NICE COMMUNITY SCHOOL DISTRICT
ISHPEMING, MICHIGAN

FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

TABLE OF CONTENTS

Independent Auditors' Report 3
Management's Discussion and Analysis 5

BASIC FINANCIAL STATEMENTS

District-wide Financial Statements:
Statement of Net Assets 11
Statement of Activities 12

Fund Financial Statements:
Governmental Funds:
Balance Sheet 13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets 14
Statement of Revenues, Expenditures and Changes in Fund Balance 15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities 16
Fiduciary Funds: Statement of Net Assets 17
Notes to Financial Statements 18

REQUIRED SUPPLEMENTAL INFORMATION

General Fund: Budgetary Comparison Schedule 32
Debt Service Fund: Budgetary Comparison Schedule 33
Capital Projects Fund: Budgetary Comparison Schedule 34

OTHER SUPPLEMENTAL INFORMATION

Nonmajor Governmental Funds:
Combining Balance Sheet 36
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance 37

Nonmajor Special Revenue Funds:
Combining Balance Sheet 38
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance 39
Hot Lunch Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual 40
Athletics Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual 41

Component Unit – Ishpeming, Negaunee, Nice Community Education Division:
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual 42

COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards* 46

Report to Management Letter 48

ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA ROBERT J. DOWNS, CPA, CVA DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

INDEPENDENT AUDITORS' REPORT

Board of Education
NICE Community School District
Ishpeming, Michigan 49849

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the NICE Community School District, Ishpeming, Michigan, 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 School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and aggregate remaining fund information of the NICE Community School District, Ishpeming, Michigan as of June 30, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 10, 2007, on our consideration of the School District's internal control over financial reporting and our tests of it's compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 10 and 32 through 34 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information and express no opinion on it.

102 W. WASHINGTON STREET, SUITE 109 MARQUETTE, MICHIGAN 49855 (906)225-1166 FAX: (906) 225-1714
WWW.ATCOMQT.COM

Board of Education
NICE Community School District
Ishpeming, Michigan 49849

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise NICE Community Schools District, Ishpeming, Michigan's basic financial statements. The combining and individual fund financial statements and schedules are presented for purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 10, 2007

NICE Community School District

Management's Discussion and Analysis (Unaudited)

Our discussion and analysis of NICE Community School District financial performance provides an overview of the School District's financial activities for the year ended June 30, 2007. Please read it in conjunction with the financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- Net assets for NICE Community School District as a whole were reported at $3,158,637. Nets assets are comprised of 100% governmental activities.

- During the year, NICE Community School District expenses were $11,498,297 while revenues from all sources totaled $12,612,253, resulting in an increase in net assets of $1,113,956.

- The general fund reported an increase of $530,928 before other financing sources (uses) and a total increase of $175,324. This is $266,698 lower than the forecasted increase of $442,122. This was a result of revenues being $33,019 higher than forecasted, expenses being $514,282 higher than forecasted and transfers out being $214,465 lower than forecasted.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand NICE Community School District financially as a whole. The *District-wide Financial Statements* Statement of Net Assets and the Statement of Activities (on pages 11 and 12) provide information about the activities the School District as a whole and present a longer-term view of those finances. The fund financial statements present the next level of detail and start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statements also report the School District's operations in more detail than the district-wide statements by providing information about the School District's most significant fund – the General Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Reporting the School District as a Whole – *District-wide Financial Statements*

Our analysis of the NICE Community School District as a whole begins on page 7. One of the most important questions asked about the School District's finances is " As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds – *Fund Financial Statements*

Our analysis of the School District's major funds begins on page 9. The fund financial statements begin on page 13 and provide detailed information on the most significant funds – not the School District as a whole. Some funds are required to be established by State law, and by bond covenants. However, the School District's Board has established other funds to help it control and manage money for particular purposes.

- *Governmental funds* – All of the School District's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.

The School District as Trustee – Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The School District as a Whole

Table 1 provides a summary of the School District's net assets as of June 30, 2007:

Table 1
Net Assets

	Governmental Activities-2007	Governmental Activities-2006
Current and other assets	$5,223,256	$4,784,879
Capital assets, net	8,686,710	8,674,604
Total Assets	13,909,966	13,459,483
Current liabilities	3,994,505	3,992,009
Long-term liabilities	6,806,824	7,422,793
Total Liabilities	10,751,329	11,414,802
Net Assets:		
Invested in capital assets, net of related debt	1,684,756	1,143,936
Restricted	1,071,946	770,789
Unrestricted	401,935	129,956
Total Net Assets	$3,158,637	$2,044,681

The School District's net assets were $3,158,637 at June 30, 2007. Capital assets, net of related debt totaling $1,684,756, compares the original cost, less depreciation of the School District's capital assets to long-term debt, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets of $401,935 was unrestricted.

The $401,935 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2).

Table 2
Changes in Net Assets

	Governmental Activities – 2007	Governmental Activities – 2006
Revenues:		
Program revenues:		
Charges for services	$399,520	$407,509
Operating grants and contributions	1,468,318	1,379,360
General revenues:		
Property taxes	2,865,603	2,727,099
State sources not restricted to specific program	7,666,526	7,459,582
Contributions and other unrestricted grants	14,500	14,500

	Governmental Activities – 2007	Governmental Activities – 2006
Investment earnings	$122,516	$84,609
Miscellaneous	75,270	90,207
Total Revenues	12,612,253	12,162,866
Program Expenses:		
Instruction	6,829,776	7,101,923
Supporting services	3,350,403	3,223,029
Community services	18,757	936
Food service activities	321,806	306,500
Athletic activities	272,592	234,569
Depreciation – unallocated	347,425	356,106
Interest on long-term debt	357,538	350,971
Total Expenses	11,498,297	11,574,034
Increase (decrease) in net assets	1,113,956	588,832
Net assets, beginning	2,044,681	1,455,849
Net Assets, Ending	$3,158,637	$2,044,681

As reported in the Statement of Activities, the cost of all of our governmental activities this year was $11,498,297. Certain activities were partially funded from those who benefited from the programs $399,520 or by other governments and organizations that subsidized certain programs with grants and categoricals $1,468,318. We paid for the remaining "public benefit" portion of our governmental activities with $2,865,603 in taxes, $7,666,526 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net assets for the year of $1,113,956.

Table 3 presents the cost of each of the School District's largest activities as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the School District's operation.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	$6,829,776	$5,544,924
Supporting services	3,350,403	3,202,521
Food service activities	321,806	3,808
Athletic activities	272,592	155,486
Totals	$10,774,577	$8,906,739

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available financial resources.

The School District's Funds

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed the year, its governmental funds (as presented in the balance sheet on page 13) reported a combined fund balance of $2,004,626 an increase of $474,637 from the beginning of the year.

General Fund Budgetary Highlights

Over the course of the year, the School District's Board revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2007, the School District had $8,686,710 invested in a variety of capital assets including land, buildings, and machinery and equipment. (See table 4 below)

Table 4
Capital Assets at Year-End

	Governmental Activities – 2007	Governmental Activities – 2006
Land	$41,000	$41,000
Land improvements	549,737	520,422
Buildings	12,964,918	12,651,906
Machinery and equipment	783,360	766,136
Vehicles	1,101,702	1,179,256
	15,440,717	15,158,740
Less accumulated depreciation	(6,754,007)	(6,484,136)
Totals	$8,686,710	$8,674,604

This year's additions of $359,531 included various land and building improvements financed through sinking fund millage. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had $7,145,998 in bonds and installment loans outstanding as depicted in Table 5 below.

Table 5
Outstanding Debt at Year-End

	Governmental Activities – 2007	Governmental Activities – 2006
General obligation bonds	$6,700,000	$7,295,000
Installment loans	301,954	235,668
Durant debt	144,044	144,044
Totals	$7,145,998	$7,674,712

There was one new installment loan issued this year. We present more detailed information about our long-term debt in the notes to the financial statements.

Economic Factors and Next Year's Budgets

The Board and administration consider many factors to develop budgets. After five (5) years of little to no increases in state aid, the sate may be turning the corner. District enrollment has stabilized and revenues should increase.

There are currently no major economic factors that will impact next year's budget. A new mine opening in the area is a good possibility for future budgets.

Contacting the School District's Financial Management

This financial report is designated to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the NICE Community School District, 300 Westwood Drive, Ishpeming, Michigan, 49849.

NICE Community School District
Statement of Net Assets
June 30, 2007

	Governmental Activities	Component Unit
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 1,582,856	$ 172,952
Investments	1,831,753	-
Accounts receivable	1,686,232	129,419
Prepaid expenses	122,415	-
TOTAL CURRENT ASSETS	5,223,256	302,371
Noncurrent assets:		
Land	41,000	-
Other capital assets	15,399,717	84,394
Less accumulated depreciation	(6,754,007)	(59,785)
TOTAL NONCURRENT ASSETS	8,686,710	24,609
TOTAL ASSETS	13,909,966	326,980
LIABILITIES:		
Current liabilities:		
Accounts payable	543,798	817
Accrued liabilities	658,613	1,070
Accrued interest	48,545	-
Deferred revenue	16,219	-
State anticipation note	2,000,000	-
Current portion of long-term debt obligations	677,330	-
TOTAL CURRENT LIABILITIES	3,944,505	1,887
Noncurrent liabilities:		
Compensated absences	150,656	-
Early retirement	187,500	-
Bonds payable	6,844,044	-
Installment loans payable	301,954	-
Current portion of long-term debt obligations	(677,330)	-
TOTAL NONCURRENT LIABILITIES	6,806,824	-
TOTAL LIABILITIES	10,751,329	1,887
NET ASSETS:		
Invested in capital assets net of related debt	1,684,756	24,609
Restricted:		
Debt service and capital projects	1,018,654	-
Scholarships endowments	53,292	-
Unrestricted	401,935	300,484
TOTAL NET ASSETS	$ 3,158,637	$ 325,093

See Notes to Financial Statements.

NICE Community School District
Statement of Activities
For the Year Ended June 30, 2007

Function / Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Component Unit
Governmental Activities:					
Instruction	$ 6,829,776	$ 120,327	$ 1,164,525	$ (5,544,924)	
Supporting services	3,350,403	1,833	146,049	(3,202,521)	
Community services	18,757	-	-	(18,757)	
Food service activities	321,806	167,063	150,935	(3,808)	
Athletic activities	272,592	110,297	6,809	(155,486)	
Interest on retirement of debt	357,538	-	-	(357,538)	
Depreciation- unallocated	347,425	-	-	(347,425)	
TOTAL GOVERNMENTAL ACTIVITIES	11,498,297	399,520	1,468,318	(9,630,459)	
Component Unit:					
Instruction and instructional support	$ 416,057	61,948	327,726		$ (26,383)
General revenues:					
Taxes					
Property taxes, levied for general purposes				1,326,497	-
Property taxes, levied for debt services and sinking fund				1,539,106	-
State Aid not restricted to specific purposes				7,666,526	-
Contributions and other unrestricted grants				14,500	28,155
Interest and investment earnings				122,516	11,027
Miscellaneous				75,270	2,822
TOTAL GENERAL REVENUES				10,744,415	42,004
CHANGES IN NET ASSETS				1,113,956	15,621
Net Assets, July 1				2,044,681	309,472
NET ASSETS, JUNE 30				$ 3,158,637	$ 325,093

See Notes to Financial Statements.

NICE Community School District
Governmental Funds
Balance Sheet
June 30, 2007

	General Fund	Debt Service Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total
ASSETS:					
Cash and cash equivalents	$ 657,369	$ 593,360	$ 279,175	$ 52,952	$ 1,582,856
Investments	1,608,406	175,414	-	47,933	1,831,753
Accounts receivable	1,686,232	-	-	-	1,686,232
Due from other funds	30,992	-	-	2,607	33,599
Prepaid expenditures	122,415	-	-	-	122,415
TOTAL ASSETS	$ 4,105,414	$ 768,774	$ 279,175	$ 103,492	$ 5,256,855
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	$ 511,896	$ -	$ 29,295	$ 2,607	$ 543,798
Accrued liabilities	658,613	-	-	-	658,613
Due to other funds	-	-	-	33,599	33,599
State aid notes payable	2,000,000	-	-	-	2,000,000
Deferred revenue	16,219	-	-	-	16,219
TOTAL LIABILITIES	3,186,728	-	29,295	36,206	3,252,229
FUND BALANCES:					
Reserved for:					
Retirement of debt	-	768,774	249,880	-	1,018,654
Scholarships and endowments	-	-	-	53,292	53,292
Unreserved	918,686	-	-	13,994	932,680
TOTAL FUND BALANCES	918,686	768,774	249,880	67,286	2,004,626
TOTAL LIABILITIES AND FUND BALANCES	$ 4,105,414	$ 768,774	$ 279,175	$ 103,492	$ 5,256,855

See Notes to Financial Statements.

NICE Community School District
Governmental Funds
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2007

Total Fund Balances for Governmental Funds		$	2,004,626
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 in the funds.			
Cost of capital assets	15,440,717		
Accumulated depreciation	(6,754,007)		
			8,686,710
Long-term liabilities are not due and payable in the current period and are not reported in the funds. Long-term liabilities at year-end consist of:			
Compensated absences	150,656		
Early retirement	187,500		
Bonds payable	6,844,044		
Installment loans	301,954		
Accrued interest	48,545		
			(7,532,699)
NET ASSETS OF GOVERNMENTAL ACTIVITIES		$	3,158,637

See Notes to Financial Statements.

NICE Community School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2007

	General Fund	Debt Service Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total
REVENUES:					
Property taxes	$ 1,295,625	$ 1,099,720	$ 455,851	$ -	$ 2,851,196
Other local sources	167,266	-	6,973	284,613	458,852
State sources	8,708,638	-	-	15,395	8,724,033
Federal sources	268,462	-	-	135,540	404,002
Other sources	120,327	27,927	6,687	6,809	161,750
TOTAL REVENUES	10,560,318	1,127,647	469,511	442,357	12,599,833
EXPENDITURES:					
Current:					
Instruction	6,265,885	-	-	-	6,265,885
Supporting services	3,350,403	-	-	594,398	3,944,801
Community services	-	-	-	900	900
Debt Service:					
Principal	90,035	595,000	25,841	-	710,876
Interest and fees	92,097	251,964	8,557	-	352,618
Capital outlay	230,970	-	401,171	-	632,141
Other	-	17,857	-	-	17,857
TOTAL EXPENDITURES	10,029,390	864,821	435,569	595,298	11,925,078
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	530,928	262,826	33,942	(152,941)	674,755
OTHER FINANCING SOURCES (USES):					
Proceeds from borrowing	180,651	-	-	-	180,651
Insurance recoveries	13,931	-	-	-	13,931
Transfers from other funds	-	-	-	155,486	155,486
Transfers to local districts	(394,700)	-	-	-	(394,700)
Transfers to other funds	(155,486)	-	-	-	(155,486)
TOTAL OTHER FINANCING SOURCES (USES)	(355,604)	-	-	155,486	(200,118)
NET CHANGE IN FUND BALANCES	175,324	262,826	33,942	2,545	474,637
Fund Balance, July 1	743,362	505,948	215,938	64,741	1,529,989
FUND BALANCE, JUNE 30	$ 918,686	$ 768,774	$ 249,880	$ 67,286	$ 2,004,626

See Notes to Financial Statements.

NICE Community School District
Governmental Funds
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds		$	474,637
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 those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.			
Depreciation expense	347,425		
Capital outlays	(359,531)		12,106
Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.			(182,162)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.			710,876
Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			103,419
Interest on long-term debt is recorded as an expenditure in the funds when it due, 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 due. This is the net amount of accrued interest recognized in the statement of activities.			(4,920)
Change in Net Assets of Governmental Activities		$	1,113,956

See Notes to Financial Statements.

NICE Community School District
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2007

	Agency Fund
ASSETS:	
Cash and equivalents	$ 53,326
TOTAL ASSETS	$ 53,326
LIABILITIES:	
Due to groups, organizations and activities	$ 53,326
TOTAL LIABILITIES	$ 53,326

See Notes to Financial Statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the NICE Community School District conform to accounting principles generally accepted in the United States of America as applicable to school districts. The following is a summary of the more significant policies:

Reporting Entity

The District is a local school district as defined by Michigan law that operates under a locally elected seven member Board form of government, and that provides elementary and secondary education and related support services to the residents of National Mine, Ishpeming, Champion, Ely, Tilden, and Humboldt Townships in Marquette County and Spurr Township in Baraga County.

In evaluating how to define the School District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the School District and/or its constituents, or whether the activity is conducted within the geographic boundaries of the School District and is generally available to its constituents. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the School District is able to exercise oversight responsibilities.

Based upon the application of the criteria described above, it has been determined that the Community Education Division of the Ishpeming, Negaunee, and NICE Community School Districts is a discretely presented component unit of NICE Community School District due to its financial interdependency. No other entity meets the criteria to be considered a component unit of the District nor is the District a component unit of another entity. The financial statements of the Community Education Division are not separately presented.

BASIS OF PRESENTATION

District-Wide Financial Statements:
The Statement of Net Assets and Statement of Activities display information about the School District as a whole. They include all funds of the School District except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. All of the School District's district-wide activities are considered to be governmental activities.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fund Financial Statements:
The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the School District are considered major if it meets the following criteria:

a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The School District reports the General Fund, the Debt Service Fund, and the Capital Projects Fund as its major governmental funds in accordance with the above criteria. The funds of the School District are described below:

Governmental Funds

General Fund – The General Fund is the main operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects), such as the School Service, Scholarship and Athletics Funds.

Debt Service Funds – The Debt Service Funds are used to account for the accumulation of resources such as taxes, state aid and interest revenue for the payment of general long-term debt principal, interest, and related costs.

Capital Projects Funds – The Capital Projects Funds are used to record bond proceeds or other revenue to be used for the acquisition or construction of major capital facilities or other capital assets, including equipment.

Fiduciary Funds

Agency Fund – The Agency Fund is used to account for assets held by the School District in a trustee capacity or as an agent for individuals, organizations, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Measurement Focus

On the district-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resource measurement focus as defined in item (b) below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.

Basis of Accounting

In the district-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

Cash and Equivalents

The School District considers cash and cash equivalents to be cash on hand, demand deposits and certificates of deposit.

Investments

Investments are carried at market value.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due From and To Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than $5,000. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and additions	20 – 50 years
Buses and other vehicles	5 – 10 years
Furniture and other equipment	5 – 20 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the district-wide financial statements.

State Anticipation Note

The District issued notes through the Michigan Municipal Bond Authority for cash flow purposes. The District has pledged a portion of their state aid to repay the principal and interest on the notes. Furthermore, the District has irrevocably pledged its full faith and credit in case of the insufficiency of the pledged state aid.

Long-Term Debt

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

Compensated Absences

The School District' policies regarding compensated absences permits employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the district-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Deferred Revenues

In the district-wide statements, deferred revenue is recognized when cash, receivables or other assets are received prior to their being earned. In the governmental fund statements, deferred revenue is recognized when revenue is unearned or unavailable.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Equity Classification

District-Wide Statements
Equity is classified as net assets and displayed in three components:

a. Invested in Capital Assets, Net of Related Debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

b. Restricted Net Assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.

c. Unrestricted Net Assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements
Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated, if appropriate.

Revenues

District-Wide Statements
In the district-wide Statement of Activities, revenues are segregated by activity (governmental or business-type), and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

Fund Statements
In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the School District's policy to use the restricted resources first.

Property Taxes

Property taxes are levied on December 1, on behalf of the District by various taxing units and are payable without penalty by July 1 and September 30. The District recognizes property tax revenue when levied to the extent they result in current receivables (collected within sixty days of the end of the fiscal year). Property taxes that are not collected within sixty days of the end of the fiscal year are recognized as revenue when collected.

Expenses/Expenditures

District-Wide Statements
In the district-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fund Statements
In the governmental fund financial statements, expenditures are classified by character such as current operations, debt service and capital outlay.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the district-wide statements. Exceptions to this rule are (1) activities between funds reported as governmental activities and funds reported as business-type activities; and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Assets.

Budgets and Budgetary Accounting

The District follows the budgetary process prescribed by provisions of the State of Michigan Uniform Budgeting and Accounting Act, and entails the preparation of budgetary documents within an established timetable. All funds are legally required to be budgeted and appropriated with the exception of fiduciary funds. The legal level of budgetary control has been established at the functional level with modifications made only by a resolution of the Board. At the close of each year, budget appropriations lapse.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – DEPOSITS AND INVESTMENTS:

Cash Equivalents

As of June 30, 2007, the District's cash and cash equivalents and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and equivalents	$1,582,856	$53,326	$1,636,182
Investments	1,831,753	-	1,831,753
	$3,414,609	$53,326	$3,467,935

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

Custodial Credit Risk – Deposits
Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State law does not require and the District does not have a deposit policy for custodial credit risk. As of June 30, 2007, $1,884,383 of the District's bank balance of $1,985,113 was exposed to custodial credit risk as being uninsured and uncollateralized.

Investments

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

Investment Type	Fair Value	Investment Maturities Less than 1 year
Michigan Liquid Asset Fund – Mutual Funds	$1,783,820	$1,783,820
Mutual Funds	47,933	47,933
	$1,831,753	$1,831,753

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the District's investments. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk
Michigan statutes authorize the District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The District has no investment policy that would further limit its investment choices and has no investments for which ratings are required. The District's investments are in accordance with statutory authority.

NOTE C – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

Amounts due from (to) other funds represent the balance of monies due from or to other funds for expenditures made or fund balance transfers approved.

The amounts of interfund receivables and payables as of June 30, 2007 are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General	$30,992	Hot Lunch	$33,599
Athletics	2,607		
Total	$33,599	Total	$33,599

NOTE C – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued):

The amounts transferred to and from individual funds for the year ended June 30, 2006 are as follows:

Fund	Transfers In	Fund	Transfers Out
Athletics	$142,200	General	$142,200

NOTE D – CAPITAL ASSETS:

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

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
Capital assets not being depreciated:				
Land	$41,000	$-	$-	$41,000
Capital assets being depreciated:				
Land improvements	520,422	29,295	-	549,737
Buildings and additions	12,651,906	313,012	-	12,964,918
Machinery and equipment	766,136	17,224	-	783,360
Vehicles	1,179,256	-	77,554	1,101,702
Total Capital Assets	15,158,740	359,531	77,554	15,440,717
Less accumulated depreciation:				
Land improvements	479,202	15,537	-	494,739
Buildings and additions	4,516,587	253,038	-	4,769,625
Machinery and equipment	434,664	39,033	-	473,697
Vehicles	1,053,683	39,817	77,554	1,015,946
Total Accumulated Depreciation	6,484,136	347,425	77,554	6,754,007
CAPITAL ASSETS, NET	$8,674,604	$12,106	$-	$8,686,710

Depreciation expense charged to governmental activities was $347,425.

NOTE E – SHORT-TERM DEBT:

The District utilizes short-term borrowing secured with pledged state aid for cash flow purposes due to the timing of state aid payments. A summary of the changes in short-term debt for the year ended June 30, 2007 is as follows:

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2007
Short-term debt:				
State anticipation note, 2005-2006	$2,000,000	$-	$2,000,000	$-
State anticipation note, 2006-2007	-	2,000,000	-	$2,000,000
TOTAL	$2,000,000	$2,000,000	$2,000,000	$2,000,000

NOTE F – ACCRUED EMPLOYEE BENEFITS:

The School District offers an unused sick leave incentive plan provided to teachers eligible to retire under the Michigan Teacher Retirement Act. This payment is based upon the accumulated sick days paid at a rate based upon the appropriate union contract. The sick leave liability has been calculated in accordance with GASB #16.

NOTE F – ACCRUED EMPLOYEE BENEFITS (Continued):

As of June 30, 2007, accrued employee benefits reported in the Statement of Net Assets consist of the following:

Early Retirement		$187,500
Sick Leave		150,656
	TOTAL	$381,156

NOTE G – LONG-TERM DEBT:

The following is a summary of the long-term debt activity for the year ending June 30, 2006:

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
2003 Refunding Bonds	$7,295,000	$-	$595,000	$6,700,000
School Improvement Bonds, Series 1998	144,044	-	-	144,044
Installment Loans payable	235,668	182,162	115,876	301,954
Compensated absences	149,075	1,581	-	150,656
Early retirement	292,500	24,703	129,703	187,500
TOTAL	$8,116,287	$208,446	$840,579	$7,484,154

Long-term debt at June 30, 2007 consists of the following:

The District issued $8,200,000 in general obligation bonds for the purpose of an advance refunding of the 1995 School Building & Site Bonds that were used for the construction of Aspen Ridge School. Portions of the refunding bonds, with interest rates that range from 2.00% to 4.05%, are redeemed annually beginning on May 1, 2003. Semiannual interest payments are paid on November 1 and May 1 of each year on the outstanding amount of the bonds. The remaining bonds or portions of the bonds in multiples of $5,000 maturing on or after May 1, 2014 are subject to redemption at the option of the District. A schedule of the District's remaining bond repayment requirements are as follows:

2003 Refunding Bonds
June 30, 2007

	November 1	May 1		
	Interest	Interest	Principal	Total
2007-2008	$118,219	$118,219	$585,000	$821,438
2008-2009	109,444	109,444	575,000	793,888
2009-2010	100,819	100,819	565,000	766,638
2010-2011	91,638	91,638	585,000	768,276
2012-2016	309,734	309,734	2,795,000	3,414,468
2017-2021	62,725	62,275	1,595,000	1,720,450
	$792,579	$792,579	$6,700,000	$8,285,158

School Improvement Bonds
Series 1998
June 30, 2007

	May 15		
	Interest	Principal	Total
2007-2008	4,760	12,367	17,127
2008-2009	4,172	12,959	17,131
2009-2010	3,555	13,577	17,132
2010-2011	2,908	14,222	17,130
2011-2012	2,231	14,900	17,131
2012-2017	21,951	76,019	97,970
	$39,577	$144,044	$183,621

NOTE G – LONG-TERM DEBT (Continued):

The School Improvement Bonds, Series 1998 ($487,900) dated November 24, 1998 mature annually on May 15th, with interest at a rate of 4.75% per annum. The only revenue source for making the debt service payment on these School Improvement Bonds is an appropriation from the State of Michigan.

INSTALLMENT LOANS

The District entered into an installment purchase agreement to refinance the construction of a bus garage. The loan agreement dated November 20, 2001 at an original amount of $268,694 bears a variable interest rate of 2.00% below prime. The loan, which is secured by a bus garage, bears an interest rate of 3.25% as of June 30, 2007, and is payable in annual installments of $34,398, with the unpaid principal and related interest due on November 2, 2011. The outstanding balance at June 30, 2007 is $136,214.

The District entered into an installment lease purchase agreement to finance the purchase of computer classroom equipment. The lease agreement dated March 31, 2005 at an original amount of $70,420 bears an interest rate of 7.257% and is payable in annual installments of $19,496 including interest, maturing March 31, 2008. The outstanding balance at June 30, 2007 is $18,177.

The District entered into an installment purchase agreement to finance the purchase of three buses. The loan agreement dated November 1, 2005 at an original amount of $180,651, bears an interest rate of 4.40% and is payable in annual installments of $41,036 including interest, maturing September 15, 2010. The outstanding balance at June 30, 2007 is $147,563.

As of June 30, 2007 the aggregate maturities of long-term debt for the next succeeding five years are as follows:

	Principal	Interest	Total
2007-2008	$677,330	$255,811	$933141
2008-2009	651,265	233,434	884,699
2009-2010	643,470	212,580	856,050
2010-2011	665,772	190,613	856,385
2011-2012	617,142	167,063	784,205
2012-2017	2,836,019	540,873	3,376,892
2017-2020	1,055,000	63,460	118,460
	$7,145,998	$1,663,834	8,809,832
Employer Benefits Payable			338,156
TOTALS			$9,147,988

NOTE H – RESERVED FUND EQUITY:

The School District reserves fund equities for the following funds:

Debt Service Funds - The resources of the Debt Service Funds have been accumulated for the specific purpose of bond and interest debt retirement.

Capital Projects Funds – The resources of the Capital Projects Funds have been accumulated for the specific purpose of capital needs of the District.

Scholarship Funds - The resources of the Scholarship Funds have been accumulated from private contributions for the specific purpose of granting scholarships to students of the District.

NOTE I – FOUNDATION REVENUE AND CONTINGENCY RECEIVABLE AND PAYABLE:

For the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. In previous years, the state utilized a district power equalizing approach. The foundation is funded from state and local sources. Revenue from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007, the foundation allowance was based on the average of pupil membership counts taken in February and October of 2006.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2006 - August 2007. The local revenue is recognized as outlined in Note A – Property Taxes.

NOTE J – PROPERTY TAXES:

The taxable value of real and personal property, which represents approximately 50% of the estimated current value, located in the District for the 2006 taxable year, totaled $165,127,666 (consisting of $93,536,631 for Homestead and $71,591,035 for Non-Homestead). The tax levy for the year was based on a rate of 18.00 mills on the non-homestead property (one mill is equal to $1.00 per $1,000 of taxable value) and is remitted to the District's general fund by the taxing unit.

NOTE K – EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:

Substantially all of the District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPSERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of creditable service or at age sixty while still working with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPSERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date.

The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

NOTE K – EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued):

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

The District was required by state statute to contribute 16.34% of covered compensation to the Plan through September 30, 2006 and 17.74% of covered compensation for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2007 was $1,206,795 which consisted of $1,034,250 from the District and $172,545 from employees electing the MIP option. These represent approximately 17% and 3% of covered payroll, respectively. The District's aggregate contributions to the MPSERS plan for the years ended June 30, 2006, and 2005 were $1,114,767 and $1,012,697, respectively.

Payroll paid to employees covered by the System for the year ended June 30, 2007 was approximately $5,935,000 and the District's total payroll was approximately $6,060,000.

Other Post-Employment Benefits

In addition to pension benefits, MPSERS provides comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of the retiree. The portion provided by MPSERS is factored into the pension contribution rate.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan. MPSERS' issues a publicly available financial report that includes financial statements and required supplementary information for the system. More information may be obtained by writing MPSERS at MPSERS, P.O. Box 30673, Lansing, Michigan 48909-8173.

NOTE L – CONTINGENT LIABILITIES:

Grant Assistance

The School District has received significant assistance from federal and state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School District.

Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The School District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The School District joined together with other units and created a public entity risk pool currently operating as a common risk management and insurance program. The School District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of $75,000 for each insured event.

The School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE L – CONTINGENT LIABILITIES (Continued):

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The School District is unable to provide an estimate of the amounts of additional assessments that may be required to make the pool self-sustaining.

NOTE M – ECONOMIC DEPENDENCY:

The School District receives approximately 72 percent of its revenues through State and Federal sources to be used for providing elementary and secondary education to the students of NICE Community School District.

NOTE N – SINKING FUNDS:

The Sinking Fund Capital Project Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

NOTE O – SINGLE AUDIT:

The District's audited financial statements report a total of $392,423 in federal expenditures. As this amount is less than the single audit threshold of $500,000, the District is therefore not required to have an audit in accordance with OMB Circular A-133 for the fiscal year ended June 30, 2007.

REQUIRED SUPPLEMENTAL INFORMATION

NICE Community School District
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Property taxes	$ 1,310,000	$ 1,280,000	$ 1,295,625	$ (30,000)	$ 15,625
Other local sources	127,700	157,000	167,266	29,300	10,266
State sources	8,203,391	8,203,391	8,708,638	-	505,247
Federal sources	722,908	657,233	268,462	(65,675)	(388,771)
Other sources	167,000	246,606	120,327	79,606	(126,279)
TOTAL REVENUES	10,530,999	10,544,230	10,560,318	13,231	16,088
EXPENDITURES:					
Current:					
Instruction	6,250,210	6,250,210	6,265,885	-	(15,675)
Supporting services	3,484,555	3,550,105	3,350,403	(65,550)	199,702
Debt service:					
Principal	89,588	89,588	90,035	-	(447)
Interest and fees	112,697	112,697	92,097	-	20,600
Capital outlay	-	-	230,970	-	(230,970)
TOTAL EXPENDITURES	9,937,050	10,002,600	10,029,390	(65,550)	(26,790)
EXCESS REVENUES OVER (UNDER) EXPENDITURES	593,949	541,630	530,928	(52,319)	(10,702)
OTHER FINANCING SOURCES (USES):					
Proceeds from borrowing	180,651	180,651	180,651	-	-
Insurance recoveries	13,931	13,931	13,931	-	-
Transfers from other funds	-	-	-	-	-
Transfer to local districts	(442,000)	(434,000)	(394,700)	8,000	39,300
Transfers to other funds	(150,000)	(150,000)	(155,486)	-	(5,486)
TOTAL OTHER FINANCING SOURCES (USES)	(397,418)	(389,418)	(355,604)	8,000	33,814
NET CHANGE IN FUND BALANCE	196,531	152,212	175,324	(44,319)	23,112
Fund balance, July 1	743,362	743,362	743,362	-	-
FUND BALANCE, JUNE 30	$ 939,893	$ 895,574	$ 918,686	$ (44,319)	$ 23,112

NICE Community School District
Debt Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Property taxes	$ 1,075,000	$ 1,075,000	$ 1,099,720	$ -	$ 24,720
Other local sources	-	-	-	-	-
Other sources	12,000	12,000	27,927	-	15,927
TOTAL REVENUES	1,087,000	1,087,000	1,127,647	-	40,647
EXPENDITURES:					
Debt service:					
Principal	721,000	721,000	595,000	-	126,000
Interest and fees	252,650	252,650	251,964	-	686
Capital outlay	-	-	-		
Other	-	-	17,857	-	(17,857)
TOTAL EXPENDITURES	973,650	973,650	864,821	-	108,829
EXCESS REVENUES OVER (UNDER) EXPENDITURES	113,350	113,350	262,826	-	149,476
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	-	-	-	-	-
Transfers to other funds	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
NET CHANGE IN FUND BALANCE	113,350	113,350	262,826	-	149,476
Fund balance, July 1	505,948	505,948	505,948	-	-
FUND BALANCE, JUNE 30	$ 619,298	$ 619,298	$ 768,774	$ -	$ 149,476

NICE Community School District
Capital Projects - Sinking Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Property taxes	$ 445,000	$ 445,000	$ 455,851	$ -	$ 10,851
Other local sources	7,000	7,000	6,973	-	(27)
Other sources	2,000	2,000	6,687	-	4,687
TOTAL REVENUES	454,000	454,000	469,511	-	15,511
EXPENDITURES:					
Debt service:					
Principal	26,000	26,000	25,841	-	159
Interest and fees	8,600	8,600	8,557	-	43
Capital outlay	360,000	360,000	401,171	-	(41,171)
Other	-	-	-	-	-
TOTAL EXPENDITURES	394,600	394,600	435,569	-	(40,969)
EXCESS REVENUES OVER (UNDER) EXPENDITURES	59,400	59,400	33,942	-	(25,458)
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	-	-	-	-	-
Transfers to other funds	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
NET CHANGE IN FUND BALANCE	59,400	59,400	33,942	-	(25,458)
Fund balance, July 1	215,938	215,938	215,938	-	-
FUND BALANCE, JUNE 30	$ 275,338	$ 275,338	$ 249,880	$ -	$ (25,458)

OTHER SUPPLEMENTAL INFORMATION

NICE Community School District
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2007

	Special Revenue Funds	Total
ASSETS:		
Cash and equivalents	$ 52,952	$ 52,952
Due from other funds	2,607	2,607
Investments	47,933	47,933
Accounts receivable	-	-
TOTAL ASSETS	$ 103,492	$ 103,492
LIABILITIES AND FUND BALANCES:		
LIABILITIES:		
Accounts payable	$ 2,607	$ 2,607
Due to other funds	33,599	33,599
TOTAL LIABILITIES	36,206	36,206
FUND BALANCES:		
Reserved for:		
Debt service	-	-
Scholarships and endowments	53,292	53,292
Capital projects	-	-
Unreserved	13,994	13,994
TOTAL FUND BALANCES	67,286	67,286
TOTAL LIABILITIES AND FUND BALANCES	$ 103,492	$ 103,492

NICE Community School District
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2007

	Special Revenue Funds	Total
REVENUES:		
Property taxes	$ -	$ -
Other local sources	284,613	284,613
State sources	15,395	15,395
Federal sources	135,540	135,540
Other	6,809	6,809
TOTAL REVENUES	442,357	442,357
EXPENDITURES:		
Supporting services	594,398	594,398
Community services	900	900
Debt service:		
Principal	-	-
Interest	-	-
Capital outlay	-	-
Other	-	-
TOTAL EXPENDITURES	595,298	595,298
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(152,941)	(152,941)
OTHER FINANCING SOURCES (USES):		
Transfers from other funds	155,486	155,486
TOTAL OTHER FINANCING SOURCES (USES)	155,486	155,486
NET CHANGE IN FUND BALANCE	2,545	2,545
Fund Balance, July 1	64,741	64,741
FUND BALANCE, JUNE 30	$ 67,286	$ 67,286

NICE Community School District
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2007

	Hot Lunch Fund	Athletics Fund	Scholarships Fund	Total
ASSETS:				
Cash and equivalents	$ 47,593	$ -	$ 5,359	$ 52,952
Due from other funds	-	2,607	-	2,607
Investments	-	-	47,933	47,933
TOTAL ASSETS	$ 47,593	$ 2,607	$ 53,292	$ 103,492
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	$ -	$ 2,607	$ -	$ 2,607
Due to other funds	33,599	-	-	33,599
TOTAL LIABILITIES	33,599	2,607	-	36,206
FUND BALANCES:				
Reserved:				
Scholarships and endowments	-	-	53,292	53,292
Unreserved	13,994	-	-	13,994
TOTAL FUND BALANCE	13,994	-	53,292	67,286
TOTAL LIABILITIES AND FUND BALANCES	$ 47,593	$ 2,607	$ 53,292	$ 103,492

NICE Community School District
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2007

	Hot Lunch Fund	Athletics Fund	Scholarships Fund	Total
REVENUES:				
Other local sources	$ 169,027	$ 110,297	$ 5,289	$ 284,613
State sources	15,395	-	-	15,395
Federal sources	135,540	-	-	135,540
Other	-	6,809	-	6,809
TOTAL REVENUES	319,962	117,106	5,289	442,357
EXPENDITURES:				
Supporting services	321,806	272,592	-	594,398
Community services	-	-	900	900
TOTAL EXPENDITURES	321,806	272,592	900	595,298
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,844)	(155,486)	4,389	(152,941)
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	-	155,486	-	155,486
TOTAL EXPENDITURES	-	155,486	-	155,486
NET CHANGE IN FUND BALANCE	(1,844)	-	4,389	2,545
Fund Balance, July 1	15,838	-	48,903	64,741
FUND BALANCE, JUNE 30	$ 13,994	$ -	$ 53,292	$ 67,286

NICE Community School District
Hot Lunch Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Federal aid:			
Entitlement payments	$ 113,000	$ 118,531	$ 5,531
Donated commodities	-	17,009	17,009
State aid:			
Entitlement payments	16,000	15,395	(605)
Student lunches	83,000	85,679	2,679
Adult lunches	278	299	21
Ala carte sales	83,000	81,085	(1,915)
Interest earned	1,200	1,964	764
Miscellaneous	-	-	-
TOTAL REVENUES	296,478	319,962	23,484
EXPENDITURES:			
Salaries	100,528	101,531	(1,003)
Fringe benefits	45,650	47,634	(1,984)
Other costs and expenses	14,300	12,623	1,677
Food and milk	136,000	143,009	(7,009)
Donated commodities	-	17,009	(17,009)
Capital outlay	-	-	-
TOTAL EXPENDITURES	296,478	321,806	(25,328)
EXCESS REVENUES (EXPENDITURES)	-	(1,844)	(1,844)
OTHER FINANCING SOURCES:			
Transfer from other funds	-	-	-
Transfer to other funds	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
NET CHANGE IN FUND BALANCE	-	(1,844)	(1,844)
Fund Balance, July 1	15,838	15,838	-
FUND BALANCE, JUNE 30	$ 15,838	$ 13,994	$ (1,844)

NICE Community School District
Athletics Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Ticket sales	$ 41,680	$ 39,897	$ (1,783)
Family passes	12,000	12,194	194
Tourney receipts	20,000	21,397	1,397
Pay to play fees	31,820	36,809	4,989
Miscellaneous	6,500	6,809	309
TOTAL REVENUES	112,000	117,106	5,106
EXPENDITURES:			
Salaries	165,748	172,272	(6,524)
Fringe benefits	39,492	41,356	(1,864)
Purchased services	23,070	28,305	(5,235)
Supplies and materials	4,600	9,093	(4,493)
District tourney	15,000	15,833	(833)
Capital outlay	-	-	-
Other	14,090	5,733	8,357
TOTAL EXPENDITURES	262,000	272,592	(10,592)
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(150,000)	(155,486)	(5,486)
OTHER FINANCING SOURCES (USES):			
Transfer from other funds	150,000	155,486	5,486
TOTAL OTHER FINANCING SOURCES (USES)	150,000	155,486	5,486
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance, July 1	-	-	-
FUND BALANCE, JUNE 30	$ -	$ -	$ -

NICE Community School District

Ishpeming-Negaunee-NICE Community Education Division

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2007

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Federal Sources:			
Grants - restricted - received through State:			
Adult Basic Education	$ 29,600	$ 29,200	$ (400)
Karl Perkins grant	3,900	3,985	85
Total Federal Sources	33,500	33,185	(315)
State Sources:			
Payment received from other school districts:			
Adult Membership Aid	24,700	27,851	3,151
Student Membership Aid	215,000	255,054	40,054
Vocational Education	8,000	11,636	3,636
Total State Sources	247,700	294,541	46,841
Local Sources:			
Adult and student tuition	65,000	61,948	(3,052)
Earnings from investments and deposits	5,000	11,027	6,027
Other local revenue	2,500	2,822	322
Total Local Sources	72,500	75,797	3,297
Other Governmental Units:			
Transfers from other governmental units	32,300	28,155	(4,145)
Total Other Governmental Units	32,300	28,155	(4,145)
TOTAL REVENUES	386,000	431,678	45,678
EXPENDITURES:			
Instruction:			
Added Needs:			
Vocational Education			
Salaries	3,000	-	3,000
Fringe benefits	734	-	734
Supplies and materials	4,266	915	3,351
Total Vocational Education	8,000	915	7,085
Adult/Continuing Education:			
Secondary			
Salaries	157,355	160,455	(3,100)
Fringe benefits	45,260	44,439	821
Purchased services	42,235	36,424	5,811
Supplies and materials	13,650	20,270	(6,620)
Total Secondary Education	258,500	261,588	(3,088)

NICE Community School District

Ishpeming-Negaunee-NICE Community Education Division

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2007

	Final Budget	Actual	Variance Favorable (Unfavorable)
Adult Enrichment			
Salaries	$ 22,450	$ 17,237	$ 5,213
Fringe benefits	4,174	2,412	1,762
Purchased services	2,500	2,202	298
Supplies and materials	1,100	1,731	(631)
Total Adult Enrichment	30,224	23,582	6,642
Student Enrichment			
Salaries	21,025	17,207	3,818
Fringe benefits	2,932	2,312	620
Purchased services	2,500	2,388	112
Supplies and materials	1,600	1,424	176
Total Student Enrichment	28,057	23,331	4,726
Summer Program			
Salaries	11,730	2,737	8,993
Fringe benefits	1,740	184	1,556
Purchased services	2,000	1,510	490
Supplies and materials	2,600	586	2,014
Total Summer Program	18,070	5,017	13,053
Marquette Boys Choir			
Salaries	7,350	6,425	925
Fringe benefits	-	-	-
Purchased services	7,500	3,593	3,907
Supplies and materials	2,405	2,839	(434)
Other	750	1,560	(810)
Total Summer Program	18,005	14,417	3,588
TOTAL INSTRUCTION	360,856	328,850	32,006
Supporting Services:			
Pupil Services:			
Salaries	6,741	7,300	(559)
Fringe benefits	559	-	559
Purchased services	-	876	(876)
Total Pupil Services	7,300	8,176	(876)
School Administration:			
Salaries	35,268	35,811	(543)
Fringe benefits	10,359	8,674	1,685
Purchased services	14,700	14,620	80
Supplies and materials	3,300	4,229	(929)
Total School Administration	63,627	63,334	293

NICE Community School District

Ishpeming-Negaunee-NICE Community Education Division

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2007

	Final Budget	Actual	Variance Favorable (Unfavorable)
Operations & Maintenance			
Salaries	$ 650.00	$ 774.00	$ (124.00)
Purchased services	1,300	920	380
Supplies and materials	600	85	515
Total Operations & Maintenance	2,550	1,779	771
TOTAL SUPPORTING SERVICES	73,477	73,289	188
Capital Outlay	12,000	4,053	7,947
Depreciation	-	9,865	(9,865)
TOTAL EXPENDITURES	446,333	416,057	30,276
NET CHANGE IN FUND BALANCE	(60,333)	15,621	75,954
Fund Balance, July 1			-
FUND BALANCE, JUNE 30	$ (60,333)	$ 15,621	$ 75,954

COMPLIANCE SECTION

ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA ROBERT J. DOWNS, CPA, CVA DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

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

Board of Education
NICE Community School District
Ishpeming, Michigan 49849

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the NICE Community School District as of and for the year ended June 30, 2007, which collectively comprise the NICE Community School District's basic financial statements and have issued our report thereon dated October 10, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the NICE Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the NICE Community School District's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the NICE Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the NICE Community School District's financial statements that is more than inconsequential will not be prevented or detected by the NICE Community School District's internal control. We considered the deficiencies described in the report to management to be significant deficiencies in internal control over financial reporting listed as items 07-01.

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 NICE Community School District's internal control.

102 W. WASHINGTON STREET, SUITE 109 MARQUETTE, MICHIGAN 49855 (906)225-1166 FAX: (906) 225-1714
WWW.ATCOMQT.COM

Board of Education
NICE Community School District
Ishpeming, Michigan 49849

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

Compliance and Other Matters

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

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

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 10, 2007

ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA ROBERT J. DOWNS, CPA, CVA DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

NICE Community School District
Report to Management Letter
For the Year Ended June 30, 2007

Board of Education
NICE Community School District
Ishpeming, Michigan 49849

In planning and performing our audit of the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of NICE Community School District, Ishpeming, Michigan 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 its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

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

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

102 W. WASHINGTON STREET, SUITE 109 MARQUETTE, MICHIGAN 49855 (906)225-1166 FAX: (906) 225-1714
WWW.ATCOMQT.COM

Board of Education
NICE Community School District
Ishpeming, Michigan 49841

07-01 - Financial Reporting Cycle

The monthly and year end financial reporting package as presented to the Board of Education is not fully compliant with the generally accepted accounting principles of reporting. Although the package contains a very informative summation of the various Funds revenues and expenditures on both actual and budget basis it lacks the funds respective balance sheets which are necessary to determine the Funds financial position. We recommend the package be expanded to include the balance sheets to conform to current reporting standards. We also suggest any significant monthly and year end cut-off adjusting entries be incorporated into the financial statements in order to present a cleared picture of the various funds of the District. The Board of Education should document this review of the financial affairs in the minutes of the meeting as well as other financial events.

****

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

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 10, 2007

ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA ROBERT J. DOWNS, CPA, CVA DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

October 10, 2007

Board of Education
NICE Community School District
Ishpeming, Michigan 49849

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of NICE Community School District for the year ended June 30, 2007, and have issued our report thereon dated October 10, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 25, 2007, 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.

As part of our audit, we considered the internal control of the NICE Community School District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of NICE Community School District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our test was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies adopted by the NICE Community School District are described in Footnote A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the NICE Community School District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ

102 W. WASHINGTON STREET, SUITE 109 MARQUETTE, MICHIGAN 49855 (906)225-1166 FAX: (906) 225-1714
WWW.ATCOMQT.COM

significantly from those expected. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the NICE Community School District's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the NICE Community School District, either individually or in the aggregate, indicate matters that could have a significant effect on the NICE Community School District's financial reporting process.

Disagreements with Management

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

Consultation with Other Independent Accountants

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

Issues Discussed Prior to Retention of Independent Auditors

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

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Education and management of the NICE Community School District and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLC
Certified Public Accountants