Williamston Community Schools
Williamston, Michigan

FINANCIAL STATEMENTS

June 30, 2008

Williamston Community Schools

Williamston, Michigan

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June 30, 2008

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Williamston Community Schools

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Williamston Community Schools
Williamston, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Williamston Community Schools as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Williamston Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Williamston Community Schools as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2008 on our consideration of Williamston Community Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The administration's discussion and analysis and budgetary comparison information, as identified in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the 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 Williamston Community Schools' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary 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.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 5, 2008

Administration's Discussion and Analysis
For Fiscal Year Ended June 30, 2008

This section of Williamston Community Schools' annual report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2008. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Williamston Community Schools, a K-12 school district located in Ingham County, Michigan, and presents its financial statements under the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Williamston Community Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2008 with comparative information for June 30, 2007 in certain instances.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Williamston Community Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and longer-term view of the finances. The *Fund Financial Statements* provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund and the 2005 Bond Project Fund individually, and the Special Revenue Funds and Debt Service Funds collectively as nonmajor governmental funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

District-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the basic financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the Statement of Net Assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the Statement of Activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The Statement of Net Assets and Statement of Activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, child care, recreation and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The district-wide financial statements are full accrual basis statements. They report all the District's assets and liabilities, both short and long-term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Service Funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Assets of the district-wide financial statements.

Fund Financial Statements

The fund level financial statements are reported on the modified accrual basis. Only those assets that are "measurable" and "available" are reported. Liabilities are recognized to the extent that they are normally expected to 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." In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Service Funds and the Special Revenue (School Service) Funds which are comprised of: Food Service, Athletics, Community Service, and Red Cedar Recreation Association (RCRA).

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No capital assets are reported. 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.

Summary of Net Assets:

The following summarizes the net assets as of June 30, 2008 and 2007

Condensed Statement of Net Assets
as of June 30, 2008 and 2007

	Governmental Activities 2008	Governmental Activities 2007
Assets		
Current and Other Assets	$ 7,033,754	$ 14,645,530
Noncurrent Assets	49,321,825	45,737,292
Total Assets	**56,355,579**	**60,382,822**
Liabilities		
Current Liabilities	7,897,667	9,896,613
Noncurrent Liabilities	53,179,493	53,894,145
Total Liabilities	**61,077,160**	**63,790,758**
Net Assets		
Invested in capital assets, net of related debt	(4,836,109)	(4,081,470)
Restricted	756,845	5,679,813
Unrestricted	(634,317)	(5,006,279)
Total Net Assets	**$(4,721,581)**	**$(3,407,936)**

Analysis of Financial Position:

As detailed above, the District shows a negative total net asset value of ($4,721,581) for the fiscal year ended June 30, 2008. Negative total net asset valuation is not unexpected for a district with Williamston's characteristics, and can be explained by several factors:

- Over the past 10 years, significant enrollment growth has pressured facilities to their capacity limits.
- Major construction projects became necessary to expand facilities to meet the needs of the increased number of students. A new facility and major modifications to other facilities began in 2005 and continues through the current fiscal year.
- Significant debt, ($27.5 million) was incurred by the District in 1996 to pay for the facility modification projects.
- Significant debt, ($23.735 million) was incurred by the District in 2005 to pay for the facility modification projects.

Should property tax valuations in the District maintain their historical growth rates, and the District repays its existing debt obligations, negative asset valuations are expected to reach positive valuations.

Results of Operations:

For the fiscal year ended June 30, 2008 and 2007, the district-wide results of operations were:

Condensed Statement of Activities
Year Ended June 30, 2008 and 2007

	Governmental Activities 2008	Governmental Activities 2007
Revenues:		
Program Revenues		
Charges for Service	$ 1,272,194	$ 1,308,991
Operating Grants and Contributions	627,717	437,958
General Revenues		
Property Taxes	4,595,860	4,436,479
State School Aid-unrestricted	12,903,247	13,086,356
Other	1,549,018	2,086,530
Extraordinary Item		
Insurance Proceeds	538,987	-
Total Revenues and Extraordinary Item	**21,487,023**	**21,356,314**
Functions/Program Expenses:		
Instruction	9,930,631	9,796,232
Supporting services	7,058,554	6,322,635
Community services	932,585	865,159
Food service	464,055	501,855
Athletics	373,758	348,455
Payments to other districts	3,122	16,805
Interest on long-term debt	2,533,571	2,587,186
Unallocated depreciation	1,504,392	1,289,076
Total Expenses	**22,800,668**	**21,727,403**
Increase (Decrease) in Net Assets	**$(1,313,645)**	**$(371,089)**

Analysis of Results of Operations:

During fiscal year ended June 30, 2008, the District's net assets decreased by $1,313,645. Several factors which caused the reduction are discussed in the following sections.

A. Governmental Fund Operating Results

The District's expenditures and other adjustments from governmental fund operations exceeded revenues by $604,483 (excluding the 2005 bond project activities) for the fiscal year ended June 30, 2008. Further discussion of the District's operating results is available in the section entitled "Results of 2007-2008 Operations" located on the following page.

B. Long-Term Debt Activities

The District reduced its bonded long-term debt obligation during 2007-2008 by making principal payments amounting to $1,995,000. Additional debt in the form of principal of $895,000 and interest accrued costs $550,750 on outstanding debt was incurred by the District during the fiscal year through the State of Michigan School Bond Loan Fund. Also, compensated absences decreased by a net amount of $31,936. As a result of these activities, net district long-term debt liabilities decreased by $615,732.

Results of 2007-2008 Operations

During fiscal year ended June 30, 2008, the District net assets decreased by $1,313,645. A few additional significant factors affecting net assets during the year are discussed below:

A. General Fund Operations

The General Fund is the main fund for the District and includes all the cost related to educating the students of the Williamston Community Schools such as: Salaries and benefits for Teachers, Classroom Aides, Administrators, Secretaries, Custodians, Maintenance staff, Noon Aides, Librarians, Counselors, Bus Drivers and other miscellaneous positions; teaching supplies, employee training, utilities, building maintenance supplies and other.

The District's expenses from General Fund operations exceeded revenues by $620,444 for the fiscal year ended June 30, 2008. The General Fund as of June 30, 2008, has a fund balance of $754,916 or 4.3% of expenditure and other financing uses for 2007-2008 fiscal year. The School District made budget reductions in certain areas for the 2007-2008 fiscal year and most likely will have to continue these reductions for 2008-09 unless funding from the State of Michigan improves.

The District also had an extraordinary event occur in the current year when a tornado did significant damage to various District facilities. The insurable loss is reflected as an extraordinary item in the financial statements. The District received $538,987 in insurance proceeds as a result. Further information is discussed in Note P.

B. Debt Service Fund Operations

The Debt Service Funds consist of three (3) separate debt funds as follows: 1996 Debt, 2001 Debt, and 2005 Debt. The Debt Service Funds are set up to collect taxes and pay annual debt payments. At June 30, 2008, the Debt Service Funds had $25,591 in fund equity available for future bond payments.

The School District levies taxes to make debt payment obligations. If taxes levied are not sufficient the School District will borrow funds from the Michigan School Bond Loan Fund. Any funds borrowed from the Michigan School Bond Loan Fund will be paid back toward the end of the bond obligations. In the fiscal year ended June 30, 2008, the School District borrowed $1,445,750 principal and interest from the Michigan School Bond Loan Fund and the School District has a total obligation of $13,244,655 to pay back to the Michigan School Bond Loan Fund including interest.

The District made principal payments on bonded, long-term debt obligations that reduced the amount of the District's long-term liabilities as follows:

	Principal Balance June 30, 2007	Principal Payments	Principal Balance June 30, 2008
1996 bonds	$ 13,350,000	$ 1,000,000	$ 12,350,000
2001 refinancing bonds	6,580,000	45,000	6,535,000
2005 bonds	22,925,000	950,000	21,975,000
Total long-term bond obligations	$ 42,855,000	$ 1,995,000	$ 40,860,000

The District also had $84,650 outstanding on the Durant resolution bonds and $378,531 outstanding in compensated absences and $725,474 in unamortized bond items at June 30, 2008. See Note D for significant details related to long-term debt.

C. School Service Funds

The Williamston Community Schools also has school service funds that include the following: Food Service Fund, Athletic Fund, Community Service Fund, and the Red Cedar Recreation Association Fund.

The Food Service Fund is a fund that reports the food service program. In 2007-2008 the Food Service Fund had revenues of $514,513 and expenditures of $464,055 and fund balance of $50,458. The Food Service Fund has improved in matching revenues and expenditures each year.

The Athletics Fund includes all costs for High School and Middle School athletic programs including the cost for coaches, officials, supplies, tournaments, and miscellaneous. Transportation cost is accounted for in the General Fund. In 2007-2008 the Athletics Fund had revenues and other financing sources of $373,046 and expenditures of $373,758. The Athletics Fund must be a balanced budget and the District contributed $195,929 from the General Fund to balance the fund. The Athletics Fund generated $177,117 in revenue from gate receipts, passes, fees, donations, and other miscellaneous items. The Athletics Fund had a fund balance of $1,656.

The Community Service Fund includes childcare, pre-school, infant care, summer childcare programs, enrichment programs, senior center, and the community pool. In 2007-2008 the Community Service Fund had revenues and other financing sources and expenditures of $819,173. The Community Service Fund must be a balanced budget and the District contributed $246,469 (Community Service $26,084 and Community Pool $220,385) from the General Fund to balance the fund.

The Red Cedar Recreation Association Fund (RCRA) includes all recreation activities such as baseball, softball, soccer, volleyball, football, gymnastics, and others. RCRA is a self-supporting program but had to be subsidized by $16,220 by the District. In 2007-2008 RCRA had revenues of $97,192 and expenditures of $113,412 and fund balance of $0.

D. Net Investment in Capital Assets

The District's net investment in capital assets increased by $3,584,533 during the fiscal year. This can be summarized as follows:

	Balance June 30, 2007	Net Change	Balance June 30, 2008
Capital assets	$ 60,983,946	$ 5,088,925	$ 66,072,871
Less: accumulated depreciation	(15,246,654)	(1,504,392)	(16,751,046)
Net investment in capital outlay	$ 45,737,292	$ 3,584,533	$ 49,321,825

In 2005, Williamston Community Schools' voters approved a $23,735,000 general obligation bond. The proceeds were used for the purpose of constructing, furnishing, and equipping additions to the high school and to Explorer Elementary School; remodeling existing school district buildings and equipping, furnishing, re-equipping and re-furnishing existing school district buildings; acquiring and installing technology equipment in and connecting schools district buildings; constructing additional parking for the existing transportation facility and purchasing school buses; acquiring land for new sites and improving and developing new and existing sites for school facilities; and improving and equipping existing outdoor athletic facilities and fields, structures and playgrounds, constructing additional parking and constructing and equipping new facilities for locker rooms, rest rooms and storage. This project was substantially complete in 2007/2008.

In 1996, Williamston Community Schools' voters approved a $27,535,000 general obligation bond issue. The proceeds from that bond issue were used for constructing new facilities and additions and partial remodeling of existing school facilities, and equipping and re-equipping facilities. This capital project was completed in the fiscal year ended June 30, 2001. Prior to 1996, the District's most recent bond issue had been in 1988. For additional information on Capital Assets see Note C: Capital Assets.

State of Michigan Unrestricted Aid (Net State Foundation Grant)

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

a. State of Michigan State Aid Act per student foundation allowance
b. Student Enrollment - Blended at 75 percent of prior year's fall count and 25 percent of prior year's winter count
c. The District's non-homestead

Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Williamston Community Schools foundation allowance was $7,247 per student for the 2007-2008 school year. The foundation per student was increased by $118 (1.66%) from the previous year's allowance of $7,129 per student.

Student Enrollment:

The District's student enrollment for the fall count of 2007-2008 was 1,931 students. The District's enrollment decreased from the prior school year's student count. The following summarizes fall student enrollments in the past five years:

	Student FTE	FTE Change from Prior Year
2007-2008	1,931	(66)
2006-2007	1,997	8
2005-2006	1,989	(45)
2004-2005	2,034	(51)
2003-2004	2,085	31

Subsequent to year end June 30, 2008, preliminary student enrollments for 2008-2009 indicate that enrollments may decrease by about 31 students from 2007-2008.

Property Taxes levied for General Operations (General Fund Non-Homestead Taxes)

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or five (5) percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value. The District's non-homestead property tax revenue for 2007-2008 fiscal year was $1,520,669. The non-homestead tax levy increased by 2.48% over the prior year.

The following summarizes the District's non-homestead levy the past five years:

Fiscal Year	Non-Homestead Tax Levy	% Increase From Prior Year
2007-2008	$ 1,520,669	2.48 %
2006-2007	1,483,891	6.35 %
2005-2006	1,395,243	7.81 %
2004-2005	1,294,172	11.01 %
2003-2004	1,165,805	2.38 %

Average Increase Last Five Years: 6.06%

Debt Fund Property Taxes

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead.

For 2007-2008 the District's debt millage levy was 7.3 mills that generated revenue of $3,071,324.

Affect of the City of Williamston's Tax Increment Financing Authority

The City of Williamston Tax Increment Financing Authority (TIFA) captures taxes due to the Williamston Community Schools to fund various city projects. The amount of taxes captured by the TIFA is reimbursed to the schools from State of Michigan through the funding formula.

GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES

Listed below is an analysis of the original budgets and final budgets to the final actuals.

General Fund Expenditures and Other Uses Budget vs. Actual 5-Year History

				Variances	
Fiscal Year	Original Budget	Final Budget	Actual	Actual & Original Budget	Actual & Final Budget
2003-2004	16,151,941	16,241,901	15,812,494	2.10%	2.64%
2004-2005	15,937,183	16,219,499	15,680,667	1.61%	3.32%
2005-2006	16,313,974	16,579,343	16,181,939	.81%	2.40%
2006-2007	16,837,137	16,932,733	16,610,973	1.34%	1.90%
2007-2008	16,953,319	17,580,470	17,506,557	(3.26%)	.42%
Five Year Average Under Budget				.52%	2.14%

General Fund Revenues and Other Sources, Budget vs. Actual 5-Year History

Fiscal Year	Original Budget	Final Budget	Actual	Variances: Actual & Original Budget	Variances: Actual & Final Budget
2003-2004	15,594,746	15,667,712	15,772,108	0.82%	0.35%
2004-2005	15,691,067	16,222,388	16,277,380	3.74%	0.34%
2005-2006	15,487,143	15,947,629	15,885,820	2.57%	(0.39%)
2006-2007	16,148,148	16,448,970	16,433,656	1.77%	0.00%
2007-2008	16,237,847	16,871,419	16,886,113	3.99%	0.09%
Five Year Average Over (Under) Budget				2.58%	0.08%

Original vs. Final Budget:

The Uniform Budget Act of the State of Michigan requires that the Board of Education approve the original budget for the upcoming year prior to July 1, the start of the fiscal year.

As a matter of practice, Williamston Community Schools amends its budget periodically during the school year. The June 2008 budget amendment was the final budget for the fiscal year.

Revenue Change from Original to Final Budget:

		Percent
Total Revenues Original Budget	$ 16,237,847	100.00
Total Revenues Final Budget	16,871,419	103.90
Increase in Budget Revenues	$ 633,572	3.90

The District's final actual general fund revenues differed from the final budget by $14,694, a positive variance of 0.09% from the final budget.

The Final revenue budget reflects some of the following significant changes from the Original Budget.

- Insurance reimbursement of $550,000 due to tornado damage in October.
- Increase of $31,219 in Special Education funding from Ingham Intermediate School District.
- Medicaid funding increased by $32,342 due to increase in claims.
- Grants of $25,817 added after the original budget was adopted in June.

General Fund Expenditures:

The District's budget for expenditures changed as follows during the year:

		Percent
Total Expenditures Original Budget	$ 16,953,319	100.00
Total Expenditures Final Budget	17,580,470	103.70
Increase in Budget Expenditures	$ 627,151	3.70

The District's actual expenditures were less than final budget by $73,913; a positive variance of 0.42% from the final budget.

Some of the significant changes in expenditure budgets for the year include:

- Increase of $550,000 due to tornado damage in October.
- Fuel costs increased by $24,000 due to increase in bus fuel.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration considered many factors when setting the School District's 2008 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2009 fiscal year is 25 and 75 percent of the February 2008 and September 2008 student counts, respectively. The 2009 fiscal year budget was adopted in June 2008, based on an estimate of students that will be enrolled in September 2008. Approximately 80 percent to 85 percent of total General Fund revenues are from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2008-2009 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2009 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State Funding and the status of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Williamston Community Schools, 418 Highland Street, Williamston, Michigan 48895.

BASIC FINANCIAL STATEMENTS

Williamston Community Schools

STATEMENT OF NET ASSETS

June 30, 2008

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	$ 4,515,935
Investments	13,514
Accounts receivable	11,062
Due from other governmental units	2,397,303
Inventories	53,430
Prepaids	42,510
Total current assets	7,033,754
Noncurrent assets	
Capital assets not being depreciated	1,341,655
Capital assets, net of accumulated depreciation	47,980,170
Total noncurrent assets	49,321,825
TOTAL ASSETS	56,355,579
LIABILITIES	
Current liabilities	
Accounts payable	341,718
Accrued salaries	1,047,969
Other accrued liabilities	521,805
Due to other governmental units	115,978
Unearned revenue	321,802
Accrued interest payable	322,506
Short-term notes payable	3,095,016
Current portion of long-term debt	2,067,525
Current portion of accrued vacation pay	29,137
Current portion of accrued sick pay	34,211
Total current liabilities	7,897,667
Noncurrent liabilities	
Noncurrent portion of accrued interest payable	17,056
Noncurrent portion of accrued vacation pay	7,284
Noncurrent portion of accrued sick pay	307,899
Noncurrent portion of long-term debt	52,847,254
Total noncurrent liabilities	53,179,493
TOTAL LIABILITIES	61,077,160
NET ASSETS	
Invested in capital assets, net of related debt	(4,836,109)
Restricted for bond projects	756,845
Unrestricted	(642,317)
TOTAL NET ASSETS	$ (4,721,581)

See accompanying notes to financial statements.

Williamston Community Schools

STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

		Program Revenues		Net (Expense) Revenues and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants	Governmental Activities
Expenses				
Instruction	$ 9,930,631	$ -	$ 130,955	$ (9,799,676)
Supporting services	7,058,554	140,894	310,167	(6,607,493)
Community services	932,585	629,670	40,210	(262,705)
Food service	464,055	349,500	146,385	31,830
Athletics	373,758	152,130	-	(221,628)
Payments to other districts	3,122	-	-	(3,122)
Interest on long-term debt	2,533,571	-	-	(2,533,571)
Unallocated depreciation	1,504,392	-	-	(1,504,392)
TOTAL EXPENSES	$ 22,800,668	$ 1,272,194	$ 627,717	(20,900,757)
General revenues				
Property taxes				4,595,860
State school aid - unrestricted				12,903,247
Investment earnings				266,088
Special education county allocation				1,132,391
Miscellaneous				150,539
TOTAL GENERAL REVENUES				19,048,125
Extraordinary Item - Insurance proceeds				538,987
TOTAL GENERAL REVENUES AND EXTRAORDINARY ITEM				19,587,112
CHANGE IN NET ASSETS				(1,313,645)
Net assets, beginning of year				(3,407,936)
Net assets, end of year				$ (4,721,581)

See accompanying notes to financial statements.

Williamston Community Schools

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2008

	General	2005 Bond Project	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 3,443,180	$ 956,138	$ 116,617	$ 4,515,935
Investments	-	13,514	-	13,514
Accounts receivable	9,343	-	1,719	11,062
Due from other funds	34,319	-	45,366	79,685
Due from other governmental units	2,397,303	-	-	2,397,303
Inventories	41,407	-	12,023	53,430
Prepaids	42,510	-	-	42,510
TOTAL ASSETS	$ 5,968,062	$ 969,652	$ 175,725	$ 7,113,439
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 112,034	$ 212,807	$ 16,877	$ 341,718
Due to other funds	37,194	-	42,491	79,685
Accrued salaries	1,025,645	-	22,324	1,047,969
Other accrued liabilities	516,600	-	5,205	521,805
Due to other governmental units	115,978	-	-	115,978
Deferred revenue	310,679	-	11,123	321,802
Short-term notes payable	3,095,016	-	-	3,095,016
TOTAL LIABILITIES	5,213,146	212,807	98,020	5,523,973
FUND BALANCES				
Reserved for:				
Inventories	41,407	-	12,023	53,430
Prepaids	42,510	-	-	42,510
Debt service	-	-	25,591	25,591
Unreserved				
Undesignated, reported in:				
General fund	670,999	-	-	670,999
Special revenue funds	-	-	40,091	40,091
Capital project funds	-	756,845	-	756,845
TOTAL FUND BALANCES	754,916	756,845	77,705	1,589,466
TOTAL LIABILITIES AND FUND BALANCES	$ 5,968,062	$ 969,652	$ 175,725	$ 7,113,439

See accompanying notes to financial statements.

Williamston Community Schools

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

June 30, 2008

Total fund balance - governmental funds		$ 1,589,466
Amounts reported for the governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
The cost of capital assets is	$ 66,072,871	
Accumulated depreciation is	(16,751,046)	
		49,321,825
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Long-term debt payable	(54,914,779)	
Accrued interest payable	(339,562)	
Accrued vacation pay	(36,421)	
Accrued sick pay	(342,110)	
		(55,632,872)
Net assets of governmental activities		$ (4,721,581)

See accompanying notes to financial statements.

Williamston Community Schools

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended June 30, 2008

	General	2005 Bond Project	Nonmajor Governmental Funds	Totals Governmental Funds
REVENUES				
Local sources	$ 1,833,416	$ 142,260	$ 4,312,265	$ 6,287,941
State sources	12,931,432	-	22,944	12,954,376
Federal sources	304,493	-	123,441	427,934
TOTAL REVENUES	15,069,341	142,260	4,458,650	19,670,251
EXPENDITURES				
Current				
Instruction	9,986,264	-	-	9,986,264
Supporting services	7,058,554	-	-	7,058,554
Community service	-	-	932,585	932,585
Food service	-	-	464,055	464,055
Athletics	-	-	373,758	373,758
Capital outlay	-	5,065,228	-	5,065,228
Debt service				
Principal retirement	-	-	1,995,000	1,995,000
Interest, fiscal and other charges	-	-	2,030,909	2,030,909
TOTAL EXPENDITURES	17,044,818	5,065,228	5,796,307	27,906,353
EXCESS OF REVENUES (UNDER) EXPENDITURES	(1,975,477)	(4,922,968)	(1,337,657)	(8,236,102)
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	895,000	895,000
Transfers from other funds	-	-	458,618	458,618
County special education allocation	1,132,391	-	-	1,132,391
Payments from other governments	145,394	-	-	145,394
Transfers to other funds	(458,618)	-	-	(458,618)
Payments to other districts	(3,121)	-	-	(3,121)
EXTRAORDINARY ITEM				
Insurance proceeds	538,987	-	-	538,987
TOTAL OTHER FINANCING SOURCES (USES) AND EXTRAORDINARY ITEM	1,355,033	-0-	1,353,618	2,708,651
NET CHANGE IN FUND BALANCES	(620,444)	(4,922,968)	15,961	(5,527,451)
Fund balances, beginning of year	1,375,360	5,679,813	61,744	7,116,917
Fund balances, end of year	$ 754,916	$ 756,845	$ 77,705	$ 1,589,466

See accompanying notes to financial statements.

Williamston Community Schools

RECONCILIATION OF THE CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Net change in fund balances - total governmental funds		$ (5,527,451)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	$ 5,088,925	
Depreciation expense	(1,504,392)	
Excess of capital outlay over depreciation expense		3,584,533

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Debt principal retirement	1,995,000	
Bond and loan proceeds	(895,000)	
Amortization of bond premium	34,546	
Bond proceeds (accrued SBLF interest)	(550,750)	
Excess of principal retirement over bond proceeds		583,796

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued vacation pay	20,919	
Decrease in accrued sick pay	11,017	
Decrease in accrued interest payable	13,541	
		45,477
Change in net assets of governmental activities		$ (1,313,645)

See accompanying notes to financial statements.

Williamston Community Schools

Fiduciary Funds

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2008

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and cash equivalents	$ 746	$ 78,398
Investments	13,452	-
TOTAL ASSETS	$ 14,198	$ 78,398
LIABILITIES		
Due to students		
High School	$ -	$ 28,808
Middle School	-	49,590
TOTAL LIABILITIES	-0-	$ 78,398
NET ASSETS		
Held in trust for private purposes	$ 14,198	

See accompanying notes to financial statements.

Williamston Community Schools

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year ended June 30, 2008

	Private Purpose Trust Funds
ADDITIONS	
Investment earnings	
Interest	$ 685
DEDUCTIONS	
Other supporting services	454
CHANGE IN NET ASSETS	231
Net assets - beginning of year	13,967
Net assets - end of year	$ 14,198

See accompanying notes to financial statements.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting* Entity (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Williamston Community Schools (primary government). The District has no activities that would be classified as component units.

Based upon the application of these criteria, the financial statements of the District contain all the funds controlled by the District.

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the district-wide statements) present information for the district as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the district-wide statements). Interfund activity has been eliminated in the preparation of the district-wide financial statements.

The district-wide and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations are provided that explain the differences in detail.

The statement of activities presents the direct functional expenses of the District and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments, and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the District.

FUND FINANCIAL STATEMENTS

The governmental fund financial statements present the District's individual major funds and aggregated nonmajor funds. A separate column is shown for the major fund on the balance sheet and statement of revenues, expenditures, and changes in fund balances. Nonmajor funds are combined and shown in a single column.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Presentation - continued

The major funds of the District are:

a. General Fund - The General Fund is used to account for the general operations of the District pertaining to education and those operations not accounted for in other funds.

b. 2005 Bond Project Fund - The 2005 Bond Project Fund is used to account for bond money or other resources provided to the District for the purpose of constructing, furnishing, and equipping additions to the high school and to Explorer Elementary School; remodeling existing school district buildings and equipping, furnishing, re-equipping and re-furnishing existing school district buildings; acquiring and installing technology equipment in and connecting schools district buildings; constructing additional parking for the existing transportation facility and purchasing school buses; acquiring land for new sites and improving and developing new and existing sites for school facilities; and improving and equipping existing outdoor athletic facilities and fields, structures and playgrounds, constructing additional parking and constructing and equipping new facilities for locker rooms, rest rooms and storage.

3. Measurement Focus

The district-wide and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the district-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for the fiduciary agency fund since assets equal liabilities.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The district-wide and fiduciary fund financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the District before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Accounting - continued

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Resources are considered available if they are collected during the current fiscal year or soon enough afterward to be used in payment of current year liabilities - defined as expected to be received within sixty days of year-end. Deferred revenues also arise when the District receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the district-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities, subject to the same limitation. The District does not have any business-type activities.

5. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types.

The District does not maintain a formalized encumbrance accounting system. All annual appropriations lapse at fiscal year end.

The District follows these procedures in establishing the budgetary data reflected in the required supplementary information of the financial statements:

a. The Assistant 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.

b. Public hearings are conducted to obtain taxpayer comments.

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

d. The budgets are legally adopted at the functional level; however, they are maintained at the object level for control purposes.

e. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, and Debt Service Funds.

f. The budget, as presented, has been amended in a legally permissible manner. Supplemental appropriations were made during the year, with the last one approved June 23, 2008.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, savings, money market accounts, and pooled investment funds. Cash equivalents are recorded at cost, which approximates market value.

Investments consist of certificates of deposit and U.S. governmental agency securities with an original maturity of greater than 90 days. Investments are recorded at market value.

7. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the governmental funds balance sheet.

8. Due From Other Governmental Units

Due from other governmental units consists of various amounts owed to the District for grant programs and State Aid payments. The State of Michigan's funding stream of State Aid payments results in the final two (2) payments for the fiscal year ended June 30, 2008, to be paid in July and August 2008. The total amount of $2,397,303 due from other governmental units consists of State Aid and grant and local programs.

9. Inventories

Inventories are stated at cost on a first in/first out basis. Inventories consist of food and paper goods. Reported inventories are equally offset by a fund balance reserve in the fund financial statements which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

10. Capital Assets

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are those with an initial individual cost of $5,000 or more with estimated useful lives of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the district-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and additions	50 years
Equipment and furniture	5 - 20 years
Vehicles	8 years

The District has no assets that would be classified as infrastructure assets.

11. Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the District has recorded all liabilities associated with compensated absences. Accumulated vested sick and vacation leave amounts and nonvested sick, and vacation leave amounts that are probable to vest and be paid at termination are considered payable from future resources and are recorded along with the related payroll taxes as a liability in the district-wide financial statements.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

12. Deferred/Unearned Revenues

The unexpended balance of various federal and/or state categorical and local grants is carried forward as deferred/unearned revenue until the period in which eligible expenditures are incurred. Other monies collected in advance, such as summer school, community education programs, and summer school lunch, recreational programs are also reflected as deferred/unearned if they meet this criteria.

13. Short-Term Note Obligations

Short-term debt is recognized as a liability of a governmental fund and is included on the balance sheet of the applicable fund. During the current year, the District borrowed funds to meet short-term cash flow borrowing needs. The final payment is due and payable in August 2008, and anticipated State Aid is expected to be sufficient to cover this commitment.

14. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the district-wide statements in two components: the portion of interest payable that is due within one year is reported as a current liability, the remaining amount that is not due within one year has been reported as a noncurrent liability. The interest payable on the Durant Resolution bonds that were due May 15, 2003 through May 15, 2005; May 15, 2007; May 15, 2008; and a portion of May 15, 2009 is shown as a noncurrent liability due to the State of Michigan deferring the payments during this time period until May 15, 2013.

15. Long-Term Obligations

Long-term debt is recognized as a liability in the district-wide statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

16. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer. 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. District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year-end).

The District levies taxes of $18.00 per $1,000 of taxable valuation on non-homestead property for general governmental services and $7.30 per $1,000 of taxable valuation on the total applicable taxable valuation of all property within the District for debt service.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

17. State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. Prior to the fiscal year ended June 30, 1995 the State utilized a district power equalizing approach. 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, 2008, the foundation allowance was based on the average of pupil membership counts taken in September of 2007 and February of 2007. The average calculation was weighted 75% for the September 2007 count and 25% for the February 2007 count.

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 is funded through nine (9) payments made during the year and two (2) payments made in July and August subsequent to year-end. The local revenue is recognized as outlined above under Property Taxes.

18. State Categorical Revenue

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred/unearned revenue in the respective statements.

19. County Special Education Revenue Allocation

The millage was collected by Ingham Intermediate School District (IISD) and the payments to the District were based on the most recent IISD budget at the time of allocation of excess revenues, after all IISD costs had been reimbursed. The allocation is paid pro rata based upon the K-12 pupil enrollment, including Special Education students enrolled at IISD, of the District compared to the total County wide enrollment. The K-12 enrollment for the District is defined as the blended official count for the State foundation grant.

20. Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Transfers of resources to other funds are recorded as operating transfers on the governmental fund financial statements. Transfers are netted as part of the reconciliation to the district-wide financial statements.

21. Federal Programs

Federal programs are accounted for in the General Fund and specific Special Revenue Funds.

22. Comparative Data

Comparative data for the prior year has not been presented in the basic financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Public Act 451 of 1976, Section 1223(1), as amended, the District is authorized to invest its surplus funds in the following types of investments:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.

2. Certificates of deposit issued by a state or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this state.

3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

4. Securities issued or guaranteed by agencies or instrumentalities of the United States government.

5. United States government or federal agency obligation repurchase agreements.

6. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation.

7. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.

8. Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a School District.

Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations. Deposits of the District are at federally insured banks in the State of Michigan in the name of the School District.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for savings deposits and demand deposits up to $100,000 each. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of $100,000. Michigan School Code Section 1223 allows that security in the form of collateral, surety bond, or another form may be taken for the deposits or investments of a school district in a bank, savings and loan association, or credit union.

Deposits

There is custodial credit risk as it related to 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, 2008, the carrying amount of the District's deposits was $3,340,748 and the bank balance was $3,674,583 of which $241,388 was covered by Federal depository insurance. The balance of $3,433,195 was uninsured and uncollateralized. The District had $1,750 of cash on hand.

Interest rate risk

The District has adopted a policy that indicates how 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 limiting the weighted average maturity of its investment portfolio to less than a given period of time.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Concentration of credit risk

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

Custodial credit risk

The District has adopted a policy that indicates how the District will minimize custodial credit risk. Custodial credit risk is the risk of loss due to the failure of the security issuer or backer. The Board policy limits investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business in accordance with the Board approved policy.

Investments

As of June 30, 2008, the carrying amounts and market values for each type of investment as reported in the cash and cash equivalents caption on the combined balance sheet are as follows:

INVESTMENT TYPE	Carrying Amount	Market Value	Weighted Average Maturity
Uncategorized pooled investment funds			
MILAF - Cash management funds	$ 782,511	$ 782,481	N/A
MBIA - Michigan Class	304,776	304,776	N\A
LaSalle Bank - Fimm Funds			
Government portfolio	131,886	131,886	N/A
DWS Scudder Money Market	46,860	46,860	N/A
Federal Home Loan Bank bond	13,514	14,113	N/A
	$ 1,279,547	$ 1,279,116	

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2008, the District's investments in the uncategorized pooled investments were rated AAA by Standard and Poor's, except for MBIA - Michigan Class and DWS Scudder Money Market which was not rated. The Federal Home Loan Bank security is rated Aaa by Moody's and AAA by Standard and Poor's.

Interest rate risk

The District has adopted a policy that indicates how 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 limiting the weighted average maturity of its investment portfolio to less than a given period of time.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

The following summarizes the cash, cash equivalents, and investments as of June 30, 2008:

	Governmental Activities	Fiduciary Funds	Total
Cash and cash equivalents	$ 4,515,935	$ 79,144	$ 4,595,079
Investments	13,514	13,452	26,966
	$ 4,529,449	$ 92,596	$ 4,622,045

Due to significantly higher cash flow at certain periods during the year, the amount the District held as cash, cash equivalents, and investments increased significantly. As a result, the amount of uninsured and uncollateralized cash, cash equivalents, and investments were substantially higher at these peak periods than at year-end.

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Additions/ reclassifications	Deletions/ reclassifications	Balance June 30, 2008
Capital assets not being depreciated				
Land	$ 1,341,655	$ -	$ -	$ 1,341,655
Capital assets being depreciated				
Buildings and building improvements	55,372,033	4,233,730	-	59,605,763
Vehicles and equipment	4,270,258	855,195	-	5,125,453
Subtotal of capital assets being depreciated	59,642,291	5,088,925	-0-	64,731,216
Less accumulated depreciation for:				
Buildings and building improvements	(12,616,557)	(1,089,778)	-	(13,706,335)
Vehicles and equipment	(2,630,097)	(414,614)	-	(3,044,711)
Total accumulated depreciation	(15,246,654)	(1,504,392)	-0-	(16,751,046)
Net capital assets being depreciated	44,395,637	3,584,533	-0-	47,980,170
Capital assets, net	$ 45,737,292	$ 3,584,533	$ -0-	$ 49,321,825

Total depreciation expense of $1,504,392 was not allocated to governmental functions. The expense appears on the statement of activities as "unallocated".

NOTE D: LONG-TERM DEBT

The following is a summary of changes in long-term debt obligations of the District for the year ended June 30, 2008.

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Amounts Due Within One Year
1996 Building and Site Bonds	$ 13,350,000	$ -	$ 1,000,000	$ 12,350,000	$ 1,000,000
2001 Refunding Bonds	6,580,000	-	45,000	6,535,000	50,000
2005 Building and Site Bonds	22,925,000	-	950,000	21,975,000	975,000
Michigan School Bond Loans Principal and interest	11,798,905	1,445,750	-	13,244,655	-
1998 Durant Resolution Bonds	84,650	-	-	84,650	7,979
Unamortized bond items	760,020	-	34,546	725,474	34,546
Vacation payable	57,340	63,727	84,646	36,421	29,137
Sick payable	353,127	612,168	623,185	342,110	34,211
	$ 55,909,042	$ 2,121,645	$ 2,737,377	$ 55,293,310	$ 2,130,873

Significant details regarding outstanding long-term debt (including current portions) are presented below:

General Obligation Bonds - The District has issued bonds to finance the acquisition, new construction, and remodeling of existing school facilities. The following summarizes significant details of the bonds payable outstanding at June 30, 2008:

$6,950,000 Refunding Bonds dated October 1, 2001, due in annual installments ranging from $50,000 to $1,120,000 through May 1, 2015 with interest ranging from 3.90 to 4.55 percent, payable semi-annually.	$ 6,535,000
$27,535,000 School Building and Site Bonds dated January 1, 1996, due in annual installments ranging from $1,000,000 to $1,150,000 through May 1, 2025 with interest ranging from 5.375 to 6.250 percent, payable semi-annually.	12,350,000
$23,735,000 School Building and Site Bonds dated February 2, 2005, due in annual installments ranging from $975,000 to $1,000,000 through May 1, 2030 with interest ranging from 3.00 to 5.00 percent, payable semi-annually.	21,975,000
Resolution Bonds	
$143,362 1998 Durant Resolution Bonds dated November 15, 1998, due in annual installments from $7,979 to $50,384, with interest of 4.761353 percent, payable annually. The annual debt service payments related to these bonds is paid through an annual appropriation from the State of Michigan. The State of Michigan has suspended payment until May 15, 2009.	84,650
	$ 40,994,650

Michigan School Bond Loans

The School District borrows on various occasions from the Michigan School Bond Loan Fund. Repayment is due when the School District has funds available as determined by the State of Michigan. Interest accrues on the unpaid balance. During the year the interest rate ranged from 4.250 to 4.82341 percent.

NOTE D: LONG-TERM DEBT - CONTINUED

The School District has borrowed $895,000 in principal during this fiscal year and had an additional $550,750 accrue in interest payable. The balances at June 30, 2008, are as follows:

Loan balance	$ 10,279,000
Interest balance	2,965,655
	$ 13,244,655

Advance Refunding - Prior

On October 1, 2001 the District defeased the portion of the 1996 School Building and Site Bonds, which were due and payable May 1, 2010 through May 1, 2015. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The District issued General Obligation 2001 Refunding Bonds in the amount of $6,950,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2008 bonds due and payable May 1, 2010 through May 1, 2015 for the 1996 School Building and Site Bonds in the amount of $6,345,000 are considered defeased.

On November 10, 1992 the District defeased the portion of the 1988 School Building and Site Bonds which are due and payable May 1, 2006 through May 1, 2014. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The District issued General Obligation 1992 Refunding Bonds in the amount of $5,720,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2008 bonds due and payable May 1, 2009 through May 1, 2014 for the 1988 School Building and Site Bonds in the amount of $2,100,000 are considered defeased.

Sick Pay - In recognition of services to the District, a severance payment is made to eligible employees with at least ten (10) years of service according to their respective employment contracts as follows:

Under GASB Statement No. 16 requirements, the District has elected to implement the "vesting" method of calculating the sick pay liability. The amounts accumulated for all employees currently vested is calculated along with an amount for other employees who currently are not vested but are probable to vest in future years. The amounts for employees who currently are not vested are calculated taking total unused sick pay amounts at June 30, 2008 for all nonvested employees and multiplying it by a historical termination percentage. This percentage is based on an estimate of the percentage of employees who have terminated employment fully vested in the past five (5) years.

A summary of the calculated amounts of accrued severance pay and termination benefits and related payroll taxes as of June 30, 2008, which has been recorded in the District-wide financial statements, is as follows:

	Vested Employees	Nonvested Employees	Total
Sick pay	$ 93,406	$ 224,392	$ 317,798
Payroll taxes	7,146	17,166	24,312
	$ 100,552	$ 241,558	$ 342,110

NOTE D: LONG-TERM DEBT - CONTINUED

Vacation Pay - In recognition of services to the District, an accumulated unused vacation days payment will be made upon termination to eligible employees according to past District practice. This payment will be paid on all unused vacation days at the employee's rate of pay at time of termination.

The vacation liability, including the related payroll taxes which have been recorded in the District-wide financial statements, is $36,421.

The annual requirements to pay the debt principal and interest outstanding for the Long-Term Debt are as follows:

Year Ending June 30,	Durant Resolution Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2009	$ 7,979	$ 2,089	$ 2,025,000	$ 1,935,038
2010	8,358	1,709	2,050,000	1,841,338
2011	8,756	1,311	2,040,000	1,768,813
2012	9,173	894	2,075,000	1,690,653
2013	50,384	17,256	2,120,000	1,609,965
2014-2018	-	-	10,500,000	6,669,566
2019-2023	-	-	10,750,000	3,996,250
2024-2028	-	-	7,300,000	1,364,750
2029-2030	-	-	2,000,000	135,000
	$ 84,650	$ 23,259	$ 40,860,000	$ 21,011,373

It is not possible to project a payment schedule for the Michigan School Bond Loans due to varying interest rates and timing of repayments. As a result, it is not included in the schedule above.

The Durant Resolution Bonds referred to above are bonds whose future debt service payments by the District are contingent on an annual State of Michigan appropriation. This is the only revenue source for making the annual debt service payments on these bonds. If the legislature of the State of Michigan fails to appropriate the funds, in any particular year, the District is under no obligation for payment of that year's debt obligation. The State of Michigan has suspended payments on these bonds until May 15, 2009. It appears this suspension will have no financial impact on Williamston Community Schools in the future.

NOTE E: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2008, are as follows:

Due to general fund from:	
Nonmajor governmental funds	$ 34,319
Due from general fund to:	
Nonmajor governmental funds	37,194
Due from nonmajor governmental funds to:	
Nonmajor governmental funds	8,172
	$ 79,685

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE F: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to nonmajor governmental funds from:	
General fund	$ 458,618

NOTE G: EMPLOYEE RETIREMENT SYSTEM

All of the District's employees, except students, are eligible to participate in the State wide Michigan Public School Employees' Retirement System (MPSERS), a multiple-employer, cost-sharing, State wide public employee retirement system. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. The report for the fiscal year-end September 30, 2006, the last year available, may be obtained by contacting the State of Michigan, Department of Management and Budget.

The payroll for employees covered by the MPSERS for the year ended June 30, 2008 was $10,079,929 of which $8,616,910 was for members who have elected the MIP option; the District's total payroll was $10,383,192.

Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. For a limited period ended January 1, 1993, an active Basic Plan member may have enrolled in MIP by repaying the contributions and interest that would have been made had MIP enrollment occurred initially prior to January 1, 1990. Employees first hired on or after January 1, 1990, will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of credited service, or at age sixty while still working with a minimum total of five years of credited service, with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the member's final average compensation multiplied by the total number of years of credited service.

Employees who did not elect the MIP option fall under the MPSERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or attaining age fifty-five with thirty or more years of credited service; or attaining age fifty-five while still working with at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPSERS also provides death and disability benefits and health and medical, dental, vision and hearing insurance coverage. Benefits are established by state statute.

Employees who selected MIP on or before December 31, 1989, contributed 4% from January 1, 1987 to December 31, 1989 and 3.9% thereafter. Employees first hired on or after January 1, 1990, are required to contribute based on a graduated rate: 3% of the first $5,000; 3.6% of $5,001 through $15,000; 4.3% of all wages over $15,000.

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

For the period of July 1, 2007 to September 30, 2007, the District was required by State statute to contribute 17.74% of covered compensation for all wages to the Plan. For the period of October 1, 2007 to June 30, 2008, the District is required by State statute to contribute 16.72% of covered compensation for all wages to the Plan. The total amount contributed to the Plan for the year ended June 30, 2008 and the previous two (2) years is as follows:

June 30,	MIP Contributions	District Contributions	Total Contributions
2008	$ 368,163	$ 1,701,460	$ 2,069,623
2007	324,453	1,740,487	2,064,940
2006	320,990	1,596,847	1,917,837

The following represents contributions as a percentage of the applicable covered payroll for the current and preceding two (2) years:

June 30,	MIP Contributions	District Contributions
2008	4.0 %	16.9 %
2007	4.0	17.7
2006	4.0	16.1

NOTE H: FUND BALANCE RESERVES

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following are the various fund balance reserves as of June 30, 2008:

General Fund	
Reserved for inventories	$ 41,407
Reserved for prepaids	42,510
	83,917
Nonmajor Funds	
Reserved for debt service	25,591
Reserved for inventories	12,023
	37,614
	$ 121,531

NOTE I: RISK MANAGEMENT

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for boiler, property, fleet, liability, in-land marine, crime, employee dishonesty, and errors and omissions. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's 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 District has not been informed of any special assessments being required.

NOTE I: RISK MANAGEMENT - CONTINUED

The District also participates in a pool, the SEG Self-Insured Workers' Disability Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's 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 District has not been informed of any special assessments being required.

NOTE J: FLEXIBLE BENEFITS PLAN

In February 1992 the District implemented a flexible benefits cafeteria plan established under Section 125 of the Internal Revenue Code. The plan, available to all employees, permits them to reduce their salary and put these amounts into a flexible benefits account up to certain limits.

The plan allows the employee to reduce their salary and apply it to medical reimbursement, dependent care reimbursements, co-pay for health insurance premiums, or post-retirement group term life insurance.

A participating employee may elect instead a cash alternative to supplement salary compensation in lieu of a nontaxable health benefit. An employee's elected cash alternative will be considered a taxable benefit under the Flexible Benefit Plan.

The Plan is administered by Williamston Community Schools.

NOTE K: SPECIAL EDUCATION UNDERFUNDING SETTLEMENT

Prior to the current year the Durant vs. State of Michigan case was settled and the State was required to reimburse each plaintiff and nonplaintiff District an agreed upon amount for past underfunding of special education. Williamston Community Schools, a nonplaintiff District, was awarded $286,724 in the settlement. The funds are being paid as follows:

a. One half is being paid over the next ten (10) years which began November 15, 1998. The restrictions on use of these funds are detailed within State School Aid Act, Section 11F(6). These funds are recorded within the General Fund as categorical State Aid. At the end of the current year all these funds had been expended.

b. One-half is being paid over the next fifteen years which began May 15, 1999. The District borrowed this portion of the settlement amount through the Michigan Municipal Bond Authority on November 15, 1998. These funds were recorded as bond proceeds in the Capital Projects Fund. The bond proceeds may be used for any purpose specified in Section 1352 (a) of the Revised School Code. The debt service payments for these bonds are to be made through an annual legislative appropriate. If the State of Michigan legislature fails to make the annual appropriation the District is under no obligation for the debt payments for that year. The District has pledged the annual State payments to the Michigan Municipal Bond Authority for payment of debt service.

NOTE L: SHORT-TERM NOTES

On August 20, 2007, the District issued a short-term State School Aid Anticipation Note in the amount of $3,000,000 for the purpose of funding operating expenditures until the 2008 State Aid payments resumed. This short-term note, which had a net outstanding balance of $3,095,016 at June 30, 2008 is reported in the fund-level and district-wide financial statements under the caption short-term notes payable. The outstanding balance is scheduled to be paid off on August 20, 2008.

NOTE M: RESTRICTED NET ASSETS

Restrictions of net assets shown is the District-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following is the net asset restriction as of June 30, 2008:

Governmental activities	
Restricted for bond projects	$ 756,845

NOTE N: BONDED CONSTRUCTION FUNDS

The 2005 Bond Project Capital Project Fund of the District includes the capital projects activities funded in part by the 2005 School Building and Site General Obligation Bonds. The remaining funding for the activities recorded within the 2005 Bond Project Capital Project Fund is funded by other local dollars (i.e., interest, etc.) For these projects recorded within the 2005 Bond Project Capital Project Fund, the District has complied with the applicable provisions of Section 1351 (a) of the Revised School Code in the current year and all applicable prior years.

Beginning with the year of bond issuance, the District has reported the annual construction activity in the 2005 Bond Project Capital Project Fund. The project for which the 2005 School Building and Site General Obligation Bonds were issued were considered substantially complete on May 31, 2008 and the cumulative expenditures recognized for the construction period through May 31, 2008 were $25,499,714.

NOTE O: SUBSEQUENT EVENTS

After the year ended June 30, 2008, the following subsequent event occurred:

On August 20, 2008, the District issued a State School Aid Anticipation Note in the amount of $4,000,000 for the purpose of funding operating expenditures until the fiscal year 2009 State Aid payments resume. This short-term note will be paid off when the District accumulates sufficient State Aid revenues. Future anticipated State Aid and other local funds are expected to be sufficient to cover this commitment.

NOTE P: EXTRAORDINARY ITEM

During the 2007/2008 fiscal year a tornado caused significant damage to various capital assets of the District. An insurance claim was submitted for the significant damage caused by the event. Insurance proceeds in the amount of $538,987 were received during the current fiscal year to cover the insurable loss. This event was both unusual in nature and infrequent in occurrence in the Mid-Michigan area so therefore was reported in the audited financial statements as an extraordinary item in the current year.

REQUIRED SUPPLEMENTARY INFORMATION

Williamston Community Schools

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Local sources	$ 1,912,767	$ 1,841,116	$ 1,833,416	$ (7,700)
State sources	12,849,949	12,941,055	12,931,432	(9,623)
Federal sources	229,494	287,653	304,493	16,840
TOTAL REVENUES	14,992,210	15,069,824	15,069,341	(483)
EXPENDITURES				
Instruction				
Basic programs				
Elementary	3,475,420	3,405,248	3,399,907	5,341
Middle school	2,200,492	2,216,895	2,200,240	16,655
High School	2,840,637	2,904,457	2,895,918	8,539
Total basic programs	8,516,549	8,526,600	8,496,065	30,535
Added needs				
Special education	1,212,316	1,264,432	1,263,707	725
Compensatory education	209,260	244,194	226,492	17,702
Total added needs	1,421,576	1,508,626	1,490,199	18,427
TOTAL INSTRUCTION	9,938,125	10,035,226	9,986,264	48,962
Supporting services				
Pupil services				
Guidance services	365,220	404,807	405,711	(904)
Psychological services	4,100	4,100	2,042	2,058
Speech services	135,619	176,847	175,921	926
Other pupil services	132,832	115,775	113,768	2,007
Total pupil services	637,771	701,529	697,442	4,087
Instructional staff				
Improvement of instruction	141,448	121,614	121,088	526
Library	150,808	165,993	158,437	7,556
Supervision and direction	307,089	302,701	303,099	(398)
Other instructional staff	155,713	162,742	157,969	4,773
Total instructional staff	755,058	753,050	740,593	12,457
General administration				
Board of education	67,176	86,926	84,004	2,922
Executive administration	285,268	261,142	255,888	5,254
Total general administration	352,444	348,068	339,892	8,176

Williamston Community Schools

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Supporting services - continued				
School administration	$ 1,128,284	$ 1,131,051	$ 1,123,212	$ 7,839
Business				
Fiscal services	246,141	253,156	249,842	3,314
Internal services	159,075	155,519	140,927	14,592
Other business services	162,255	168,412	168,668	(256)
Total business	567,471	577,087	559,437	17,650
Operations and maintenance	1,947,158	2,427,279	2,393,238	34,041
Pupil transportation services	754,580	782,349	770,973	11,376
Other supporting services				
Personnel services	73,492	73,180	72,246	934
Data processing services	405,594	367,851	361,521	6,330
Total other supporting services	479,086	441,031	433,767	7,264
TOTAL SUPPORTING SERVICES	6,621,852	7,161,444	7,058,554	102,890
TOTAL EXPENDITURES	16,559,977	17,196,670	17,044,818	151,852
EXCESS OF REVENUES (UNDER) EXPENDITURES	(1,567,767)	(2,126,846)	(1,975,477)	151,369
OTHER FINANCING SOURCES (USES)				
County special education allocation	1,101,171	1,132,390	1,132,391	1
Payments from other governments	144,466	130,218	145,394	15,176
Transfers to other funds	(482,671)	(491,714)	(458,618)	33,096
Payments to/from other districts	89,329	107,914	(3,121)	(111,035)
EXTRAORDINARY ITEM				
Insurance proceeds	-	538,987	538,987	-0-
TOTAL OTHER FINANCING SOURCES (USES) AND EXTRAORDINARY ITEM	852,295	1,417,795	1,355,033	(62,762)
NET CHANGE IN FUND BALANCE	(715,472)	(709,051)	(620,444)	88,607
Fund balance, beginning of year	1,375,360	1,375,360	1,375,360	-0-
Fund balance, end of year	$ 659,888	$ 666,309	$ 754,916	$ 88,607

OTHER SUPPLEMENTARY INFORMATION

Williamston Community Schools

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2008

	Special Revenue Funds			
	Food Service	Athletics	Community Services	Red Cedar Recreation Association
ASSETS				
Cash and cash equivalents	$ 64,349	$ 19,998	$ 5,001	$ 1,678
Accounts receivable	1,719	-	-	-
Due from other funds	-	-	37,194	-
Inventories	12,023	-	-	-
TOTAL ASSETS	$ 78,091	$ 19,998	$ 42,195	$ 1,678
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 12,053	$ 812	$ 3,969	$ 43
Due to other funds	15,154	17,530	-	1,635
Salaries payable	343	-	21,981	-
Other accrued liabilities	83	-	5,122	-
Deferred revenue	-	-	11,123	-
TOTAL LIABILITIES	27,633	18,342	42,195	1,678
FUND BALANCES				
Reserved for:				
Inventories	12,023	-	-	-
Debt Service	-	-	-	-
Unreserved				
Undesignated, reported in Special revenue funds	38,435	1,656	-	-
TOTAL FUND BALANCES	50,458	1,656	-0-	-0-
TOTAL LIABILITIES AND FUND BALANCES	$ 78,091	$ 19,998	$ 42,195	$ 1,678

Debt Service Funds			
1996 Debt	2001 Debt	2005 Debt	Total
$ 14,971	$ 6,259	$ 4,361	$ 116,617
-	-	-	1,719
-	-	8,172	45,366
-	-	-	12,023
$ 14,971	$ 6,259	$ 12,533	$ 175,725
$ -	$ -	$ -	$ 16,877
8,172	-	-	42,491
-	-	-	22,324
-	-	-	5,205
-	-	-	11,123
8,172	-0-	-0-	98,020
-	-	-	12,023
6,799	6,259	12,533	25,591
-	-	-	40,091
6,799	6,259	12,533	77,705
$ 14,971	$ 6,259	$ 12,533	$ 175,725

Williamston Community Schools

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2008

	Special Revenue Funds			
	Food Service	Athletics	Community Services	Red Cedar Recreation Association
REVENUES				
Local sources	$ 368,128	$ 177,117	$ 572,704	$ 97,192
State sources	22,944	-	-	-
Federal sources	123,441	-	-	-
TOTAL REVENUES	514,513	177,117	572,704	97,192
EXPENDITURES				
Current				
Food service	464,055	-	-	-
Athletics	-	373,758	-	-
Community services	-	-	819,173	113,412
Debt service				
Principal retirement	-	-	-	-
Interest, fiscal and other charges	-	-	-	-
TOTAL EXPENDITURES	464,055	373,758	819,173	113,412
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	50,458	(196,641)	(246,469)	(16,220)
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	-	-
Transfers from other funds	-	195,929	246,469	16,220
TOTAL OTHER FINANCING SOURCES (USES)	-	195,929	246,469	16,220
NET CHANGE IN FUND BALANCES	50,458	(712)	-0-	-0-
Fund balances, beginning of year	-	2,368	-	-
Fund balances, end of year	$ 50,458	$ 1,656	$ -0-	$ -0-

Debt Service Funds			
1996 Debt	2001 Debt	2005 Debt	Total
$ 1,347,848	$ 250,235	$ 1,499,041	$ 4,312,265
-	-	-	22,944
-	-	-	123,441
1,347,848	250,235	1,499,041	4,458,650
-	-	-	464,055
-	-	-	373,758
-	-	-	932,585
1,000,000	45,000	950,000	1,995,000
749,610	282,325	998,974	2,030,909
1,749,610	327,325	1,948,974	5,796,307
(401,762)	(77,090)	(449,933)	(1,337,657)
370,000	80,000	445,000	895,000
-	-	-	458,618
370,000	80,000	445,000	1,353,618
(31,762)	2,910	(4,933)	15,961
38,561	3,349	17,466	61,744
$ 6,799	$ 6,259	$ 12,533	$ 77,705

Williamston Community Schools

Private Purpose Trust Funds

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2008

	Suzie Lorenz	Scott Hughes	Steve Smith	Total
ASSETS				
Cash and cash equivalents	$ -	$ -	$ 746	$ 746
Investments	7,595	5,857	-	13,452
TOTAL ASSETS	$ 7,595	$ 5,857	$ 746	$ 14,198
NET ASSETS				
Held in trust for private purposes	$ 7,595	$ 5,857	$ 746	$ 14,198

Williamston Community Schools

Private Purpose Trust Funds

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended June 30, 2008

	Suzie Lorenz	Scott Hughes	Steve Smith	Total
ADDITIONS				
Investment earnings				
Interest	$ 388	$ 297	$ -	$ 685
DEDUCTIONS				
Other supporting services	454	-	-	454
CHANGE IN NET ASSETS	(66)	297	-0-	231
Net assets - beginning of year	7,661	5,560	746	13,967
Net assets - end of year	$ 7,595	$ 5,857	$ 746	$ 14,198

OTHER FINANCIAL INFORMATION

Principals
Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
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(517) 351-6836
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Williamston Community Schools
Williamston, Michigan

We have audited the accompanying balance sheet and statement of revenues, expenditures and changes in fund balance of the 2005 Bond Project Fund, which is the fund that reported the activity of the 2005 School Building and Site General Obligation Bond activity of Williamston Community Schools as of and for the 39 month and 26 day period ended May 31, 2008. These statements are the responsibility of the District's management. Our responsibility is to express an opinion on these 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 presentation financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statements were prepared for the purpose of complying with the provisions of the Michigan Revised School Code (Public Act 451 of 1976, as amended), Part 17-Bonds and Notes, Section 380.1351 (a) as described in Note M. The presentation is not intended to be a presentation of the District's total revenues and expenditures.

In our opinion, the statements referred to above presents fairly, in all material respects, the financial position of the 2005 Bond Project Fund, which is the fund that reported the activity of the 2005 School Building and Site General Obligation Bond activity of Williamston Community Schools as of and for the 39 month and 26 day period ended May 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 5, 2008, on our consideration of Williamston Community Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 5, 2008

Williamston Community Schools

Capital Projects Fund

2005 Bond Project

BALANCE SHEET

May 31, 2008

ASSETS	
Cash and cash equivalents	$ 1,011,578
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	$ -
FUND BALANCE	
Unreserved - undesignated	1,011,578
TOTAL LIABILITIES AND FUND BALANCE	$ 1,011,578

Williamston Community Schools

Capital Projects Fund

2005 Bond Project

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE

For the 39 Month and 26 Day Period Ended May 31, 2008

REVENUES	
LOCAL SOURCES	
Interest	$ 1,912,634
EXPENDITURES	
Capital outlay	24,746,027
Other	753,687
TOTAL EXPENDITURES	25,499,714
EXCESS OF REVENUES (UNDER) EXPENDITURES	(23,587,080)
OTHER FINANCING SOURCES	
Bond proceeds	23,735,000
Bond premium, net	863,658
TOTAL OTHER FINANCING SOURCES	24,598,658
NET CHANGE IN FUND BALANCE	1,011,578
Fund balance, beginning of period	-
Fund balance, end of period	$ 1,011,578

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

To the Board of Education
Williamston Community Schools
Williamston, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Williamston Community Schools as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 5, 2008. 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 Williamston Community School's 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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 the District's financial statements that is more than inconsequential will not be prevented or detected by the 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 the 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 identified above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's 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 material instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of the administration, the Board of Education of Williamston Community Schools, others within the District, the pass-through entities, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 5, 2008