2005 Refunding Debt Fund	Totals
ASSETS			
Cash and cash equivalents	\$ 96,682	\$ 105,315	\$ 201,997
LIABILITIES AND FUND BALANCE			
LIABILITIES	\$ -	\$ -	\$ -
FUND BALANCE			
Reserved	96,682	105,315	201,997
Total liabilities and fund balance	\$ 96,682	\$ 105,315	\$ 201,997

COLDWATER COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Debt Service Funds</u>			<u>Totals</u>
	<u>1994/1997/2007 Refunding Debt Fund</u>	<u>2003 Debt Service Fund</u>	<u>2001/2005 Refunding Debt Fund</u>	
REVENUES				
Local sources	\$ 1,120,163	\$ -	\$ 1,087,423	\$ 2,207,586
EXPENDITURES				
Support services	-	-	-	-
Capital outlay	-	-	-	-
Bond issuance cost	282,535	-	-	282,535
Debt Service:				
Principal	238,723	195,000	625,000	1,058,723
Interest	705,817	33,175	456,138	1,195,130
Other	912	-	766	1,678
Total debt service	<u>945,452</u>	<u>228,175</u>	<u>1,081,904</u>	<u>2,255,531</u>
Total expenditures	<u>1,227,987</u>	<u>228,175</u>	<u>1,081,904</u>	<u>2,538,066</u>
Excess (deficiency) of revenues over expenditures	(107,824)	(228,175)	5,519	(330,480)
OTHER SOURCES (USES)				
Proceeds from refunding debt	9,235,000	-	-	9,235,000
Bond premium	262,854	-	-	262,854
Payments to escrow agent	(9,373,319)	-	-	(9,373,319)
Transfer from other funds	-	228,175	-	228,175
Total other sources	<u>124,535</u>	<u>228,175</u>	<u>-</u>	<u>352,710</u>
Excess of revenues and other sources over expenditures	16,711	-	5,519	22,230
FUND BALANCE - BEGINNING	<u>79,971</u>	<u>-</u>	<u>99,796</u>	<u>179,767</u>
FUND BALANCE - ENDING	<u>\$ 96,682</u>	<u>\$ -</u>	<u>\$ 105,315</u>	<u>\$ 201,997</u>

COLDWATER COMMUNITY SCHOOLS

**INTERNAL CONTROL AND
FEDERAL GRANT REPORTS**

JUNE 30, 2007

CONTENTS

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Rumsey & Watkins, P.C.

Certified Public Accountants and Business Advisors

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

**Board of Education
Coldwater Community Schools
Coldwater, Michigan**

October 9, 2007

We have audited the financial statements, the governmental activities and each major fund and the aggregate remaining fund information of Coldwater Community Schools as of and for the year ended June 30, 2007, and have issued our report thereon dated October 9, 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 Governmental Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting: In planning and performing our audit, we considered Coldwater Community School District's internal control over financial reporting as a basis for designing our auditing procedures for purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Coldwater Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Coldwater Community School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Coldwater Community School District'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 Coldwater Community School District's financial statements that is more than inconsequential will not be prevented or detected by the Coldwater Community School District's internal control.

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 Coldwater Community School District's internal control.

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

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

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

A handwritten signature in cursive script that reads "Rumsey & Watkins PC".

RUMSEY & WATKINS, P.C.

Rumsey & Watkins, P.C.

Certified Public Accountants and Business Advisors

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

**Board of Education
Coldwater Community Schools
Coldwater, Michigan**

October 9, 2007

Compliance: We have audited the compliance of Coldwater Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Coldwater Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Coldwater Community School District's management. Our responsibility is to express an opinion on Coldwater Community School District's 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 Coldwater Community School District's 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 legal determination on Coldwater Community School District's compliance with those requirements.

In our opinion, Coldwater Community School District 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.

Internal Control Over Compliance: The management of Coldwater Community School District 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 Coldwater Community School District's internal control over compliance with requirements that could have a direct 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. Accordingly, we do not express an opinion on the effectiveness of Coldwater Community School District's internal control over compliance.

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

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

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

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 Coldwater Community School District as of and for the year ended June 30, 2007, and have issued our report thereon dated October 9, 2007. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

A handwritten signature in cursive script that reads "Rumsey & Watkins PC".

RUMSEY & WATKINS, P.C.

COLDWATER COMMUNITY SCHOOLS

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Program or Award Amount</u>
DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
National School Lunch Program:			
Commodity bonus	10.550	-	\$ 476
Commodity distribution	10.550	-	52,249
Subtotal			<u>52,725</u>
* Breakfast	10.553	61970	8,408
* Breakfast	10.553	71970	92,926
Subtotal			<u>101,334</u>
* Section 4	10.555	61950	7,700
* Section 4	10.555	71950	64,369
* Section 11	10.555	61960	39,643
* Section 11	10.555	71960	337,138
Subtotal			<u>448,850</u>
Child Care Snack	10.558	61920	2,402
Child Care Meals	10.558	71920	5,290
Child Care Snack	10.558	62010	42
Child Care Meals	10.558	72010	216
Subtotal			<u>7,950</u>
Total Department of Agriculture			610,859

* Designates major program

<u>Accrued or (Deferred) Revenue at July 1, 2006</u>	<u>Current Year Receipts</u>	<u>Current Year Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2007</u>	<u>Prior Years Expenditures</u>
\$ -	\$ 476	\$ 476	\$ -	-
-	52,249	52,249	-	-
-	<u>52,725</u>	<u>52,725</u>	-	-
-	8,408	8,408	-	-
-	92,926	92,926	-	-
-	<u>101,334</u>	<u>101,334</u>	-	-
-	7,700	7,700	-	-
-	64,369	64,369	-	-
-	39,643	39,643	-	-
-	<u>337,138</u>	<u>337,138</u>	-	-
-	448,850	448,850	-	-
-	2,402	2,402	-	-
-	5,290	5,290	-	-
-	42	42	-	-
-	216	216	-	-
-	<u>7,950</u>	<u>7,950</u>	-	-
-	610,859	610,859	-	-

COLDWATER COMMUNITY SCHOOLS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – Continued
FOR THE YEAR ENDED JUNE 30, 2007**

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Program or Award Amount</u>
DEPARTMENT OF EDUCATION			
Passed Through State Department of Education :			
Title I Educationally Deprived Children LEAS			
* Title I	84.010	061530 0506	437,834
* Title I	84.010	061530 0607	29,070
* Title I	84.010	071530 0607	407,672
Subtotal			<u>874,576</u>
Adult Basic Education	84.002	051130 610986	1,200
Adult Basic Education	84.002	061120 6500705	5,565
Adult Basic Education	84.002	061130 610986	23,800
Adult Basic Education	84.002	071130 710987	24,700
Adult Basic Education	84.002	071120 7500357	6,300
Subtotal			<u>61,565</u>
Title V	84.298	060250 0506	3,108
Title V	84.298	060250 0607	3,002
Title V	84.298	070250 0607	2,960
Subtotal			<u>9,070</u>
Title II, Part D	84.318	064290 0506	1,224
Title II, Part D	84.318	074290 0607	4,185
Subtotal			<u>5,409</u>

* Designates major program

<u>Accrued or (Deferred) Revenue at July 1, 2006</u>	<u>Current Year Receipts</u>	<u>Current Year Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2007</u>	<u>Prior Years Expenditures</u>
30,595	30,595	-	-	437,834
-	26,417	29,070	2,653	-
-	319,757	407,672	87,915	-
<u>30,595</u>	<u>376,769</u>	<u>436,742</u>	<u>90,568</u>	
1,200	1,200	-	-	1,200
1,647	1,647	-	-	5,565
22,616	22,616	-	-	23,800
-	22,532	24,700	2,168	-
-	-	6,300	6,300	-
<u>25,463</u>	<u>47,995</u>	<u>31,000</u>	<u>8,468</u>	
1,437	1,437	-	-	3,108
-	3,002	3,002	-	-
-	2,960	2,960	-	-
<u>1,437</u>	<u>7,399</u>	<u>5,962</u>	<u>-</u>	
694	694	-	-	1,224
-	4,185	4,185	-	-
<u>694</u>	<u>4,879</u>	<u>4,185</u>	<u>-</u>	

COLDWATER COMMUNITY SCHOOLS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – Continued
FOR THE YEAR ENDED JUNE 30, 2007**

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Program or Award Amount</u>
DEPARTMENT OF EDUCATION - Continued			
Passed Through State Department of Education - Continued			
Title II, Part A	84.367	060520 0506	182,124
Title II, Part A	84.367	070520 0607	179,615
Subtotal			<u>361,739</u>
Title III	84.365	060580 0506	42,155
Title III	84.365	060580 0607	3,093
Title III	84.365	070580 0607	40,755
Subtotal			<u>86,003</u>
Reading First State Grant	84.357	052910 050601	94,723
Reading First State Grant	84.357	072920 0607C	99,716
Subtotal			<u>194,439</u>
Total Department of Education			1,592,801
OTHER FEDERAL ASSISTANCE			
Passed Through Calhoun Intermediate School District:			
Drug Free Schools	84.186	DRUG0399	13,261
Drug Free Schools	84.186	DRUG0399	2,965
Drug Free Schools	84.186	DRUG0399	9,512
Vocational Education Technical Preparation	84.243	354859123	-
Vocational Education Technical Preparation	84.243	354859123	982
Total Other Federal Assistance			<u>26,720</u>
Total Federal Assistance			<u><u>\$ 2,230,380</u></u>

Accrued or (Deferred) Revenue at July 1, 2006	Current Year Receipts	Current Year Expenditures	Accrued or (Deferred) Revenue at June 30, 2007	Prior Years Expenditures
32,398	32,398	-	-	182,124
-	105,854	136,483	30,629	-
<u>32,398</u>	<u>138,252</u>	<u>136,483</u>	<u>30,629</u>	
6,462	6,462	-	-	42,155
-	2,132	3,093	961	-
-	28,182	40,755	12,573	-
<u>6,462</u>	<u>36,776</u>	<u>43,848</u>	<u>13,534</u>	
11,343	11,343	-	-	94,723
-	74,912	99,716	24,804	-
<u>11,343</u>	<u>86,255</u>	<u>99,716</u>	<u>24,804</u>	
108,392	698,325	757,936	168,003	
1,506	1,506	-	-	10,157
-	2,965	2,965	-	-
-	6,993	6,993	-	-
(42)	-	42	-	-
-	982	982	-	-
<u>1,464</u>	<u>12,446</u>	<u>10,982</u>	<u>-</u>	
<u>\$ 109,856</u>	<u>\$ 1,321,630</u>	<u>\$ 1,379,777</u>	<u>\$ 168,003</u>	

COLDWATER COMMUNITY SCHOOLS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – Continued
FOR THE YEAR ENDED JUNE 30, 2007**

**RECONCILIATION OF TOTAL FEDERAL
ASSISTANCE TO FINANCIAL STATEMENTS:**

Total Federal Assistance received	\$ 1,321,630
Accrued revenue at July 1, 2006	(109,856)
Accrued revenue at June 30, 2007	<u>168,003</u>
Total Federal Sources per financial statements	<u><u>\$ 1,379,777</u></u>

ADDITIONAL COMMENTS

There were no Federal monies in which the District acted as a fiscal agent or passed through to subrecipients.

For the grants tested in accordance with the Single Audit Act, the expenditures identified in the schedule of expenditures of Federal awards are supported by source documentation, accurate, current, proper and in agreement with financial reports submitted to the Michigan Department of Education.

Per review of the June 30, 2006 schedule of findings and questioned costs, no items were noted in the prior years.

COLDWATER COMMUNITY SCHOOLS
NOTES TO INTERNAL CONTROL AND FEDERAL GRANT REPORT
FOR THE YEAR ENDED JUNE 30, 2007

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Coldwater Community Schools conform to the generally accepted accounting principles in the United States of America as applicable to school districts. Please refer to Note A of the financial statements for a summary of significant policies.

NOTE B – GRANT SECTION AUDITORS REPORT

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

COLDWATER COMMUNITY SCHOOLS

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

SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes _____ X No

Reportable condition(s) identified that are considered to be material weakness(es)? _____ Yes _____ X None reported

Noncompliance material to financial statements noted? _____ Yes _____ X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes _____ X No

Reportable condition(s) identified that are not considered to be material weakness(es)? _____ Yes _____ X No

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

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

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
10.553 and 10.555	National School Lunch Program

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

Auditee qualified as low-risk auditee? _____ X Yes _____ No

FINDINGS - FINANCIAL STATEMENT AUDIT

None

MAJOR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None