

**CEDAR SPRINGS
PUBLIC SCHOOLS**
Kent and Newaygo Counties, Michigan

Comprehensive Annual Financial Report

For the year ended June 30, 2007

CEDAR SPRINGS PUBLIC SCHOOLS
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For the year ended June 30, 2007

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FINANCIAL SECTION

Hungerford, Aldrin,
Nichols & Carter, P.C.
CPAs AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

November 14, 2007

The Board of Education
Cedar Springs Public Schools

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Cedar Springs Public Schools (the "District") as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's elected officials and management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of Cedar Springs Public Schools as of June 30, 2007, and the respective changes in financial position and the budgetary comparison for the General Fund 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 November 14, 2007 on our consideration of Cedar Springs Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Cedar Springs Public Schools. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

CEDAR SPRINGS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

As management of the Cedar Springs Public Schools (“the District”), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with the District’s financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements and Supplemental Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

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

The Basic Financial Statements also include Notes to Basic Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data. Supplemental Information follows and includes combining and individual fund statements.

District-wide Statements

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

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

- Over time, increases or decreases in the District’s net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District’s overall health, one should consider additional non-financial factors such as changes in the District’s property tax-base, economic factors that might influence state aid revenue, and the condition of school buildings and other facilities.

CEDAR SPRINGS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

Condensed District-Wide Financial Information

The Statement of Net Assets provides financial information on the District as a whole.

	2007	2006
Assets		
Current assets	\$ 8,904,437	\$ 8,753,474
Capital assets, net book value	55,538,252	56,941,578
Total Assets	64,442,689	65,695,052
Liabilities		
Current liabilities	7,033,549	6,545,962
Long-term liabilities	59,191,109	59,377,842
Total Liabilities	66,224,658	65,923,804
Net Assets		
Invested in capital assets, net of related debt	(3,960,476)	(3,005,658)
Restricted	(135,122)	(172,705)
Unrestricted	2,313,629	2,950,611
Total Net Assets	\$ (1,781,969)	\$ (228,752)

CEDAR SPRINGS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

The Statement of Activities presents changes in net assets from operating results: (HANC to update)

	<u>2007</u>	<u>2006</u>
Program Revenues		
Charges for services	\$ 1,149,547	\$ 1,152,889
Operating grants	5,168,623	4,782,856
General Revenues		
Property taxes	5,515,537	5,114,426
State school aid, unrestricted	22,962,730	22,280,087
Interest and investment earnings	57,313	(130,473)
Gain (loss) on sale of capital assets	(1,349)	(133,611)
Other	108,353	180,973
Total Revenues	<u>34,960,754</u>	<u>33,247,147</u>
Expenses		
Instruction	19,312,505	20,177,227
Supporting services	12,203,200	11,290,702
Community services	300,340	321,820
Food service	1,210,630	1,118,381
Athletics	703,567	649,998
Interest on long-term debt	2,783,729	2,596,254
Total Expenses	<u>36,513,971</u>	<u>36,154,382</u>
Increase (decrease) in net assets	(1,533,217)	(2,907,235)
Net Assets - Beginning of Year	<u>(228,752)</u>	<u>2,678,483</u>
Net Assets - End of Year	<u><u>\$(1,781,969)</u></u>	<u><u>\$ (228,752)</u></u>

Financial Analysis of the District as a Whole

The District's total revenues increased 5% to \$34.9 million. Unrestricted state aid accounted for 66% of the total revenue. Property taxes accounted for 16% of the total revenue. The remaining 18% of revenues came from state and federal grants for specific programs and other local sources.

The majority of the increase in revenue (\$1,083,754) is attributed to gradual increases in property taxes, enrollment and unrestricted state aid.

The total cost of all programs and services increased 1.0% (\$359,589) to \$36.5 million. Other operational areas experienced reductions in expenditures so the District could maintain its focus on instruction.

In total, the District's expenses exceeded revenues by \$1,533,217.

CEDAR SPRINGS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. As a general rule, fund balances from one fund are prohibited from being expended on expenditures of another fund

The District utilizes two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed, short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds' statements explain the relationship (or differences) between them.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as Student Activities Funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. Cedar Springs Public School's funds are described as follows:

Major Funds

General Fund

The General Fund is our primary operating fund. The General Fund had total revenues of \$29,935,567, total financing sources of \$3,477, total expenditures of \$30,096,322, and total other financing uses of \$378,184. The District's General Fund ended the fiscal year with a fund balance of \$2,630,001. The ending fund balance is down \$535,462 from the June 30, 2006 fund balance of \$3,165,463. The June 30, 2006 Fund balance included \$215,000 designated for the opening of the new Middle School.

2003 Construction Fund

The District's ongoing \$38 million improvement project is funded by bonds issued in February, 2003 and accounted for in the 2003 Construction Fund. Current year investment earnings totaled \$22,138 and ongoing construction/equipment expenditures totaled \$326,996, leaving a remaining fund balance at June 30, 2007 of \$194,801, with which to complete the project.

CEDAR SPRINGS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

Nonmajor Funds

Special Revenue Funds

The District operates five Special Revenue Funds. The funds are for food service, athletics, child care, preschool and a school store. Total revenues and other financing sources were \$1,910,499, with total expenditures of \$2,119,018. The ending fund balances were \$36,083. Of the ending fund balances, \$6,895 is attributable to the Food Service Fund, \$27,939 to Athletics, (\$16,445) to Enrichment Childcare, \$1,733 to Enrichment Preschool, and \$15,961 to the School Store.

Debt Service Funds

The District operates four Debt Service Funds (1998, 2003, 2006 and 2007). Total revenues were \$3,504,320, total expenditures were \$4,307,921, and net other financing sources and uses were \$807,615 (\$7,500,000 in refunding bonds issued, \$818,790 in State School Bond loan proceeds and refunding bond escrow deposits of \$7,511,175). The ending fund balances in the Debt Service Funds total \$227,540.

Capital Projects Funds

There were two nonmajor Capital Projects Funds incorporated into the financial statements of the District, the 1995 Construction Fund and the Durant Construction Fund. These funds were closed into the General Fund during the year.

Fiduciary Funds

The Student Activity Fund and the Scholarship Funds are operated as Trust and Agency Funds of the District. The assets of these funds are being held for the benefit of the District's students. Balances on hand at June 30, 2007 totaled \$207,242.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget two times to comply with Michigan Department of Education guidelines. These budget amendments fall into the following categories:

- Changes made in March to account for changing programming and the final student enrollment that determines how much foundation grant state school aid will be received during the fiscal year.
- Final changes made in June for budgetary adjustments to best estimates of actual expenditures.

Although the District's final budget for the General Fund anticipated that expenditures would exceed revenue by roughly \$837,505 the actual results for the year show expenditures exceeded revenue by \$535,462, mainly due to the accounting for the MPSERS (Michigan Public Schools Employees Retirement System) credit to the 2006-07 school year.

CEDAR SPRINGS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

Capital Asset and Debt Administration

Capital Assets

By the end of 2007, the District had invested \$71.1 million in a broad range of capital assets, including land, school buildings, athletic facilities, vehicles, computer equipment and software, and administrative offices. This amount represents a net increase of \$256,000 from last year. (More detailed information about capital assets can be found in the Notes to Basic Financial Statements.) Total depreciation expense for the year was \$1,812,189.

The District's fiscal year 2008 capital budget projects spending another \$200,000 for capital projects, principally in the following area:

- To complete improvements to Cedar Springs Middle School, Redhawk Elementary and Beach Elementary.

At June 30, 2007, the District's investment in capital assets (net of accumulated depreciation), including land, land improvements, buildings, vehicles, furniture and equipment, was \$55.5 million. This represents a decrease of approximately \$1.4 million from the previous year-end. The net book value of District capital assets is detailed in the following schedule:

Land	\$ 893,561
Land improvements	307,573
Buildings and additions	52,941,486
Furniture and equipment	510,321
Vehicles	<u>885,311</u>
Net Capital Assets	<u><u>\$ 55,538,252</u></u>

Long-Term Debt

At year end, the District had \$61.1 million in general obligation bonds and other long-term debt outstanding – a decrease of \$456,251 from last year.

- The District continued to pay down its debt, retiring \$1.966 million of outstanding bonds and installment purchase agreements and also refunded \$7,040,000 of outstanding 1993 bonds, resulting in a present value savings to the District of \$377,590.
- The District has obtained a total of \$8.4 million from the Michigan School Bond Loan Fund for payment of annual maturities of its general obligation bonds as of June 30, 2007. The District borrowed \$1.2 million during the fiscal year to meet bond obligations which is included in the \$8.4 million. The District is not required to make payments to the Michigan School Bond fund until the taxable value of the District increases to a point where it is able to make the debt payments and has funds available.

The District's bond rating for General Obligation, Unlimited Tax debt remains "Aa3". The District's rating for General Obligation, Limited Tax debt remains "A1". The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the District's boundaries. The District's other obligations include early retirement incentive and accumulated sick leave. We present more detailed information about our long-term liabilities in the Notes to the Financial Statements.

CEDAR SPRINGS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

Factors Bearing on the District's Future

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

- The District experienced an enrollment decrease for the Fall 2007 count. New projections will need to be done to look for new enrollment trends.
- The District has two bargaining units. The certified staff has a contract in place through August 2008. The support personnel contract expired in August 2007.
- The economy is still weak. Ongoing revenue and budgetting struggles at the State level may negatively impact local districts through mid year reductions and uncertain funding moving forward
- The District is in the process of developing cost savings initiatives for the 2008-09 fiscal year and exploring long term solutions.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Assistant Superintendent of Administrative Services, Cedar Springs Public Schools, 204 E. Muskegon, Cedar Springs, 49319. Contact by e-mail David.Cairy@csredhawks.org.

BASIC FINANCIAL STATEMENTS

CEDAR SPRINGS PUBLIC SCHOOLS
Statement of Net Assets
June 30, 2007

	Governmental Activities
Assets	
Current Assets	
Cash	\$ 2,127
Cash equivalents, deposits and investments (Note B)	2,429,288
Taxes receivable (Note C)	31,557
Accounts receivable	64,130
Due from other governmental units (Note C)	4,681,250
Inventory (Note A)	29,216
Prepaid expenses	1,666,869
Total Current Assets	8,904,437
Noncurrent Assets	
Capital assets (Note E)	71,096,124
Less accumulated depreciation	(15,557,872)
Total Noncurrent Assets	55,538,252
Total Assets	64,442,689
Liabilities	
Current Liabilities	
Accounts payable	168,499
State aid anticipation note payable (Note F)	2,000,000
Due to other governmental units	667,413
Payroll withholdings payable	4,814
Accrued interest payable	630,978
Salaries payable	1,475,959
Deferred revenue	139,796
Current portion of long term obligations	1,946,090
Total Current Liabilities	7,033,549
Noncurrent Liabilities (Notes A, G)	
General obligation bonds payable	51,635,000
Durant non-plaintiff bonds payable	352,659
State school bond loan payable	8,370,098
Installment purchase agreements payable	404,357
Accumulated sick leave	375,085
Current portion of long term obligations	(1,946,090)
Total Noncurrent Liabilities	59,191,109
Total Liabilities	66,224,658
Net Assets	
Invested in capital assets, net of related debt	(3,960,476)
Restricted for:	
Debt service	(329,923)
Capital projects	194,801
Unrestricted	2,313,629
Total Net Assets	\$ (1,781,969)

See accompanying notes to basic financial statements.

CEDAR SPRINGS PUBLIC SCHOOLS
Statement of Activities
For the year ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants	
Governmental Activities				
Instruction	\$ 19,312,505	\$ 18,408	\$ 3,710,212	\$(15,583,885)
Supporting services	12,203,200	185,235	879,700	(11,138,265)
Community services	300,340	259,433	715	(40,192)
Food service	1,210,630	519,728	577,996	(112,906)
Athletics	703,567	166,743	-	(536,824)
Interest on long-term debt	2,783,729	-	-	(2,783,729)
Total Governmental Activities	\$ 36,513,971	\$ 1,149,547	\$ 5,168,623	(30,195,801)
General Revenues				
Taxes:				
				2,022,810
				3,492,727
				22,962,730
				57,313
				(1,349)
				108,353
				<u>28,642,584</u>
				Change in Net Assets
				(1,553,217)
				<u>Net Assets - Beginning of Year</u>
				(228,752)
				<u>Net Assets - End of Year</u>
				<u>\$ (1,781,969)</u>

See accompanying notes to basic financial statements.

CEDAR SPRINGS PUBLIC SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2007

	General	2003 Construction	Nonmajor	Total
Assets				
Cash	\$ 1,280	\$ -	\$ 847	\$ 2,127
Cash equivalents, deposits and investments (Note B)	2,137,378	199,749	92,161	2,429,288
Taxes receivable (Note C)	22,630	-	8,927	31,557
Accounts receivable	14,130	-	50,000	64,130
Due from other funds (Note D)	130,001	-	448,678	578,679
Due from other governmental units (Note C)	4,678,742	-	2,508	4,681,250
Inventory (Note A)	20,006	-	9,210	29,216
Prepaid expenditures	403,482	-	-	403,482
Total Assets	\$7,407,649	\$ 199,749	\$ 612,331	\$8,219,729
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 65,602	\$ 4,622	\$ 97,883	\$ 168,107
State aid anticipation note payable (Note F)	2,000,000	-	-	2,000,000
Due to other funds (Note D)	349,645	326	229,100	579,071
Due to other governmental units	666,060	-	1,353	667,413
Payroll withholdings payable	4,814	-	-	4,814
Accrued interest payable	64,587	-	-	64,587
Salaries payable	1,470,630	-	5,329	1,475,959
Deferred revenue	156,310	-	15,043	171,353
Total Liabilities	4,777,648	4,948	348,708	5,131,304
Fund Balances				
Reserved for:				
Debt service	-	-	227,540	227,540
Capital outlay	-	194,801	-	194,801
Unreserved:				
Undesignated, reported in:				
General fund	2,630,001	-	-	2,630,001
Special revenue funds	-	-	36,083	36,083
Total Fund Balances	2,630,001	194,801	263,623	3,088,425
Total Liabilities and Fund Balances	\$7,407,649	\$ 199,749	\$ 612,331	\$8,219,729

See accompanying notes to basic financial statements.

CEDAR SPRINGS PUBLIC SCHOOLS
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2007

Total governmental fund balances		\$ 3,088,425
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$71,096,124 and accumulated depreciation is \$15,557,872.		55,538,252
Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue.		1,263,386
Long-term liabilities, including bonds payable, 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:		
General obligation bonds	\$(51,635,000)	
Durant non-plaintiff bonds	(352,659)	
State school bond loan	(8,370,098)	
Installment purchase agreements	(404,357)	
Accumulated sick leave	(375,085)	(61,137,199)
Accrued interest is not included as a liability in governmental funds.		(566,390)
Deferred revenue recognized as revenue in the full accrual statements:		
Property taxes		31,557
Total net assets - governmental activities		\$ (1,781,969)

See accompanying notes to basic financial statements.

CEDAR SPRINGS PUBLIC SCHOOLS
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2007

	General	2003 Construction	Nonmajor	Total
Revenues				
Local sources	\$ 2,384,664	\$ 22,138	\$4,468,556	\$ 6,875,358
State sources	23,675,639	-	80,380	23,756,019
Federal sources	1,207,435	-	498,331	1,705,766
Interdistrict sources	2,667,829	-	-	2,667,829
Total Revenues	29,935,567	22,138	5,047,267	35,004,972
Expenditures				
Current:				
Instruction	18,089,785	-	-	18,089,785
Supporting services	11,813,032	-	5,850	11,818,882
Community services	-	-	300,340	300,340
Food service	-	-	1,189,481	1,189,481
Athletics	-	-	623,347	623,347
Capital outlay	65,175	326,996	-	392,171
Debt service:				
Principal repayment	101,090	-	1,865,000	1,966,090
Interest and fiscal charges	2,876	-	2,277,096	2,279,972
Bond issuance costs	-	-	82,380	82,380
Underwriter's discount	-	-	83,445	83,445
Interdistrict	24,364	-	-	24,364
Total Expenditures	30,096,322	326,996	6,426,939	36,850,257
Excess (Deficiency) of Revenues Over Expenditures	(160,755)	(304,858)	(1,379,672)	(1,845,285)
Other Financing Sources (Uses)				
Refunding bonds issued	-	-	7,500,000	7,500,000
Loan proceeds	-	-	818,790	818,790
Transfers in	3,477	-	367,600	371,077
Payments to escrow agent	-	-	(7,511,175)	(7,511,175)
Other transactions	(10,584)	-	-	(10,584)
Transfers out	(367,600)	-	(3,477)	(371,077)
Total Other Financing Sources (Uses)	(374,707)	-	1,171,738	797,031
Net Change in Fund Balances	(535,462)	(304,858)	(207,934)	(1,048,254)
Fund Balances, Beginning of Year	3,165,463	499,659	471,557	4,136,679
Fund Balances, End of Year	\$2,630,001	\$ 194,801	\$ 263,623	\$ 3,088,425

See accompanying notes to basic financial statements.

CEDAR SPRINGS PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2007

Net change in fund balances - total governmental funds \$ (1,048,254)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and the cost is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:

	Capital outlays	\$ 410,872	
	Depreciation expense	<u>(1,812,189)</u>	(1,401,317)

As some delinquent personal property taxes will not be collected for several years after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities. (17,153)

In the Statement of Activities, only the loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale(s) increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold. (2,010)

Proceeds from the sale of bonds or loans are an other financing source in the governmental funds, but increase long-term liabilities in the Statement of Net Assets. (8,669,867)

Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue. 611,945

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not effect the Statement of Activities:
 Repayment of bonds 9,006,090

Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is paid. (152,680)

In the Statement of Net Assets, severance pay, early retirement incentive, and accumulated sick leave are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits used/paid (\$273,519) exceeded the amounts earned (\$153,490). 120,029

Total changes in net assets - governmental activities \$ (1,553,217)

See accompanying notes to basic financial statements.

CEDAR SPRINGS PUBLIC SCHOOLS
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$ 2,632,445	\$ 2,437,582	\$ 2,384,664	\$ (52,918)
State sources	23,600,154	23,761,720	23,675,639	(86,081)
Federal sources	1,246,396	1,209,052	1,207,435	(1,617)
Interdistrict sources	2,215,925	2,548,899	2,667,829	118,930
Total Revenues	<u>29,694,920</u>	<u>29,957,253</u>	<u>29,935,567</u>	<u>(21,686)</u>
Expenditures				
Current:				
Instruction:				
Basic programs	13,409,738	13,739,171	13,813,364	(74,193)
Added needs	4,286,780	4,577,777	4,276,421	301,356
Supporting services:				
Pupil services	1,761,979	1,776,742	1,767,768	8,974
Instructional staff services	1,489,702	1,370,401	1,337,147	33,254
General administrative services	521,038	556,973	537,333	19,640
School administrative services	2,280,877	1,621,843	1,685,247	(63,404)
Business services	751,197	729,902	705,827	24,075
Operation and maintenance services	2,641,988	2,641,904	2,521,502	120,402
Pupil transportation services	1,034,326	2,373,768	2,399,455	(25,687)
Central services	320,232	865,350	858,753	6,597
Capital outlay	253,021	69,361	65,175	4,186
Debt service:				
Principal payments	-	101,090	101,090	-
Interest and fiscal charges	-	2,876	2,876	-
Interdistrict	1,036,937	-	24,364	(24,364)
Total Expenditures	<u>29,787,815</u>	<u>30,427,158</u>	<u>30,096,322</u>	<u>330,836</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(92,895)</u>	<u>(469,905)</u>	<u>(160,755)</u>	<u>309,150</u>
Other Financing Sources (Uses)				
Transfers in	-	-	3,477	3,477
Transfers out	(367,600)	(367,600)	(367,600)	-
Other	-	-	(10,584)	(10,584)
Total Other Financing Sources (Uses)	<u>(367,600)</u>	<u>(367,600)</u>	<u>(374,707)</u>	<u>(7,107)</u>
Net Change in Fund Balances	(460,495)	(837,505)	(535,462)	302,043
Fund Balances, July 1	<u>3,165,463</u>	<u>3,165,463</u>	<u>3,165,463</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 2,704,968</u></u>	<u><u>\$ 2,327,958</u></u>	<u><u>\$ 2,630,001</u></u>	<u><u>\$ 302,043</u></u>

See accompanying notes to basic financial statements.

CEDAR SPRINGS PUBLIC SCHOOLS
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2007

	Private Purpose Trust Fund	Agency Fund
Assets		
Cash equivalents, deposits and investments (Note B)	\$ 44,290	\$ 162,452
Due from other funds (Note D)	-	500
Total Assets	\$ 44,290	\$ 162,952
Liabilities		
Due to other funds (Note D)	\$ -	\$ 108
Due to student groups	-	162,844
Total Liabilities	\$ -	\$ 162,952
Net Assets		
Held in trust for:		
Individuals and organizations	\$ 44,290	

See accompanying notes to basic financial statements.

CEDAR SPRINGS PUBLIC SCHOOLS
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
For the year ended June 30, 2007

	Private Purpose Trust Fund
Additions	
Interest earnings	\$ 1,357
Donations	1,958
Total Additions	<u>3,315</u>
Deductions	
Endowment activities - scholarships	<u>2,000</u>
Change In Net Assets	1,315
Net Assets, Beginning of Year	<u>42,975</u>
Net Assets, End of Year	<u><u>\$ 44,290</u></u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Note A – Summary of Significant Accounting Policies

Cedar Springs Public Schools was organized under the School Code of the State of Michigan and services a population of approximately 3,485 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, preschool programs, athletic activities, special education, vocational education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of Cedar Springs Public Schools (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District’s accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District’s financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. District-Wide and Fund Financial Statements

District-Wide Financial Statements - The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund and the 2003 Construction Capital Projects Fund are the District's major funds. Non-major funds are aggregated and presented in a single column.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenues in accordance with state law and accounting principles generally accepted in the United States of America.

Governmental Funds

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

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

General Fund—The General Fund is the general operating fund of a school district. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

Special Revenue Funds—Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

School Service Funds—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Funds maintained by the District are the Food Service, Athletic, Enrichment Child Care and Enrichment Preschool Funds.

Debt Service Funds—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases and school bond loan) principal, interest, and related costs.

Capital Projects Funds—Capital Projects Funds are used to record bond proceeds, property tax revenues or other revenues and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of Section 1351a of the State of Michigan's School Code.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by a school district in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Fiduciary Fund net assets and results of operations are not included in the district-wide financial statements. Fiduciary funds are reported using the economic resources measurement focus. The District presently maintains scholarship funds for the benefit of students.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student groups for school and school related purposes. The funds are segregated and held in trust for the students.

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. Cedar Springs Public Schools has also adopted budgets for its Special Revenue Funds. A school district's General Appropriations Resolution (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year-end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the fund level. All appropriations lapse at the end of the fiscal year.

Cedar Springs Public Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Business Manager to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

6. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

7. Inventory

Inventories are valued at cost (first-in, first-out). Inventories of the General Fund consist of teaching and custodial supplies. Inventories of the Food Service Fund consist of food, unused commodities and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund.

8. Capital Assets

Capital assets, which include land, land improvements, buildings, vehicles and furniture and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

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

Land improvements, buildings and additions, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	10-20 years
Buildings and additions	40-50 years
Vehicles	5-10 years
Furniture and equipment	3-10 years

9. Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

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

10. Accumulated Sick Leave

Accumulated sick leave at June 30, 2007 has been computed and recorded in the basic financial statements of the District. District employees eligible to retire are entitled to a payment based on their unused sick days, level of compensation, and years of service. At June 30, 2007, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) for accumulated sick leave amounted to \$375,085.

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

11. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

12. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

13. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents, Deposits and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- 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.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school district in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district in Michigan.

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Balances at June 30, 2007 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Statement of Net Assets:	
Governmental activities	\$ 2,429,288
Fiduciary Funds:	
Agency Fund	<u>206,742</u>
	<u>\$ 2,636,030</u>

Cash Equivalents and Deposits

Depositories actively used by the District during the year are detailed as follows:

1. Independent Bank
2. Choice One Bank
3. Fifth Third Bank
4. Chase J.P. Morgan Bank, N.A.

Cash equivalents and deposits consist of public funds checking and savings accounts and certificates of deposit.

June 30, 2007 balances are detailed as follows:

Cash equivalents	\$ 2,179,998
Deposits	<u>281,558</u>
	<u>\$ 2,456,556</u>

Custodial credit risk

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents and deposits was \$2,456,556 and the bank balance was \$2,963,196. Of the bank balance, \$129,305 was covered by federal depository insurance and \$2,833,891 was uninsured.

Investments

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

Investment Pool Accounts:	<u>Fair Value</u>
Bank of New York	<u>\$ 179,474</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District will minimize custodial credit risk by limiting investments to the types of securities allowed by law.

Credit Risk

The District's investments in the Bank of New York investment pool were unrated.

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Interest Rate Risk

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

Concentration of Credit Risk

The District's investment policy places no restrictions on the percentage that may be invested in any one type of securities.

Foreign Currency Risk

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

Note C – State School Aid/Property Taxes

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts. The amount of 2006 ad valorem State Education Taxes generated within the Cedar Springs Public School District, and paid to the State of Michigan, totaled \$2,954,063.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February 2006 and September 2006. The 2006-07 "Foundation Allowance" for Cedar Springs Public Schools was \$7,085 for 3,485 "Full Time Equivalent" students, generating \$23,672,457 in state aid payments to the District of which \$3,979,018 was paid to the District in July and August, 2007 and included in "Due From Other Governmental Units" of the General Fund and Food Service Special Revenue Fund of the district.

Property taxes for the District are levied July 1 by the City of Cedar Springs and the Townships of Algoma, Courtland, Nelson, Oakfield, Solon, Spencer and Ensley. The taxes are then collected by each governmental unit and remitted to the District. The Counties of Kent and Newaygo, through their Delinquent Tax Revolving Fund, advance all delinquent real property taxes at March 1 to the District each year prior to June 30. Delinquent personal property taxes receivable are detailed as follows:

Tax Year	General Fund	Debt Service Funds	Total
2006	\$ 11,386	\$ 4,646	\$ 16,032
2005	3,066	1,410	4,476
2004	8,178	2,871	11,049
	\$ 22,630	\$ 8,927	\$ 31,557

Taxes uncollected after three years from the date of levy, unless material in amount, are written off the books of the District.

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Section 1211(1) of 1993 PA 312 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill "Local Enhancement Millage" which must be shared between all local districts in each respective county intermediate district.

As Cedar Springs Public Schools' electors (June 8, 1998) approved an operating millage extension, the 18 mill non-homestead property tax was levied for 2006 general operations.

The District levied 7.0 mills in 2006 for debt service purposes, applied on all taxable property in the District.

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases are limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A, taxable property is now divided into two categories: homestead and non-homestead.

Homestead property is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted "Local Enhancement Millage" nor any additional voted millage for the retirement of debt.

Non-homestead property is considered to be all property not qualifying for a homestead exemption, which includes all commercial and industrial property. Non-homestead property is subject to all District levies.

Note D – Due From (To) Other Funds/Interfund Transfers

Amounts due from (to) other funds representing interfund receivables and payables from property tax revenue allocations and expenditures not yet reimbursed at June 30, 2007, are detailed as follows:

	Due From	Due To
General Fund		
Special Revenue Funds:		
Food Service Fund	\$ 84,255	\$ 94,177
Athletics Fund	4,852	38,260
Child Care Fund	31,750	—
Preschool Fund	8,386	1,473
School Store Fund	—	500
Debt Service Funds:		
1995 Debt Service Fund	—	46,343
2003 Debt Service Fund		150,954
2006 Debt Service Fund	325	17,438
Capital Projects Funds:		
2003 Construction Fund	326	—
Fiduciary Funds:		
Student Activities Fund	108	500
	130,001	349,645
Total General Fund		

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

	Due From	Due To
Special Revenue Funds		
Food Service Fund:		
General Fund	94,177	84,255
Child Care Fund		2,172
Athletics Fund:		
General Fund	38,260	4,852
Enrichment Childcare Fund:		
General Fund	—	29,579
Enrichment Preschool Fund:		
General Fund	1,473	8,386
School Store Fund:		
General Fund	500	—
Total Special Revenue Funds	134,410	129,244
Debt Service Funds		
1995 Debt Service Fund:		
General Fund	46,343	—
2003 Debt Service Fund	99,331	—
2003 Debt Service Fund:		
General Fund	150,956	—
1995 Debt Service Fund	—	99,331
2006 Debt Service Fund	100	
2007 Debt Service Fund	100	
2006 Debt Service Fund:		
General Fund	17,438	325
2003 Debt Service Fund	—	100
2007 Debt Service Fund:		
2003 Debt Service Fund	—	100
Total Debt Service Funds	314,268	99,856
Capital Projects Fund		
2003 Construction Fund:		
General Fund	—	326
Fiduciary Fund		
Student Activities Fund:		
General Fund	500	108
Total All Funds`	\$ 579,179	\$ 579,179

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Interfund transfers during the year ended June 30, 2007 were as follows:

	Transfers In	Transfers Out
General Fund		
Special Revenue Fund:		
Athletics Fund	\$ 3,477	\$ 367,600
Capital Projects Funds:		
1995 Construction Fund	—	1,027
Durant Construction Fund	—	2,450
Total Capital Projects Funds	—	3,477
Special Revenue Fund		
Athletics Fund:		
General Fund	367,600	—
Total All Funds	\$ 371,077	\$ 371,077

The General Fund transfer to the Athletics Fund was made to pay for the General Fund's share of support for the athletic program for the fiscal year. Construction Funds transfers closed out inactive funds.

Note E – Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balances July 1, 2006	Additions	Deductions	Balances June 30, 2007
Capital assets not depreciated:				
Land	\$ 893,561	\$ —	\$ —	\$ 893,561
Capital assets being depreciated:				
Land improvements	967,384	5,236	37,167	935,453
Buildings and additions	65,847,369	31,723	—	65,879,092
Furniture and equipment	946,044	290,942	—	1,236,986
Vehicles	2,185,687	82,971	117,626	2,151,032
Totals at historical cost	70,840,045	\$ 410,872	\$ 154,793	71,096,124
Less accumulated depreciation for:				
Land improvements	\$ 625,658	\$ 9,389	\$ 37,167	\$ 627,880
Buildings and additions	11,472,023	1,465,583	—	12,937,606
Furniture and equipment	579,770	146,895	—	726,665
Vehicles	1,221,015	160,322	115,616	1,265,721
Total accumulated depreciation	13,898,466	\$ 1,812,189	\$ 152,783	15,557,872
Net Capital Assets	\$ 56,941,579			\$ 55,538,252

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Depreciation expense was charged to District activities as follows:

Governmental activities:	
Instruction	\$ 1,384,143
Supporting services	326,677
Food service	21,149
Athletics	<u>80,220</u>
	<u>\$ 1,812,189</u>

Note F – Short Term Debt

The October 5, 2005 state aid anticipation loan of \$1,400,000 was repaid in full on August 22, 2006. On September 18, 2006, the District borrowed \$2,000,000 at 4.10% due in full on August 21, 2007. Interest expense on the loans totaled \$64,941 for the fiscal year.

Note G – Long-term Debt

Amounts available and to be provided for outstanding long-term debt at June 30, 2007 are summarized as follows:

	General Obligation Bonds	State School Bond Loan	Installment Purchase Agreements Payable	Severance Pay/Early Retirement/ Accumulated Sick Leave	Total
Amount Available For Retirement Of Long-Term Debt					
Debt Service Funds	\$ 227,540	\$ —	\$ —	\$ —	\$ 227,540
Amounts To Be Provided For Retirement Of Long-Term Debt					
State of Michigan	352,659	—	—	—	352,659
General Fund	—	—	404,357	375,085	779,442
Debt Service Funds	<u>51,407,460</u>	<u>8,370,098</u>	<u>—</u>	<u>—</u>	<u>59,777,558</u>
Total Amounts Available and To Be Provided	<u>\$ 51,987,659</u>	<u>\$ 8,370,098</u>	<u>\$ 404,357</u>	<u>\$ 375,085</u>	<u>\$ 61,137,199</u>

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Changes in long-term debt for the year ended June 30, 2007 are summarized as follows:

	Debt Outstanding July 1, 2006	Debt Added	Debt Retired	Debt Outstanding June 30, 2007
General obligation bonds:				
February 24, 1998	\$ 19,035,000	\$ —	\$ 95,000	\$ 18,940,000
February 12, 2003	26,520,000	—	8,810,000	17,710,000
March 21, 2006	7,485,000	—	—	7,485,000
March 20, 2007	—	7,500,000	—	7,500,000
Durant non-plaintiff bonds:				
November 13, 1998	352,659	—	—	352,659
State school bond loan	7,200,230	1,169,868	—	8,370,098
Installment purchase agreements	505,447	—	101,090	404,357
Early retirement incentive	169,239	—	169,239	-
Accumulated sick leave	325,875	153,490	104,280	375,085
	<u>\$ 61,593,450</u>	<u>\$ 8,823,358</u>	<u>\$ 9,279,609</u>	<u>\$ 61,137,199</u>

Long-term bonds and installment purchase agreements at June 30, 2007 are comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
General Obligation Bonds				
\$19,655M 1998 Refunding:				
Annual maturities of \$95M to \$1,230M	May 1, 2024	4.45 – 5.00	\$18,940,000	\$ 95,000
\$37,905M 2003 Building and Site and Refunding:				
Annual maturities of \$740M to \$1,790M	May 1, 2029	3.00 – 5.25	17,710,000	1,790,000
\$7,485 M 2006 Refunding:				
Annual maturities of \$20M to \$1,395M	May 1, 2032	4.00 – 4.375	7,485,000	—
\$7,500 M 2007 Refunding				
Annual maturities of \$40M to \$1,395M	May 1, 2029	4.00 – 4.13	7,500,000	—
Durant Non-plaintiff Bonds				
\$597M 1998 School Improvement:				
Annual maturities of \$33M to \$210M	May 15, 2013	4.761353	352,659	—
Installment Purchase Agreements Payable				
\$600,537 2004 School Buses:				
Annual maturities of \$101,090	Sep 15, 2010	2.91	404,357	101,090
			<u>\$52,392,016</u>	<u>\$1,986,090</u>

The District is required to obtain loans from the Michigan School Bond Loan fund for the payment of the annual maturities of its general obligation bonds. There is no fixed maturity schedule for the repayment of these loans. Instead, the principal and interest are payable when taxes levied for debt service are no longer needed to retire bonded debt. During the year, the District borrowed \$818,791 from the Fund and \$351,077 of accrued interest was added to the District's liability to the Fund. At June 30, 2007, the District owed the Fund a total of \$8,370,098.

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

The annual requirements to pay principal and interest on long-term bonds and installment purchase agreements outstanding are as follows:

Year Ended June 30	Principal	Interest	Total
2008	1,986,090	2,370,540	4,356,630
2009	2,084,329	2,283,413	4,367,742
2010	2,160,910	2,203,588	4,364,498
2011	2,242,566	2,116,367	4,358,933
2012	2,233,214	2,022,398	4,255,612
2013	2,449,907	1,994,720	4,444,627
2014	2,340,000	1,819,667	4,159,667
2015	2,445,000	1,714,526	4,159,526
2016	2,545,000	1,589,188	4,134,188
2017	2,590,000	1,458,575	4,048,575
2018	2,625,000	1,326,213	3,951,213
2019	2,635,000	1,200,113	3,835,113
2020	2,615,000	1,082,714	3,697,714
2021	2,595,000	966,163	3,561,163
2022	2,585,000	840,375	3,425,375
2023	2,580,000	715,089	3,295,089
2024	2,575,000	590,088	3,165,088
2025	1,420,000	465,388	1,885,388
2026	1,410,000	408,526	1,818,526
2027	1,400,000	350,677	1,750,677
2028	1,395,000	292,897	1,687,897
2029	1,385,000	235,316	1,620,316
2030	1,375,000	177,784	1,552,784
2031	1,365,000	118,658	1,483,658
2032	1,355,000	59,282	1,414,282
	<u>\$ 52,392,016</u>	<u>\$ 28,402,265</u>	<u>\$ 80,794,281</u>

On March 21, 2006, the District issued \$7,485,000 in general obligation bonds to advance refund \$7,015,000 of outstanding 2003 general obligation bonds. The net proceeds were deposited with an escrow agent and used to purchase United States government securities. Under the terms of the agreement these securities, together with the interest earned to maturity, will be sufficient to pay principal and interest as it becomes due. This procedure relieves the District from being primarily liable for the debt and the District is virtually assured of not being required to make further payments with respect to the debt. These funds are not commingled with other funds and cannot be redeemed prior to maturity. Any excess funds will be returned to the District upon final payment of principal and interest (Scheduled to be May 1, 2013). This defeasance procedure allows the District to remove

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

the related assets and liabilities from its financial statements, which it has done. The assets, now held by the escrow agent to be used for the remaining principal and interest due of \$9,192,288 on the defeased debt at June 30, 2007 are detailed in the following schedule:

	Cost	Market Value	Par Value
U.S. Government Securities	\$7,216,412	\$7,412,949	\$9,108,000

On March 20, 2007, the District issued \$7,500,000 in general obligation bonds with an average interest rate of 4.19217% to advance refund \$7,040,000 of outstanding 2003 general obligation bonds with an effective interest rate of 4.821% resulting in a net present value savings of \$377,590. The net proceeds (\$7,511,175 after the District contribution of \$177,000 and payment of \$165,825 in underwriting fees, insurance and other issuance costs) were deposited with an escrow agent and used to purchase United States government securities. Under the terms of the agreement these securities, together with the interest earned to maturity, will be sufficient to pay principal and interest as it becomes due. This procedure relieves the District from being primarily liable for the debt and the District is virtually assured of not being required to make further payments with respect to the debt. These funds are not commingled with other funds and cannot be redeemed prior to maturity. Any excess funds will be returned to the District upon final payment of principal and interest (Scheduled to be May 1, 2013). This defeasance procedure allows the District to remove the related assets and liabilities from its financial statements, which it has done. The assets, now held by the escrow agent to be used for the remaining principal and interest due of \$9,168,987 on the defeased debt at June 30, 2007 are detailed in the following schedule:

	Cost	Market Value	Par Value
U.S. Government Securities	\$7,333,760	\$7,203,500	\$7,350,000

Note H – Retirement Plan

Substantially all District employees participate in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan. The District's payroll for employees covered by MPERS for the year ended June 30, 2007 was \$16,957,894. A Basic Plan member may retire at age 55 with 30 or more years of credited service or at age 60 with 10 or more years of credited service. The annual retirement benefit, payable monthly for life, is equal to 1½ percent of a member's final average compensation multiplied by his/her number of years of credited service. Final average compensation is the employee's average salary over the last 5 years of credited service. Vested employees may retire at or after age 55 with 15 years of service and receive reduced retirement benefits.

School districts in the State of Michigan are required to contribute at a rate, annually determined by the State of Michigan, of covered employees' compensation to the MPERS plan. The contribution rate was 16.34% for the fiscal year ending September 30, 2006 and 17.74% for the fiscal year beginning October 1, 2006. The District's contributions to the plan for the fiscal years ended June 30, 2007, 2006 and 2005 were \$2,977,970, \$2,656,715, and \$2,194,896, respectively.

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

The "actuarial accrued liability" is a standardized disclosure method of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPSERS' funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among public employee retirement systems and employers.

The MPSERS does not make separate measurements of assets and actuarial accrued liability for individual schools. The actuarial accrued liability at September 30, 2005 (the latest reporting date available expressed as \$ in millions) for the MPSERS as a whole, determined through an actuarial valuation performed as of that date, was \$48,206. The MPSERS' net assets available for benefits on that date were \$38,211 leaving an unfunded pension benefit obligation of \$9,995. Ten year historical trend information showing the MPSERS' progress in accumulating sufficient assets to pay benefits when due is presented in the September 30, 2006 Annual Report of the MPSERS, which may be obtained by contacting the System at P.O. Box 30171, Lansing, Michigan 48909-7671.

The total actuarial accrued liability (expressed as \$ in millions) increased by \$2,462 from September 30, 2004 to September 30, 2005. Not included in the pension benefit obligation above is any future obligation attributable to health, dental and vision insurance benefits which are funded on a cash disbursement basis. With the passage of Act 279 of 1996, making permanent the cash basis financing of health, dental and vision benefits, actuarially calculated liabilities for these benefits are no longer disclosed on the balance sheets.

Prior to January 1, 1990, participating employees could elect coverage under either the noncontributory Basic Plan or the contributory Member Investment Plan (MIP). Effective January 1, 1990, all new employees are automatically enrolled in MIP. Participants in MIP, who receive benefits in addition to those available under the Basic Plan, contribute a percentage of salary. The graduated contribution rate is based on total wages and is calculated at 3% of the first \$5,000; 3.6% of the next \$10,000; and 4.3% of all wages over \$15,000. MIP members may retire at any age with 30 years of service, or at age 60 with 5 years of service, with benefits based on a final average compensation period of 5 years for Basic Plan participants and 3 years for Member Investment Plan participants.

Post-employment benefits for health, dental and vision insurance are available at retirement through the MPSERS. Retirees contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage. Required contributions for post-employment health care benefits are included as part of the District's total contribution to the MPSERS as discussed above.

Note I – Risk Management and Benefits

The District maintains the Cedar Springs Public Schools Flexible Benefits Plan (the Plan). The Plan allows District employees to pay for certain medical expenses and dependent care expenses with before-tax income. In addition, depending on job classification, the Plan allows an employee the option of waiving health coverage and, instead, receiving additional compensation or other tax-free benefits. Also, if an employee is required to pay all or part of the cost of health coverage, the Plan allows the employee to pay this cost with before-tax income.

Health, life and other employee insurance is provided by private insurance carriers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Note J – Stewardship, Compliance and Accountability

The following District funds had actual expenditures exceed final budgeted expenditures for the year ended June 30, 2007, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Special Revenue Funds:			
Food Service Fund	\$ 1,120,000	\$ 1,189,481	\$ 69,481
Athletics Fund	577,318	623,347	46,029
Enrichment Childcare Fund	205,000	206,725	1,725
Enrichment Preschool Fund	89,000	93,615	4,615

Note K – Commitments

On February 12, 2003, the District issued \$34,420,000 of general obligation building and site bonds whose proceeds are being used for land purchases, building renovations and additions and furniture and equipment purchases. At June 30, 2007, unspent balances committed to these construction projects totaled approximately \$200,000, which are expected to be fully expended by the year ended June 30, 2008.

SUPPLEMENTAL INFORMATION

GENERAL FUND

To account for resources which are traditionally associated with the general operation of the District and not required to be accounted for in another fund.

CEDAR SPRINGS PUBLIC SCHOOLS
General Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	2007	2006
Assets		
Cash	\$ 1,280	\$ 1,280
Cash equivalents, deposits and investments	2,137,378	1,939,452
Receivables:		
Taxes	22,630	35,660
Accounts	14,130	303
Due from other funds	130,001	143,413
Due from other governmental units	4,678,742	4,957,525
Inventory	20,006	20,084
Prepaid expenditures	403,482	52,338
	\$ 7,407,649	\$ 7,150,055
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 65,602	\$ 81,492
State aid anticipation note payable	2,000,000	1,400,000
Due to other funds	349,645	112,740
Due to other governmental units	666,060	733,665
Payroll withholdings payable	4,814	8,066
Accrued interest payable	64,587	47,170
Salaries payable	1,470,630	1,428,907
Deferred revenue	156,310	172,552
	4,777,648	3,984,592
 Fund Balances		
Unreserved:		
Designated for subsequent years expenditures	-	215,000
Undesignated	2,630,001	2,950,463
	2,630,001	3,165,463
	\$ 7,407,649	\$ 7,150,055

CEDAR SPRINGS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2007 and 2006

	2007	2006
Local sources:		
Property taxes:		
Current property taxes	\$ 2,006,177	\$ 1,852,795
Delinquent property taxes	3,231	11,895
Other property taxes	10,940	4,388
Interest on delinquent taxes	15,492	16,393
	<u>2,035,840</u>	<u>1,885,471</u>
Interest earnings:		
Interest on deposits and investments	28,625	33,781
Other local revenue:		
Adult/community education fees	895	1,020
Transportation fees	65,768	78,469
Universal service credit	32,283	26,232
Beverage consortium reimbursements	78,108	76,491
Indirect cost recovery	76,426	118,540
Rental of school facilities	29,902	17,890
Donations	-	14,941
Sale of vehicles	661	8,210
Insurance claims	19,585	44,527
Salary reimbursements	10,758	17,862
Miscellaneous	5,813	18,914
	<u>320,199</u>	<u>423,096</u>
Total local sources	2,384,664	2,342,348
State sources:		
State aid	23,628,448	22,863,231
Parents as teachers	-	10,939
Itinerant reimbursement	47,191	75,855
School improvement	-	2,349
	<u>23,675,639</u>	<u>22,952,374</u>
Total state sources	23,675,639	22,952,374
Federal sources:		
Title I	359,161	266,675
Title IIA	138,406	123,713
Title IID	3,257	5,482
Title III	25,178	26,254
Title V	422	1,405
I.D.E.A. program	669,026	668,735
Medicaid - school based	4,636	10,052
Drug free schools	7,349	13,509
	<u>1,207,435</u>	<u>1,115,825</u>
Total federal sources	1,207,435	1,115,825

(Continued)

CEDAR SPRINGS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Interdistrict sources:		
Special education - county	\$ 1,595,398	\$ 1,480,256
Special education - tuition	65,777	-
Special education - shared costs	-	38,647
Special education - transportation	830,770	591,681
Durant settlement reimbursements	13,149	25,008
Medicaid fee for service	162,735	300,311
Career preparation	-	(184)
Total interdistrict sources	<u>2,667,829</u>	<u>2,435,719</u>
Total Revenues	<u><u>\$ 29,935,567</u></u>	<u><u>\$ 28,846,266</u></u>

CEDAR SPRINGS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	2007	2006
Current:		
Instruction:		
Basic programs:		
Elementary:		
Salaries	\$ 4,728,506	\$ 4,727,198
Employee benefits	2,296,068	2,228,394
Purchased services	110,761	5,815
Supplies	123,317	125,537
	<u>7,258,652</u>	<u>7,086,944</u>
Middle school:		
Salaries	1,421,271	1,364,398
Employee benefits	766,801	722,320
Purchased services	34,064	2,760
Supplies	44,141	65,208
Capital outlay	3,600	3,764
Miscellaneous	1,227	895
	<u>2,271,104</u>	<u>2,159,345</u>
High school:		
Salaries	2,612,634	2,527,789
Employee benefits	1,351,532	1,295,715
Purchased services	70,623	15,809
Supplies	187,816	145,333
Miscellaneous	4,211	4,834
	<u>4,226,816</u>	<u>3,989,480</u>
Preschool:		
Salaries	38,405	78,272
Employee benefits	15,226	33,706
Purchased services	2,167	341
Supplies	994	810
	<u>56,792</u>	<u>113,129</u>
Total basic programs	<u>13,813,364</u>	<u>13,348,898</u>
Added needs:		
Special education:		
Salaries	1,936,348	1,796,189
Employee benefits	889,111	846,038
Purchased services	37,683	1,997
Supplies	14,630	21,736
Miscellaneous	3,215	3,551
Payments to other districts	271,874	-
	<u>3,152,861</u>	<u>2,669,511</u>
Compensatory education:		
Salaries	394,540	271,575
Employee benefits	178,354	128,114
Purchased services	16,383	39,332
Supplies	19,468	41,122
	<u>608,745</u>	<u>480,143</u>

(Continued)

CEDAR SPRINGS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	2007	2006
Vocational education:		
Salaries	\$ 329,290	\$ 262,270
Employee benefits	148,293	121,715
Purchased services	9,795	5,142
Supplies	23,703	23,360
Capital outlay	3,589	1,481
Miscellaneous	145	331
	<u>514,815</u>	<u>414,299</u>
Total added needs	4,276,421	3,563,953
Supporting services:		
Pupil services:		
Guidance services:		
Salaries	603,548	555,635
Employee benefits	280,277	248,294
Purchased services	158	4,566
Supplies	2,716	-
	<u>886,699</u>	<u>808,495</u>
Occupational therapist services:		
Purchased services	227	217
Payments to other districts	32,001	-
	<u>32,228</u>	<u>217</u>
Psychological services:		
Salaries	-	8,650
Employee benefits	-	662
Supplies	355	1,493
Payments to other districts	96,744	-
	<u>97,099</u>	<u>10,805</u>
Speech pathologists services:		
Salaries	24,825	3,388
Employee benefits	13,179	50,700
Purchased services	6,480	7,335
Supplies	550	1,334
Payments to other districts	244,670	-
	<u>289,704</u>	<u>62,757</u>
Social worker services:		
Purchased services	-	175
Supplies	266	301
Payments to other districts	235,595	-
	<u>235,861</u>	<u>476</u>
Teacher consultant services:		
Salaries	65,239	98,261
Employee benefits	29,631	39,319
Purchased services	3,980	5,093
Supplies	-	10,655
	<u>98,850</u>	<u>153,328</u>

(Continued)

CEDAR SPRINGS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	2007	2006
Other pupil support services:		
Salaries	\$ 13,534	\$ 12,484
Employee benefits	4,067	2,984
Purchased services	1,050	1,394
Supplies	-	558
Payments to other districts	108,676	-
	<u>127,327</u>	<u>17,420</u>
Total pupil services	1,767,768	1,053,498
Instructional staff services:		
Improvement of instruction:		
Salaries	428,934	317,611
Employee benefits	203,970	150,214
Purchased services	74,509	76,732
Supplies	97,409	109,272
Miscellaneous	9,879	32,934
	<u>814,701</u>	<u>686,763</u>
Library:		
Salaries	115,814	153,595
Employee benefits	55,902	66,355
Purchased services	1,052	168
Supplies	34,483	22,130
	<u>207,251</u>	<u>242,248</u>
Supervision and direction of instruction:		
Salaries	205,389	219,339
Employee benefits	98,732	98,566
Purchased services	6,626	4,931
Supplies	1,724	1,639
Capital outlay	2,724	1,349
	<u>315,195</u>	<u>325,824</u>
Total instructional staff services	1,337,147	1,254,835
General administrative services:		
Board of education:		
Salaries	-	1,104
Employee benefits	34,800	36,841
Purchased services	103,701	120,415
Supplies	581	1,430
Miscellaneous	52,011	45,615
	<u>191,093</u>	<u>205,405</u>
Executive administration:		
Salaries	197,395	222,185
Employee benefits	93,199	115,358
Purchased services	48,523	37,246
Supplies	774	319
Capital outlay	-	16,029
Miscellaneous	6,349	7,423
	<u>346,240</u>	<u>398,560</u>
Total general administrative services	537,333	603,965

(Continued)

CEDAR SPRINGS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	2007	2006
School administrative services:		
Office of the principal:		
Salaries	\$ 917,185	\$ 1,077,230
Employee benefits	470,623	505,296
Purchased services	240,639	-
Supplies	13,363	20,387
Miscellaneous	280	283
	<u>1,642,090</u>	<u>1,603,196</u>
Other school administration:		
Purchased services	43,157	-
Total school administrative services	<u>1,685,247</u>	<u>1,603,196</u>
Business services:		
Fiscal services:		
Salaries	269,135	270,256
Employee benefits	147,822	141,117
Purchased services	4,366	2,950
Supplies	7,236	10,771
Miscellaneous	2,027	7,156
	<u>430,586</u>	<u>432,250</u>
Internal services:		
Salaries	43,844	40,646
Employee benefits	12,275	9,985
Purchased services	7,985	1,317
Supplies	47,802	41,006
	<u>111,906</u>	<u>92,954</u>
Other business services:		
Purchased services	98,394	104,151
Miscellaneous	64,941	37,123
	<u>163,335</u>	<u>141,274</u>
Total business services	<u>705,827</u>	<u>666,478</u>
Operation and maintenance services:		
Operation and maintenance:		
Salaries	798,116	869,296
Employee benefits	281,236	295,878
Purchased services	640,316	588,458
Supplies	782,210	917,115
Capital outlay	19,567	2,895
Miscellaneous	57	-
	<u>2,521,502</u>	<u>2,673,642</u>
Total operation and maintenance services	<u>2,521,502</u>	<u>2,673,642</u>
Pupil transportation services:		
Pupil transportation:		
Salaries	738,879	622,774
Employee benefits	237,588	191,073
Purchased services	101,751	95,907
Supplies	235,918	224,024

(Continued)

CEDAR SPRINGS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	2007	2006
Pupil transportation: (Continued)		
Capital outlay	\$ 71,485	\$ 15,013
Miscellaneous	850	4,944
Payments to other districts	1,012,984	-
Total pupil transportation services	<u>2,399,455</u>	<u>1,153,735</u>
Central services:		
Planning/research/development:		
Salaries	2,000	-
Employee benefits	508	-
Purchased services	30,949	44,340
Supplies	22,435	20,835
Miscellaneous	-	2,845
	<u>55,892</u>	<u>68,020</u>
Personnel services:		
Salaries	89,513	23,378
Employee benefits	61,229	20,248
Purchased services	39,773	33,224
Supplies	6,123	685
	<u>196,638</u>	<u>77,535</u>
Technology services:		
Salaries	261,827	258,959
Employee benefits	140,599	141,844
Purchased services	48,154	60,011
Supplies	119,588	101,202
Capital outlay	1,999	143,397
Miscellaneous	34,056	34,258
	<u>606,223</u>	<u>739,671</u>
Total central services	<u>858,753</u>	<u>885,226</u>
Capital outlay:		
Site improvements	50,289	43,710
Buildings and additions	14,886	60,143
Total capital outlay	<u>65,175</u>	<u>103,853</u>
Debt service:		
Principal repayment	101,090	-
Interest and fiscal charges	2,876	11,908
Total debt service	<u>103,966</u>	<u>11,908</u>
Interdistrict:		
Special education - tuition	-	284,672
Special education - transportation	-	972,599
Special education - itinerents	-	870,013
Other	24,364	21,100
Total interdistrict	<u>24,364</u>	<u>2,148,384</u>
Total Expenditures	<u><u>\$ 30,096,322</u></u>	<u><u>\$ 29,071,571</u></u>

NONMAJOR FUNDS

CEDAR SPRINGS PUBLIC SCHOOLS
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2007

Assets	Special Revenue			
	Food Service	Athletics	Enrichment Child Care	Enrichment Preschool
Cash	\$ 847	\$ -	\$ -	\$ -
Cash equivalents, deposits and investments	24,926	12,648	13,134	15,328
Taxes receivable	-	-	-	-
Accounts receivable	50,000	-	-	-
Due from other funds	94,177	38,260	-	1,473
Due from other governmental units	-	-	-	-
Inventory	9,210	-	-	-
Total Assets	\$ 179,160	\$ 50,908	\$ 13,134	\$ 16,801
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 79,722	\$ 18,117	\$ -	\$ -
Due to other funds	86,427	4,852	29,579	8,386
Due to other governmental units	-	-	-	1,353
Salaries payable	-	-	-	5,329
Deferred revenue	6,116	-	-	-
Total Liabilities	172,265	22,969	29,579	15,068
Fund Balances				
Reserved for debt service	-	-	-	-
Unreserved:				
Undesignated	6,895	27,939	(16,445)	1,733
Total Fund Balances	6,895	27,939	(16,445)	1,733
Total Liabilities and Fund Balances	\$ 179,160	\$ 50,908	\$ 13,134	\$ 16,801

School Store	Debt Service				Capital Projects		Total
	1998	2003	2006	2007	1995 Construction	Durant	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 847
13,733	1,721	10,107	464	100	-	-	92,161
-	1,385	7,146	396	-	-	-	8,927
-	-	-	-	-	-	-	50,000
500	145,674	151,156	17,438	-	-	-	448,678
1,772	736	-	-	-	-	-	2,508
-	-	-	-	-	-	-	9,210
<u>\$ 16,005</u>	<u>\$149,516</u>	<u>\$168,409</u>	<u>\$ 18,298</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$612,331</u>
\$ 44	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97,883
-	-	99,331	425	100	-	-	229,100
-	-	-	-	-	-	-	1,353
-	-	-	-	-	-	-	5,329
-	1,385	7,146	396	-	-	-	15,043
<u>44</u>	<u>1,385</u>	<u>106,477</u>	<u>821</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>348,708</u>
-	148,131	61,932	17,477	-	-	-	227,540
<u>15,961</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,083</u>
<u>15,961</u>	<u>148,131</u>	<u>61,932</u>	<u>17,477</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>263,623</u>
<u>\$ 16,005</u>	<u>\$149,516</u>	<u>\$168,409</u>	<u>\$ 18,298</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$612,331</u>

CEDAR SPRINGS PUBLIC SCHOOLS
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2007

	Special Revenue			
	Food Service	Athletics	Enrichment Child Care	Enrichment Preschool
Revenues				
Local sources:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Interest earnings	625	35	61	50
Sales and admissions	519,728	166,743	-	-
Other local sources	-	-	184,017	74,521
Total local sources	520,353	166,778	184,078	74,571
State sources	79,665	-	715	-
Federal sources	498,331	-	-	-
Total Revenues	1,098,349	166,778	184,793	74,571
Expenditures				
Current:				
Community services	-	-	206,725	93,615
Food service	1,189,481	-	-	-
Athletics	-	623,347	-	-
School store	-	-	-	-
Debt service:				
Principal repayment	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
Underwriter's discount	-	-	-	-
Total Expenditures	1,189,481	623,347	206,725	93,615
Excess (Deficiency) of Revenues Over Expenditures	(91,132)	(456,569)	(21,932)	(19,044)
Other Financing Sources (Uses)				
Refunding bonds issued	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	367,600	-	-
Transfers out	-	-	-	-
Payment to escrow agent	-	-	-	-
Total Other Financing Sources (Uses)	-	367,600	-	-
Net Change in Fund Balances	(91,132)	(88,969)	(21,932)	(19,044)
Fund Balances, July 1	98,027	116,908	5,487	20,777
Fund Balances, June 30	\$ 6,895	\$ 27,939	\$ (16,445)	\$ 1,733

School Store	Debt Service				Capital Projects		Total
	1998	2003	2006	2007	1995 Construction	Durant	
\$ -	\$ 738,135	\$2,462,780	\$ 295,935	\$ -	\$ -	\$ -	\$3,496,850
-	1,458	2,755	1,418	100	42	6	6,550
17,579	-	-	-	-	-	-	704,050
829	-	-	1,739	-	-	-	261,106
18,408	739,593	2,465,535	299,092	100	42	6	4,468,556
-	-	-	-	-	-	-	80,380
-	-	-	-	-	-	-	498,331
18,408	739,593	2,465,535	299,092	100	42	6	5,047,267
-	-	-	-	-	-	-	300,340
-	-	-	-	-	-	-	1,189,481
-	-	-	-	-	-	-	623,347
5,850	-	-	-	-	-	-	5,850
-	95,000	1,770,000	-	-	-	-	1,865,000
-	937,619	988,318	351,059	100	-	-	2,277,096
-	-	82,380	-	-	-	-	82,380
-	-	83,445	-	-	-	-	83,445
5,850	1,032,619	2,924,143	351,059	100	-	-	6,426,939
12,558	(293,026)	(458,608)	(51,967)	-	42	6	(1,379,672)
-	-	7,500,000	-	-	-	-	7,500,000
-	284,699	464,732	69,359	-	-	-	818,790
-	-	-	-	-	-	-	367,600
-	-	-	-	-	(1,027)	(2,450)	(3,477)
-	-	(7,511,175)	-	-	-	-	(7,511,175)
-	284,699	453,557	69,359	-	(1,027)	(2,450)	1,171,738
12,558	(8,327)	(5,051)	17,392	-	(985)	(2,444)	(207,934)
3,403	156,458	66,983	85	-	985	2,444	471,557
\$ 15,961	\$ 148,131	\$ 61,932	\$ 17,477	\$ -	\$ -	\$ -	\$ 263,623

CEDAR SPRINGS PUBLIC SCHOOLS
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Revenues			
Local sources:			
Interest earnings	\$ 625	\$ 625	\$ -
Sales and admissions	550,472	519,728	(30,744)
Total local sources	551,097	520,353	(30,744)
State sources	82,706	79,665	(3,041)
Federal sources	486,197	498,331	12,134
Total Revenues	<u>1,120,000</u>	<u>1,098,349</u>	<u>(21,651)</u>
Expenditures			
Current:			
Food service	1,120,000	1,189,481	(69,481)
Net Change in Fund Balances	-	(91,132)	(91,132)
Fund Balances, July 1	<u>98,027</u>	<u>98,027</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 98,027</u>	<u>\$ 6,895</u>	<u>\$ (91,132)</u>

CEDAR SPRINGS PUBLIC SCHOOLS
Athletics Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Revenues			
Local sources:			
Interest earnings	\$ 35	\$ 35	\$ -
Sales and admissions	166,903	166,743	(160)
Total Revenues	<u>166,938</u>	<u>166,778</u>	<u>(160)</u>
Expenditures			
Current:			
Athletics	577,318	623,347	(46,029)
Excess (Deficiency) of Revenues Over Expenditures	<u>(410,380)</u>	<u>(456,569)</u>	<u>(46,189)</u>
Other Financing Sources			
Transfers in	367,600	367,600	-
Net Change in Fund Balances	(42,780)	(88,969)	(46,189)
Fund Balances, July 1	<u>116,908</u>	<u>116,908</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 74,128</u></u>	<u><u>\$ 27,939</u></u>	<u><u>\$ (46,189)</u></u>

CEDAR SPRINGS PUBLIC SCHOOLS
Enrichment Child Care Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Revenues			
Local sources:			
Interest earnings	\$ 61	\$ 61	\$ -
Other local sources	179,224	184,017	4,793
Total local sources	<u>179,285</u>	<u>184,078</u>	<u>4,793</u>
State sources	<u>715</u>	<u>715</u>	<u>-</u>
Total Revenues	<u>180,000</u>	<u>184,793</u>	<u>4,793</u>
Expenditures			
Current:			
Community services	<u>205,000</u>	<u>206,725</u>	<u>(1,725)</u>
Net Change in Fund Balances	<u>(25,000)</u>	<u>(21,932)</u>	<u>3,068</u>
Fund Balances, July 1	<u>5,487</u>	<u>5,487</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ (19,513)</u></u>	<u><u>\$ (16,445)</u></u>	<u><u>\$ 3,068</u></u>

CEDAR SPRINGS PUBLIC SCHOOLS
Enrichment Preschool Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Revenues			
Local sources:			
Interest earnings	\$ 50	\$ 50	\$ -
Other local sources	75,950	74,521	(1,429)
Total Revenues	<u>76,000</u>	<u>74,571</u>	<u>(1,429)</u>
Expenditures			
Current:			
Community services	89,000	93,615	(4,615)
Net Change in Fund Balances	(13,000)	(19,044)	(6,044)
Fund Balances, July 1	<u>20,777</u>	<u>20,777</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 7,777</u>	<u>\$ 1,733</u>	<u>\$ (6,044)</u>

SPECIAL REVENUE FUNDS

Food Service—to account for monies received from food service activities and federal subsidies for use in administering the hot lunch program of the District.

Athletics—to account for activity receipts and General Fund contributions used in administering the athletic program of the District.

Enrichment Child Care—to account for tuition revenues used in administering the child care program of the District.

Enrichment Preschool—to account for tuition revenues used in administering the preschool program of the District.

School Store—to account for sales and donation revenues used in administering the school store program of the District.

CEDAR SPRINGS PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	2007	2006
Assets		
Cash	\$ 847	\$ 847
Cash equivalents, deposits and investments	24,926	189,568
Accounts receivable	50,000	-
Due from other funds	94,177	11,956
Inventory	9,210	5,210
Total Assets	\$ 179,160	\$ 207,581
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 79,722	\$ 7,127
Due to other funds	86,427	102,427
Deferred revenue	6,116	-
Total Liabilities	172,265	109,554
Fund Balances		
Unreserved:		
Undesignated	6,895	98,027
Total Liabilities and Fund Balances	\$ 179,160	\$ 207,581

CEDAR SPRINGS PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2007 and 2006

	2007	2006
Revenues		
Local sources:		
Sales and admissions:		
Children's lunches	\$ 470,227	\$ 497,777
Adult lunches	-	137
Ala carte	15,804	1,365
Catering	30,973	10,728
Refunds	2,724	2,417
Other	-	3
	<u>519,728</u>	<u>512,427</u>
Interest earnings:		
Interest on deposits and investments	625	570
Total local sources	<u>520,353</u>	<u>512,997</u>
State sources	79,665	61,365
Federal sources	<u>498,331</u>	<u>427,497</u>
Total Revenues	<u>1,098,349</u>	<u>1,001,859</u>
Expenditures		
Current:		
Food service:		
Salaries	331,283	315,085
Employee benefits	150,803	144,161
Purchased services	129,512	107,802
Supplies	491,269	422,301
Capital outlay	35,203	36,387
Miscellaneous	1,411	2,511
Indirect cost allocation	50,000	75,000
	<u>1,189,481</u>	<u>1,103,247</u>
Total Expenditures	<u>1,189,481</u>	<u>1,103,247</u>
Net Change in Fund Balances	(91,132)	(101,388)
Fund Balances, July 1	<u>98,027</u>	<u>199,415</u>
Fund Balances, June 30	<u>\$ 6,895</u>	<u>\$ 98,027</u>

CEDAR SPRINGS PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	2007	2006
Assets		
Cash equivalents, deposits and investments	\$ 12,648	\$ 37,642
Due from other funds	38,260	93,050
Total Assets	\$ 50,908	\$ 130,692
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 18,117	\$ -
Due to other funds	4,852	13,784
Total Liabilities	22,969	13,784
Fund Balances		
Unreserved:		
Undesignated	27,939	116,908
Total Liabilities and Fund Balances	\$ 50,908	\$ 130,692

CEDAR SPRINGS PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2007 and 2006

	2007	2006
Revenues		
Local sources:		
Sales and admissions:		
Admissions	\$ 81,271	\$ 70,186
Athletic fees	57,455	56,877
Tournaments	28,017	22,870
Donations	-	1,041
	166,743	150,974
Interest earnings:		
Interest on deposits and investments	35	191
	166,778	151,165
Expenditures		
Current:		
Athletics:		
Salaries	378,195	356,120
Employee benefits	115,690	92,529
Purchased services	50,304	50,076
Supplies	21,348	26,287
Capital outlay	18,068	17,147
Miscellaneous	39,742	30,645
	623,347	572,804
Total Expenditures	623,347	572,804
Excess (Deficiency) of Revenues Over Expenditures	(456,569)	(421,639)
Other Financing Sources		
Transfers in	367,600	367,600
	367,600	367,600
Net Change in Fund Balances	(88,969)	(54,039)
Fund Balances, July 1	116,908	170,947
Fund Balances, June 30	\$ 27,939	\$ 116,908

CEDAR SPRINGS PUBLIC SCHOOLS
Enrichment Child Care Special Revenue Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	2007	2006
Assets		
Cash equivalents, deposits and investements	\$ 13,134	\$ 30,529
Liabilities and Fund Balances		
Liabilities		
Due to other funds	\$ 29,579	\$ 25,042
Fund Balances		
Unreserved:		
Undesignated	(16,445)	5,487
Total Liabilities and Fund Balances	\$ 13,134	\$ 30,529

CEDAR SPRINGS PUBLIC SCHOOLS
Enrichment Child Care Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2007 and 2006

	2007	2006
Revenues		
Local sources:		
Other local sources:		
Child care fees	\$ 180,695	\$ 175,885
Refunds of prior years expenditures	3,322	-
Interest earnings:		
Interest on deposits and investments	61	185
Total local sources	184,078	176,070
State sources:		
Other	715	28,221
Total Revenues	184,793	204,291
Expenditures		
Current:		
Community services:		
Child care:		
Salaries	131,815	144,877
Employee benefits	41,500	40,873
Purchased services	1,409	4,308
Supplies	4,617	8,033
Capital outlay	670	1,171
Miscellaneous	7,914	9,431
Indirect cost allocation	18,800	37,600
Total Expenditures	206,725	246,293
Net Change in Fund Balances	(21,932)	(42,002)
Fund Balances, July 1	5,487	47,489
Fund Balances, June 30	\$ (16,445)	\$ 5,487

CEDAR SPRINGS PUBLIC SCHOOLS
Enrichment Preschool Special Revenue Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	2007	2006
Assets		
Cash equivalents, deposits and investments	\$ 15,328	\$ 26,845
Due from other funds	1,473	-
Total Assets	\$ 16,801	\$ 26,845
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	\$ 58
Due to other funds	8,386	117
Due to other governmental funds	1,353	-
Salaries payable	5,329	5,893
Total Liabilities	15,068	6,068
Fund Balances		
Unreserved:		
Undesignated	1,733	20,777
Total Liabilities and Fund Balances	\$ 16,801	\$ 26,845

CEDAR SPRINGS PUBLIC SCHOOLS
Enrichment Preschool Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2007 and 2006

	2007	2006
Revenues		
Local sources:		
Other local revenue:		
Preschool fees	\$ 74,521	\$ 66,215
Interest earnings:		
Interest on deposits and investments	50	96
	74,571	66,311
Total Revenues		
Expenditures		
Current:		
Community services:		
Preschool:		
Salaries	66,648	41,615
Employee benefits	16,214	24,742
Purchased services	1,241	171
Supplies	1,083	1,618
Miscellaneous	803	1,441
Indirect cost allocation	7,626	5,940
	93,615	75,527
Total Expenditures		
Net Change in Fund Balances	(19,044)	(9,216)
Fund Balances, July 1	20,777	29,993
Fund Balances, June 30	\$ 1,733	\$ 20,777

CEDAR SPRINGS PUBLIC SCHOOLS
School Store Special Revenue Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	2007	2006
Assets		
Cash equivalents, deposits and investments	\$ 13,733	\$ 3,465
Due from other funds	500	-
Due from other governmental units	1,772	-
Total Assets	16,005	3,465
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 44	\$ 62
Fund Balances		
Unreserved:		
Undesignated	15,961	3,403
Total Liabilities and Fund Balances	\$ 16,005	\$ 3,465

CEDAR SPRINGS PUBLIC SCHOOLS
School Store Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2007 and 2006

	2007	2006
Revenues		
Local sources:		
Sales and admissions:		
Fund raising	\$ 17,579	\$ 4,878
Other local revenue:		
Donations	829	387
	18,408	5,265
Expenditures		
Current:		
School store:		
Purchased services	336	67
Supplies	3,590	755
Miscellaneous	1,924	1,040
	5,850	1,862
Net Change in Fund Balances	12,558	3,403
Fund Balances, July 1	3,403	-
Fund Balances, June 30	\$ 15,961	\$ 3,403

DEBT SERVICE FUNDS

Debt Service Funds—To accumulate property tax revenues and interest earnings for repayment of the bond issues of the District used to finance new building construction projects.

CEDAR SPRINGS PUBLIC SCHOOLS
Debt Service Funds
Combining Balance Sheet
June 30, 2007

Assets	<u>1998</u>	<u>2003</u>	<u>2006</u>	<u>2007</u>
Cash equivalents, deposits and investments	\$ 1,721	\$ 10,107	\$ 464	\$ 100
Taxes receivable	1,385	7,146	396	-
Due from other funds	145,674	151,156	17,438	-
Due from other governmental units	736	-	-	-
Total Assets	<u>\$ 149,516</u>	<u>\$ 168,409</u>	<u>\$ 18,298</u>	<u>\$ 100</u>
 Liabilities and Fund Balances				
Liabilities				
Due to other funds	\$ -	\$ 99,331	\$ 425	\$ 100
Deferred revenue	1,385	7,146	396	-
Total Liabilities	<u>1,385</u>	<u>106,477</u>	<u>821</u>	<u>100</u>
Fund Balances				
Reserved for debt service	<u>148,131</u>	<u>61,932</u>	<u>17,477</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 149,516</u>	<u>\$ 168,409</u>	<u>\$ 18,298</u>	<u>\$ 100</u>

Totals	
2007	2006
\$ 12,392	\$ 213,205
8,927	13,050
314,268	109,016
736	736
\$ 336,323	\$ 336,007
\$ 99,856	\$ 99,431
8,927	13,050
108,783	112,481
227,540	223,526
\$ 336,323	\$ 336,007

CEDAR SPRINGS PUBLIC SCHOOLS
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2007

	1998	2003	2006	2007
Revenues				
Local sources:				
Property taxes:				
Current property taxes	\$ 725,890	\$ 2,421,913	\$ 292,525	\$ -
Industrial facilities taxes	8,357	27,884	3,367	-
Delinquent property taxes	262	885	-	-
Other taxes	-	-	-	-
Interest on delinquent taxes	3,626	12,098	43	-
	<u>738,135</u>	<u>2,462,780</u>	<u>295,935</u>	<u>-</u>
Interest earnings:				
Interest on deposits and investments	1,458	2,755	1,418	100
Other local sources				
Miscellaneous	-	-	1,739	-
State sources:				
State aid	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>739,593</u>	<u>2,465,535</u>	<u>299,092</u>	<u>100</u>
Expenditures				
Debt service:				
Principal repayment	95,000	1,770,000	-	-
Interest and fiscal charges:				
Interest expense	937,308	988,027	349,635	-
Paying agent fees	300	250	820	-
Tax refunds	11	41	4	100
Miscellaneous	-	-	600	-
Bond issuance costs	-	82,380	-	-
Underwriter's discount	-	83,445	-	-
	<u>-</u>	<u>83,445</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>1,032,619</u>	<u>2,924,143</u>	<u>351,059</u>	<u>100</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(293,026)</u>	<u>(458,608)</u>	<u>(51,967)</u>	<u>-</u>
Other Financing Sources (Uses)				
Refunding bonds issued	-	7,500,000	-	-
Bond premium	-	-	-	-
Loan proceeds	284,699	464,732	69,359	-
Payments to escrow agent	-	(7,511,175)	-	-
	<u>-</u>	<u>(7,511,175)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>284,699</u>	<u>453,557</u>	<u>69,359</u>	<u>-</u>
Net Change in Fund Balances	(8,327)	(5,051)	17,392	-
Fund Balances, July 1	<u>156,458</u>	<u>66,983</u>	<u>85</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 148,131</u>	<u>\$ 61,932</u>	<u>\$ 17,477</u>	<u>\$ -</u>

Totals	
2007	2006
\$ 3,440,328	\$ 3,199,846
39,608	41,005
1,147	5,642
-	752
15,767	16,573
<u>3,496,850</u>	<u>3,263,818</u>
5,731	12,509
1,739	-
-	41,942
<u>3,504,320</u>	<u>3,318,269</u>
1,865,000	1,858,910
2,274,970	2,339,632
1,370	1,100
156	1,619
600	15
82,380	118,164
83,445	-
<u>4,307,921</u>	<u>4,319,440</u>
<u>(803,601)</u>	<u>(1,001,171)</u>
7,500,000	7,485,000
-	424
818,790	1,030,000
<u>(7,511,175)</u>	<u>(7,548,701)</u>
<u>807,615</u>	<u>966,723</u>
4,014	(34,448)
<u>223,526</u>	<u>257,974</u>
<u>\$ 227,540</u>	<u>\$ 223,526</u>

CAPITAL PROJECTS FUNDS

1995 Construction—to account for bond proceeds used to finance building construction and improvement projects.

2003 Construction—to account for bond proceeds used to finance building construction and improvement projects.

Durant Capital Projects—to account for Durant settlement bond proceeds to be used for specified capital outlay expenditures.

CEDAR SPRINGS PUBLIC SCHOOLS
1995 Construction Capital Projects Fund
Comparative Balance Sheet
June 30, 2007 and 2006

Assets	<u>2007</u>	<u>2006</u>
Cash equivalents, deposits and investments	<u>\$ -</u>	<u>\$ 985</u>
 Liabilities and Fund Balances		
Liabilities	<u>\$ -</u>	<u>\$ -</u>
Fund Balances		
Reserved for capital outlay	<u>-</u>	<u>985</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 985</u>

CEDAR SPRINGS PUBLIC SCHOOLS
1995 Construction Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2007 and 2006

	2007	2006
Revenues		
Local sources:		
Interest earnings:		
Interest on deposits and investments	\$ 42	\$ 36
Expenditures	-	-
Excess of Revenues Over Expenditures	42	36
Other Financing Sources (Uses)		
Transfers out	(1,027)	-
Net Change in Fund Balances	(985)	36
Fund Balances, July 1	985	949
Fund Balances, June 30	\$ -	\$ 985

CEDAR SPRINGS PUBLIC SCHOOLS
2003 Construction Capital Projects Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	2007	2006
Assets		
Cash equivalents, deposits and investments	\$ 199,749	\$ 569,147
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 4,622	\$ 66,812
Due to other funds	326	2,676
Total Liabilities	4,948	69,488
Fund Balances		
Reserved for capital outlay	194,801	499,659
Total Liabilities and Fund Balances	\$ 199,749	\$ 569,147

CEDAR SPRINGS PUBLIC SCHOOLS
2003 Construction Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2007 and 2006

	2007	2006
Revenues		
Local sources:		
Interest earnings:		
Interest on deposits and investments	\$ 22,138	\$ (177,847)
Expenditures		
Capital outlay:		
Architect fees	-	53,661
Construction manager fees	211	101,005
Other professional services	166	-
Buildings and additions	276,000	4,216,775
New equipment and furniture	50,619	1,108,753
Total Expenditures	326,996	5,480,194
Net Change in Fund Balances	(304,858)	(5,658,041)
Fund Balances, July 1	499,659	6,157,700
Fund Balances, June 30	\$ 194,801	\$ 499,659

CEDAR SPRINGS PUBLIC SCHOOLS
Durant Capital Projects Fund
Comparative Balance Sheet
June 30, 2007 and 2006

Assets	<u>2007</u>	<u>2006</u>
Cash equivalents, deposits and investments	<u>\$ -</u>	<u>\$ 2,444</u>
 Liabilities and Fund Balances		
Liabilities	\$ -	\$ -
Fund Balances		
Reserved for capital outlay	<u>-</u>	<u>2,444</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 2,444</u>

CEDAR SPRINGS PUBLIC SCHOOLS
Durant Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenues		
Interest earnings:		
Interest on deposits and investments	\$ 6	\$ 6
Expenditures	-	-
Excess of Revenues Over Expenditures	6	6
Other Financing Sources (Uses)		
Transfers out	(2,450)	-
Net Change in Fund Balances	(2,444)	6
Fund Balances, July 1	2,444	2,438
Fund Balances, June 30	<u>\$ -</u>	<u>\$ 2,444</u>

AGENCY FUND

Student Activities—to account for the collection and disbursements of monies used by the school activity clubs and groups.

CEDAR SPRINGS PUBLIC SCHOOLS
Student Activities Agency Fund
Statement of Changes in Assets and Liabilities
For the year ended June 30, 2007

	<u>Balances</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2007</u>
Assets				
Cash equivalents, deposits and investments	\$ 151,793	\$ 436,856	\$ 426,197	\$ 162,452
Accounts receivable	15,129	-	15,129	-
Due from other funds	500	500	500	500
Total Assets	<u>\$ 167,422</u>	<u>\$ 437,356</u>	<u>\$ 441,826</u>	<u>\$ 162,952</u>
Liabilities				
Due to other funds	\$ 1,718	\$ 108	\$ 1,718	\$ 108
Due to student groups	165,704	447,603	450,463	162,844
Total Liabilities	<u>\$ 167,422</u>	<u>\$ 447,711</u>	<u>\$ 452,181</u>	<u>\$ 162,952</u>

OTHER INFORMATION

CEDAR SPRINGS PUBLIC SCHOOLS
Summary of 2006 Taxes Levied and Collected
For the year ended June 30, 2007

	County of Kent			
	City of Cedar Springs	Algoma	Courtland	Nelson
Taxable Valuations				
Operating	\$ 39,136,142	\$ 13,530,867	\$ 11,630,658	\$ 10,346,797
Debt Service	71,475,099	65,774,871	74,076,890	91,832,227
Rates (Mills)				
General Fund				
1998 Debt Service Fund				
2003 Debt Service Fund				
2006 Debt Service Fund				
Taxes Levied 2006 Rolls				
General Fund	\$ 683,643	\$ 243,555	\$ 209,364	\$ 186,349
1998 Debt Service Fund	105,568	97,149	109,411	135,638
2003 Debt Service Fund	352,227	324,137	365,051	452,555
2006 Debt Service Fund	42,527	39,136	44,076	54,641
	<u>1,183,965</u>	<u>703,977</u>	<u>727,902</u>	<u>829,183</u>
Taxes Uncollected 2006 Rolls				
General Fund	1,704	-	194	-
1998 Debt Service Fund	140	-	17	-
2003 Debt Service Fund	467	-	54	-
2006 Debt Service Fund	57	-	7	-
	<u>2,368</u>	<u>-</u>	<u>272</u>	<u>-</u>
Taxes Collected 2006 Rolls				
General Fund	681,939	243,555	209,170	186,349
1998 Debt Service Fund	105,428	97,149	109,394	135,638
2003 Debt Service Fund	351,760	324,137	364,997	452,555
2006 Debt Service Fund	42,470	39,136	44,069	54,641
	<u>1,181,597</u>	<u>703,977</u>	<u>727,630</u>	<u>829,183</u>
Delinquent Taxes Collected				
General Fund	3,084	75	72	-
1998 Debt Service Fund	253	1	7	-
2003 Debt Service Fund	844	20	21	-
	<u>4,181</u>	<u>96</u>	<u>100</u>	<u>-</u>
Total Taxes Collected				
General Fund	685,023	243,630	209,242	186,349
1998 Debt Service Fund	105,681	97,150	109,401	135,638
2003 Debt Service Fund	352,604	324,157	365,018	452,555
2006 Debt Service Fund	42,470	39,136	44,069	54,641
	<u>\$ 1,185,778</u>	<u>\$ 704,073</u>	<u>\$ 727,730</u>	<u>\$ 829,183</u>

(Continued)

				County of Newaygo	
Townships					
Oakfield	Solon	Spencer	Ensley	Total	
\$ 4,542,462	\$ 24,452,436	\$ 9,396,625	\$ 101,377	\$113,137,364	
31,144,521	113,369,630	43,571,464	1,099,157	492,343,859	
				18.0000	
				1.4770	
				4.9280	
				0.5950	
				<u>25.0000</u>	
\$ 81,764	\$ 440,142	\$ 169,139	\$ 1,825	\$ 2,015,781	
46,000	167,445	64,354	1,694	727,259	
153,478	558,681	214,717	5,653	2,426,499	
18,531	67,454	25,924	683	292,972	
<u>299,773</u>	<u>1,233,722</u>	<u>474,134</u>	<u>9,855</u>	<u>5,462,511</u>	
1	9,336	151	-	11,386	
-	811	13	-	981	
-	2,707	41	-	3,269	
-	327	5	-	396	
<u>1</u>	<u>13,181</u>	<u>210</u>	<u>-</u>	<u>16,032</u>	
81,763	430,806	168,988	1,825	2,004,395	
46,000	166,634	64,341	1,694	726,278	
153,478	555,974	214,676	5,653	2,423,230	
18,531	67,127	25,919	683	292,576	
<u>299,772</u>	<u>1,220,541</u>	<u>473,924</u>	<u>9,855</u>	<u>5,446,479</u>	
-	-	-	-	3,231	
-	-	-	-	261	
-	-	-	-	885	
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,377</u>	
81,763	430,806	168,988	1,825	2,007,626	
46,000	166,634	64,341	1,694	726,539	
153,478	555,974	214,676	5,653	2,424,115	
18,531	67,127	25,919	683	292,576	
<u>\$ 299,772</u>	<u>\$ 1,220,541</u>	<u>\$ 473,924</u>	<u>\$ 9,855</u>	<u>\$ 5,450,856</u>	

CEDAR SPRINGS PUBLIC SCHOOLS
Summary of 2006 Taxes Levied and Collected
For the year ended June 30, 2007

	County of Kent			
	City of Cedar Springs	Algoma	Courtland	Nelson
Taxes Uncollected – June 30, 2007				
General Fund:				
2006	\$ 1,704	\$ -	\$ 194	\$ -
2005	952	-	-	-
2004	1,779	1,167	16	2,208
	<u>4,435</u>	<u>1,167</u>	<u>210</u>	<u>2,208</u>
1998 Debt Service Fund:				
2006	140	-	17	-
2005	108	-	-	-
2004	5	-	-	2
	<u>253</u>	<u>-</u>	<u>17</u>	<u>2</u>
2003 Debt Service Fund:				
2006	467	-	54	-
2005	197	-	-	-
2004	184	462	7	857
	<u>848</u>	<u>462</u>	<u>61</u>	<u>857</u>
2006 Debt Service Fund:				
2006	57	-	7	-
	<u>57</u>	<u>-</u>	<u>7</u>	<u>-</u>
Total Taxes Uncollected	<u><u>\$ 5,593</u></u>	<u><u>\$ 1,629</u></u>	<u><u>\$ 295</u></u>	<u><u>\$ 3,067</u></u>

Townships			County of Newaygo	
Oakfield	Solon	Spencer	Ensley	Total
\$ 1	\$ 9,336	\$ 151	\$ -	\$ 11,386
-	1,988	126	-	3,066
421	2,587	-	-	8,178
422	13,911	277	-	22,630
-	811	13	-	981
-	223	52	-	383
1	13	-	-	21
1	1,047	65	-	1,385
-	2,707	41	-	3,269
-	674	156	-	1,027
163	1,177	-	-	2,850
163	4,558	197	-	7,146
-	327	5	-	396
<u>\$ 586</u>	<u>\$ 19,843</u>	<u>\$ 544</u>	<u>\$ -</u>	<u>\$ 31,557</u>

Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

November 14, 2007

The Board of Education
Cedar Springs Public Schools
Kent County, Michigan

The following comments pertain to our audit of the financial records of Cedar Springs Public Schools as of and for the year ended June 30, 2007. The comments are made in accordance with Statement on Auditing Standards No. 61 "Communication With Audit Committees" which requires that in certain audits, certain matters are to be communicated to those who have responsibility for oversight of the financial reporting process. The communications required by this statement, if pertinent to the examination, are as follows:

1. Auditor's Responsibility Under Generally Accepted Auditing Standards.
2. Significant Accounting Policies.
3. Management Judgments and Accounting Estimates.
4. Significant Audit Adjustments.
5. Other Information in Documents Containing Audited Financial Statements.
6. Disagreements with Management.
7. Consultation with Other Accountants.
8. Major Issues Discussed With Management Prior to Retention.
9. Difficulties Encountered in Performing the Audit.
10. Uncorrected Misstatements (Passed Audit Adjustments).

The communications specified by this Statement are incidental to the audit and are not required to occur before, nor do they affect, our auditor's report on the District's financial statements.

The following are the matters to be communicated by SAS No. 61 based on our observations during the course of our audit of the financial statements and our review and evaluation of the internal control system of Cedar Springs Public Schools:

Auditors Responsibility Under U.S. Generally Accepted Auditing Standards

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

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

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

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Cedar Springs Public Schools are described in Note A to the financial statements.

Difficulties Encountered In Performing the Audit

We were required to spend significant additional audit field work time (including significant audit field work account analysis and adjusting journal entries) due to deficiencies in the District's monitoring systems in the areas of General and Debt Service Fund property tax collections, and General Fund state, federal and interdistrict revenues and expenditures.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. During the course of our audit the following adjustments of a significant nature were made to the accounting records of the District to bring the balances to those presented in the financial statements:

General Fund

1. \$8,155 to record 2006 delinquent personal property taxes receivable and \$21,185 to write off 2003 delinquent personal property taxes uncollected at June 30, 2007.
2. \$33,134 to correct the account classification of property taxes collected during the 2006-07 fiscal year.
3. \$334,993 to record prepaid expenditures and state aid revenue to account for the Michigan Department of Education's offset of retirement expense and State Aid in June, 2007.
4. \$66,507 to correct the account classification of federal grant revenues collected during the 2006-07 fiscal year.
5. \$136,868 and \$133,051 to reverse and accrue deferred revenue for unspent At Risk State Aid funds at June 30, 2007.

Food Service Fund

1. \$34,856 to record USDA bonus and entitlement commodities received during the year.
2. \$91,324 to correct the account classification of lunch sales collected during the 2006-07 fiscal year.

Debt Service Funds

1. \$3,500 to record 2006 delinquent personal property taxes receivable and \$7,623 to write off 2003 delinquent personal property taxes uncollected at June 30, 2007.
2. \$130,365 to correct the account classification of property taxes collected during the 2006-07 fiscal year.

Proposed Audit Adjustments

There were no material adjustments proposed during the audit not recorded by Cedar Springs Public Schools.

Suggestions and Recommendations

We offered suggestions and recommendations regarding the day-to-day operations of the accounting system of Cedar Springs Public Schools to the Director of Finance and Operations and District accounting and payroll personnel as the topics arose during the course of our audit fieldwork. Hopefully, these suggestions will ease the day-to-day operations of the business office and assist in more efficient monthly and year-end financial record keeping and reporting. Other suggestions that merit discussion in this letter are as follows:

All balance sheet accounts (for all funds) should be reconciled by District accounting personnel, and reviewed by the Director of Finance, on a monthly basis in a timely manner. Reviewing revenues and expenditures compared to the budget is not enough to insure that all transactions are being recorded, and that they are being recorded properly. The computer payroll and accounting system of the District utilizes balance sheet accounts for many transactions that occur, so it is imperative that these accounts be continually monitored and reconciled. In addition, all revenue accounts for the General Fund should be regularly reviewed to insure the proper account classifications are utilized on a consistent basis.

In the fall of 2006, the AICPA issued Statement on Auditing Standards No. 112 "*Communicating Internal Control Related Matters Identified in and Audit*", which requires a written communication from an auditor to an organization's governing board if any weaknesses in internal controls ("control deficiencies") rise to the level of "significant deficiencies" or "material weaknesses" that might effect the integrity of the financial statements. The AICPA significantly broadened the standards as to what might be a significant deficiency and/or material weakness and raised the expectations of auditors to report these control deficiencies, if found. We did observe certain control deficiencies in areas of the District's internal control during the course of our audit that we determined to be significant deficiencies or material weaknesses, which have been detailed in a separate letter to the Board of Education. The following recommendations relate to our internal control findings:

- The District should establish review functions within the business office (bank reconciliations, payroll operations, purchase order/invoice approval, financial statements, etc.) and outside of the business office (athletics, food service, student activities, childcare and preschool activities) in order to overcome the control deficiency of a *lack of monitoring* of control activities that currently exists.
- The District should establish, and *document* a uniform set of accounting policies and procedures that are designed to be applied consistently throughout the District; this will increase the efficiency and accountability of the accounting and record keeping process and strengthen in internal control system of the District.
- We encourage the District to support the Director of Finance, and other business office personnel in *furthering their education in the area of governmental accounting and financial statement preparation* requirements to achieve and maintain compliance with current GAAP and GASB standards. These are complex and constantly changing requirements that continue to increase and undergo significant modifications.

Our audit this year was again completed under the requirements of Statement on Auditing Standards No. 99 "Consideration of Fraud in a Financial Statement Audit" (SAS No. 99), which requires both auditors and their clients to more directly and openly assess those areas within a school district that might be susceptible to fraudulent activity, which would normally include those areas outside the central office that handle cash, inventory, supplies, etc. This is an important audit standard that requires increased face-to-face discussions/interviews with client personnel and extensive documentation of our findings for future reference. We found that Cedar Springs Public Schools has a very extensive network of internal controls within its accounting and record keeping system, and found those tested this year to be operating in the manner intended. Working with District business office personnel, we will be testing other control areas each year as a part of our audit, with suggestions and recommendations to follow the testing each year, to assist the District in maintaining and improving its systems.

Other Comments

The General Fund balance of the District decreased by \$524,878 to \$2,630,001 at June 30, 2007. This balance represents approximately 8.4 percent of the District's 2007-08 expenditure budget (down from 10.5 percent at June 30, 2006 and 13 percent at June 30, 2005). Maintaining a fund balance of at least 10 to 20 percent of the ensuing year's expenditure budget is advisable for Cedar Springs Public Schools. This gives the District more stable operating funds during the year; helps avoid or reduce the necessity of borrowing for short-term cash flow purposes and acts as a buffer against the uncertainty of state aid revenues accruing to the District. In addition, employee benefit costs are expected to increase significantly in the next few years, which will require the use of fund balance reserves considering the expectation of small (or no) growth in state aid revenues.

This communication is intended solely for the information and use of the Cedar Springs Public Schools Board of Education, administration and others within the organization. We have furnished a copy of this letter to the Michigan Department of Education as an enclosure with the audit report as required by the State of Michigan.

We appreciate the opportunity to provide financial auditing and advisory services to Cedar Springs Public Schools and hope to continue to do so in the future. We also appreciate the dedication and cooperation of the District's administration and accounting personnel in performing their functions and in assisting us in completing ours. If there are any questions regarding the audit report, or the attached communications, we will be happy to address them.

Hungerford, Alderson, Nichols & Bentley, P.C.

Certified Public Accountants

Hungerford, Aldrin,
Nichols & Carter, P.C.
CPAs AND CONSULTANTS

November 14, 2007

The Board of Education
Cedar Springs Public Schools
Kent County, Michigan

The following comments pertain to our audit of the financial records of Cedar Springs Public Schools as of and for the year ended June 30, 2007. The comments are made in accordance with Statement on Auditing Standards No. 112 "*Communicating Internal Control Related Matters Identified in an Audit*" which has the following two unconditional requirements:

- The auditor must evaluate identified *control deficiencies* and determine whether those deficiencies, individually or in combination, are *significant deficiencies* or *material weaknesses*.
- The auditor *must communicate, in writing, significant deficiencies and material weaknesses* to management and those charged with governance. This communication includes significant deficiencies and material weaknesses identified and communicated to management and those charged with governance in prior audits but not yet remediated.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is *more than a remote likelihood* that a misstatement of the entity's financial statements that is *more than inconsequential* will not be prevented or detected by the entity's internal control.

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

The following describe circumstances that may be control deficiencies, significant deficiencies, or material weaknesses:

- Inadequate *design* of internal control over a significant account or process.
- Inadequate *documentation* of the components of internal control.
- Insufficient *control consciousness* within the organization, for example, the tone at the top and the control environment.
- Inadequate or absent *segregation of duties* within a significant account or process.
- Inadequate design of *information technology* (IT) general and application controls.
- Inadequate design of *monitoring* controls used to assess the design and operating effectiveness of internal controls.
- The absence of an internal process to *report deficiencies* in internal controls to management on a timely basis.
- Employees or management who *lack the qualifications and training* to fulfill their assigned functions. For example, in an entity that prepares financial statements in accordance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) requirements, the person responsible for the accounting and reporting function lacks the level of skills and knowledge necessary to apply GAAP and GASB standards in recording the entity's financial transactions or *preparing its financial statements* (including the notes to basic financial statements).

The management of Cedar Springs Public Schools is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

In planning and performing our audit of the financial statements of Cedar Springs Public Schools as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Sparta Area School's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control. Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies or material weaknesses.

- Inadequate *design and documentation* of the District's internal control system
- Inadequate *segregation of duties* in the District business office, which leads to a *lack of independent monitoring* of the accounting functions of District accounting and payroll personnel and of financial transactions occurring outside the business office (athletics, food service, student activities, childcare, etc.).
- District personnel who lack the knowledge and training to fulfill certain required functions:
 1. The lack of knowledge and skills present to apply Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) requirements in recording the District's financial transactions or preparing its financial statements (including the notes to basic financial statements) in compliance with current GAAP and GASB requirements.

This communication is intended solely for the information and use of management, the Board of Education, others within the organization, and the Michigan Department of Education. It is not intended to be and should not be used by anyone other than these specified parties.

Hungerford, Aldwin, Nichols & Carter, P.C.

Certified Public Accountants