WELLS TOWNSHIP SCHOOL DISTRICT #18
ARNOLD, MICHIGAN

FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

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

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INDEPENDENT AUDITORS' REPORT

Board of Education
Wells Township School District #18
PO Box 108
Arnold, Michigan 49819

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wells Township School District #18, as of and for the year ended June 30, 2007, which collectively comprise the AuTrain-Onota Public School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Wells Township School District #18'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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Wells Township School District #18, as of June 30, 2007, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2007, on our consideration of the Wells Township School District #18's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal 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 6 through 11 and 30, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Board of Education
Wells Township School District #18
PO Box 108
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wells Township School District #18's basic financial statements. The combining and individual fund financial statements and schedules are presented for the 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 12, 2007

Our discussion and analysis of Wells Township School District #18 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 12.

FINANCIAL HIGHLIGHTS

- Net assets for Wells Township School District #18 as a whole were reported at $260,684. Nets assets are comprised of 100% governmental activities.

- During the year, Wells Township School District #18 expenses were $488,610, while revenues from all sources totaled $381,066, resulting in a decrease in net assets of $107,544.

- The general fund reported an decrease of $52,091 before other financing sources (uses) and a total decrease of $65,157. This is $17,999 or 22% lower than the forecasted decrease of $83,156.

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 Wells Township School District #18 financially as a whole. The *District-wide Financial Statements* Statement of Net Assets and the Statement of Activities (on pages 12 and 13) 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 14. 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.

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

Our analysis of the Wells Township School District #18 as a whole begins on page 6. 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 - are 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, 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 8. The fund financial statements begin on page 14 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. The School District's *governmental* funds use the following accounting methods.

- *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 a Whole

Table 1 provides a summary of the School District's net assets as of June 30, 2007 and 2006:

Table 1
Net Assets

	Governmental Activities - 2007	Governmental Activities - 2006
Current and other assets	$ 340,476	$ 381,142
Capital assets, net	48,900	51,400
Total Assets	389,376	432,542
Current liabilities	118,154	52,791
Long-term liabilities	10,538	11,523
Total Liabilities	128,692	64,314
Net Assets:		
Invested in capital assets, net of related debt	48,900	51,400
Restricted	-	-
Unrestricted	211,784	316,828
Total Net Assets	$ 260,684	$ 368,228

The School District's net assets were $260,684 at June 30, 2007. Capital assets, net of related debt totaling $48,900, compares the original cost, less depreciation of the School District's capital assets to long-term debt, including accreted interest on capital appreciation bonds, 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 $211,784 was unrestricted.

The $211,784 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), which shows the changes in net assets for fiscal years 2007 and 2006.

TABLE 2
CHANGE IN NET ASSETS

	Governmental Activities - 2007	Governmental Activities - 2006
Revenues:		
Program revenues:		
Charges for services	$ 11,167	$ 12,659
Operating grants and contributions	43,505	67,728
General revenues:		
Property taxes	303,715	313,425
State sources not restricted to specific program	4,949	2,141
Investment earnings	12,710	11,098
Miscellaneous	5,020	4,088
Total Revenues	381,066	411,139
Program Expenses:		
Instruction	192,315	199,667
Supporting services	270,382	166,446
Payments to other governmental units	-	11,433
Other expenditures	192	-
Food service activities	25,721	21,492
Depreciation - unallocated	-	-
Total Expenses	488,610	399,038
Increase (decrease) in net assets	(107,544)	12,101
Net assets, beginning	368,228	356,127
Net Assets, Ending	$ 260,684	$ 368,228

As reported in the Statement of Activities, the cost of all of our governmental activities this year was $488,610. Certain activities were partially funded from those who benefited from the programs $11,167 or by other governments and organizations that subsidized certain programs with grants and contributions $43,505. We paid for the remaining "public benefit" portion of our governmental activities with $303,715 in taxes, $4,949 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced an decrease in net assets for the year of $107,544.

Key reasons for change in net assets are as follows:

- Net decrease in governmental fund balances of $65,157
- Depreciation charged to expense of ($2,500)
- Change in compensated absences $986
- Tax abatement due of ($40,873)

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	$ 192,315	$ 150,298
Supporting services	270,382	270,382
Payments to other governmental units	-	-
Other expenditures	192	192
Food service activities	25,721	13,066

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 14) reported a combined fund balance of $263,195, an decrease of $65,157 from the beginning of the year.

The decrease in combined fund balance was mainly a result of tax abatements from prior years tax receipts previously collected. These tax abatements came from the results of the local assessor offices using the wrong multipliers when determining the tax value of Utility companies

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.

Changes to the General Fund original budget occurred during the annual budget reviews in January and June 2007.

BUDGETED REVENUES

General Fund Revenues changed from original to final budget during the year as follows:

	Original Budget	Final Budget	Budget Variance	
			Amount	Percent
Total	$ 360,864	$ 369,263	$ 8,399	2%

Wells Township School's final budgeted revenues differed from the original budget as follows:

- By $8,399 or 2%

The significant increase in the budgeted revenue can be attributed to an increase in Grants of $25,060, and a decrease in Local Sources of $$18,377. Grants are recognized on Wells Township Schools financial statements once they receive formal notice of award and approval from the state. Hence, no grants were awarded at the time of the original budget whereas all grants were awarded and approved by the time of the final budget. Also, the final budgets include grant revenues that will be utilized in the next fiscal year. The District budgeted the entire grant awarded by the grantors, even if the grants were to be eligible for carryover in the next fiscal year.

BUDGETED EXPENDITURES

General Fund expenditures changed from the original to final budget during the year as follows:

	Original Budget	Final Budget	Budget Variance	
			Amount	Percent
Total	$ 446,952	$ 439,096	$ 7,856	2%

Wells Township School's final budgeted expenditures differed from the original budget as follows:

- By $7,856 or 2%

The significant increase in the budgeted expenditures can be attributed mainly to Grants. Grants are recognized on Wells Township Schools financial statements once they receive formal notice of award and approval from the state. Hence, no grants were awarded at the time of the original budget whereas all grants were awarded and approved by the time of the final budget. Also, the final budgets include grant expenditures that will be expended in the next fiscal year. The District budgeted the entire grant awarded by the grantors, even if the grants were to be eligible for carryover in the next fiscal year.

ACTUAL REVENUES

The General Fund actual revenues differed from the final budget as follows:

			Budget Variance	
	Final Budget	Actual	Amount	Percent
Total	$ 369,263	$ 368,411	$ (852)	1%

Wells Township School's final budgeted revenues differed from the actual revenues as follows:

- By $(852) or 1% less than the final budget.

The significant variance in revenue can be attributed mainly to Transportation revenue, which was budgeted for, but was not recognized.

ACTUAL EXPENDITURES

General Fund actual expenditures differed from the final budget as follows:

			Budget Variance	
	Final Budget	Actual	Amount	Percent
Total	$ 439,096	$ 420,502	$18,594	4%

Wells Township School's final budgeted expenditures differed from the actual revenues as follows:

- By $18,594 or 4% less than the final budget.

The significant variance in expenditures can be attributed mainly to Instructional costs (health insurance $5,387), maintenance costs (repairs, fuel oil, supplies $4,822), and transportation costs (fuel, repairs, supplies $2,646) being less than anticipated.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2007 and 2006, the School District had $ 51,400 and $53,900, respectively invested in a variety of capital assets including land, buildings, and buses. (See table 4 below)

TABLE 4
Capital Assets

	Governmental Activities - 2007	Governmental Activities - 2006
Land	$ 150	$ 150
Land improvements	11,375	11,375
Buildings	230,000	230,000
Equipment and furnishings	-	-
Buses	79,003	85,503
Capital Assets	320,528	327,028
Less accumulated depreciation	(271,628)	(275,628)
Totals	$ 48,900	$ 51,400

There were no current year additions. We anticipate capital additions for the 2007-2008 fiscal years will be comparable to the 2006-2007 fiscal years. Depreciation expense for the year was $2,500.

Debt

There were no new additions to debt this year. At the end of this year, the School District had no bonds outstanding. We present more information about our long-term debt in the notes to the financial statements.

Economic Factors and Next Year's Budgets

Our elected officials and administration consider many factors when setting the School District's fiscal year 2008 budget. One of the most important factors affecting the budget is the collection of local property taxes. Local property taxes account for approximately 80 percent of our revenue.

The collection of revenues by the State can also affect the School District's general operation budget as it did in 2007. School districts throughout the state must adjust their budgets if the State decreases the pupil foundation grant or categorical funding during its fiscal year. While we are optimistic about the 2007-08 school years, the state of the economy on a state and national level will be reflected in our budget.

Contacting the School District's Financial Management

This financial report is designed 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 Wells Township School District #18 Administration, P.O. Box 108, Arnold, Michigan, 49819.

Wells Township School, District #18

Statement of Net Assets

June 30, 2007

	Governmental Activities
ASSETS:	
Current assets:	
Cash and cash equivalents	$ 315,231
Receivables:	
Accounts receivable	-
Due from other governmental units	19,532
Inventories	95
Prepaid expenses	5,618
TOTAL CURRENT ASSETS	340,476
Non-current assets:	
Land and construction in progress	150
Capital assets	320,378
Less accumulated depreciation	(271,628)
TOTAL NON-CURRENT ASSETS	48,900
TOTAL ASSETS	389,376
LIABILITIES:	
Current liabilities:	
Accounts payable	77,732
Accrued liabilities	39,422
Deferred revenue	1,000
Current portion of long term debt obligations	-
Other current liabilities	-
TOTAL CURRENT LIABILITIES	118,154
Non-current liabilities:	
Non-current portion of employee benefit obligations	10,538
TOTAL NON-CURRENT LIABILITIES	10,538
TOTAL LIABILITIES	128,692
NET ASSETS:	
Invested in capital assets net of related debt	48,900
Unrestricted	211,784
TOTAL NET ASSETS	$ 260,684

See Notes to Financial Statements.

Wells Township School, District #18

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:				
Instruction	$ 192,315	$ 8,082	$ 33,935	$ (150,298)
Supporting services	270,382	-	-	(270,382)
Payments to others	-	-	-	-
Other expenditures	192	-	-	(192)
Food service activities	25,721	3,085	9,570	(13,066)
TOTAL GOVERNMENTAL ACTIVITIES	488,610	11,167	43,505	(433,938)

General revenues:	
Taxes	
Property taxes, levied for general purposes	303,715
State Aid not restricted to specific purposes	
General	4,949
Interest and investment earnings	12,710
Miscellaneous	5,020
TOTAL GENERAL REVENUES	326,394
CHANGES IN NET ASSETS	(107,544)
Net Assets , July 1	368,228
NET ASSETS, JUNE 30	$ 260,684

See Notes to Financial Statements.

Wells Township School, District #18

Governmental Funds

Balance Sheet

June 30, 2007

	General Fund	Other Non-major Governmental Funds (Lunch Fund)	Total
ASSETS			
Cash and cash equivalents	$ 312,619	$ 2,612	$ 315,231
Receivables:			
Accounts receivable	-	-	-
Due from other governmental units	19,511	21	19,532
Due from other funds	-	-	-
Inventories	-	95	95
Prepaid expenditures	5,618	-	5,618
TOTAL ASSETS	$ 337,748	$ 2,728	$ 340,476
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	$ 36,024	$ 144	$ 36,168
Accrued liabilities	36,838	2,584	39,422
Due to other governmental units	691	-	691
Deferred revenue	1,000	-	1,000
Other liabilities	-	-	-
TOTAL LIABILITIES	74,553	2,728	77,281
FUND BALANCES:			
Unreserved	263,195	-	263,195
TOTAL FUND BALANCES	263,195	-	263,195
TOTAL LIABILITIES AND FUND BALANCES	$ 337,748	$ 2,728	$ 340,476

See Notes to Financial Statements.

Wells Township School, District #18

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2007

Total Fund Balances for Governmental Funds		$	263,195
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	320,528		
Accumulated depreciation	(271,628)		
			48,900
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:			
Tax abatement payable	40,873		
Employee benefits payable	10,538		
			(51,411)
NET ASSETS OF GOVERNMENTAL ACTIVITIES		$	260,684

See Notes to Financial Statements.

Wells Township School, District #18

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended June 30, 2007

	General Fund	Other Non-major Governmental Funds (Lunch Fund)	Total
REVENUES:			
Federal sources	$ 24,807	$ 9,402	$ 34,209
State sources	6,695	168	6,863
Local sources	336,909	3,085	339,994
TOTAL REVENUES	368,411	12,655	381,066
EXPENDITURES:			
Current:			
Instruction	193,301	-	193,301
Supporting Services	227,009	-	227,009
Payments to others	-	-	-
Other expenditures	192	-	192
Food service activities	-	25,721	25,721
TOTAL EXPENDITURES	420,502	25,721	446,223
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(52,091)	(13,066)	(65,157)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	13,066	13,066
Transfers (out)	(13,066)	-	(13,066)
TOTAL OTHER FINANCING SOURCES (USES)	(13,066)	13,066	-
NET CHANGE IN FUND BALANCES	(65,157)	-	(65,157)
Fund Balance, July 1	328,352	-	328,352
FUND BALANCE, JUNE 30	$ 263,195	$ -	$ 263,195

See Notes to Financial Statements.

Wells Township School, District #18

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		$	(65,157)
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	2,500		
Capital outlays	-		(2,500)
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.			986
Tax abatement payable due in December of 2007, but incurred in June 2006			(40,873)
Change in Net Assets of Governmental Activities		$	(107,544)

See Notes to Financial Statements.

NOTE A - THE FINANCIAL REPORTING ENTITY:

The School District operates under an elected Board of Education of five (5) members, which are elected across the District to establish programs and policies.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the financial position of the Wells Township School District #18. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Based upon the application of these criteria, the financial statements of the Wells Township School District #18 contain all the funds controlled by the School District's Board of Education as no other entity meets the criteria to be considered a component unit of the School District nor is the School District a component unit of another entity.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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.

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 the 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The School District reports the General Fund as its only major governmental fund 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.

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.

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. 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 cash and cash equivalents as reported in the Statement of Net Assets are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with maturities of three months or less.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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.

Inventory
Inventories are stated at cost, on a first-in, first-out basis, which approximates market value. Inventory recorded in the General Fund consists of centrally warehoused teaching and operating supplies for the School District. The School Lunch Fund consists of food and paper goods. For other funds, expenditures are recorded at the time of use.

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 and any assets susceptible to theft. 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 - 10 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.

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's 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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.

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 July 1 and December 1, on behalf of the District by various taxing units and are payable without penalty by September 30 and February 28. 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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.

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

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 School District follows these procedures in establishing the budgetary data reflected in the financial statements:

a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
b. Public hearings are conducted to obtain taxpayer comments.
c. Prior to July 1, the budget is approved by the Board of Education.
d. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Education.
e. All annual appropriations lapse at fiscal year end.

Use of Estimates
The preparation of financial statements in conformity with U.S. 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 C - DEPOSITS AND INVESTMENTS:

Cash Equivalents
The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government from the Statement of Net Assets.

NOTE C - DEPOSITS AND INVESTMENTS (Continued):

	Primary Government	Total
Unrestricted:		
Cash and cash equivalents	$ 315,230	$ 315,230
TOTALS	$ 315,230	$ 315,230

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. State law does not require and the School does not have a deposit policy for custodial credit risk. The carrying amount of the School's deposits with financial institutions was $315,230 and the bank balance was $324,805. The bank balance is categorized as follows.

Amount insured by the FDIC	$ 200,000
Amount uncollateralized and uninsured	124,805
	$ 324,805

Investments

As of June 30, 2007, the School did not have any investments.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the School's investments. The School 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 (Act 196, PA 1997) authorize the School 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 School has no investment policy that would further limit its investment choices. Ratings are not required for the School's investment in U.S. Government Agencies or equity-type funds.

Concentration of Credit Risk
The School places no limit on the amount the School may invest in any one issuer. There were no investments subject to concentration of credit risk disclosure.

NOTE D - DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governmental units consist $19,532 due from governmental units for the operation of special programs and grant projects.

NOTE E - ACCRUED LIABILITIES:

A summary of accrued liabilities at June 30, 2007 as follows:

	Governmental Activities
Accrued wages	$ 30,482
Accrued health insurance	-
Accrued lieu of insurance	1,116
Accrued retirement	5,408
Accrued payroll taxes	2,416
	$ 39,422

NOTE F - ACCRUED EMPLOYEE BENEFITS:

The School District accrues the liability for earned sick leave based on the termination method. The liability is accrued as the benefits are earned. The current labor agreements stipulate sick leave must be taken in order to be paid, except at retirement. Teachers and administration personnel have the option of being paid for one-half of accumulated sick leave days, up to a maximum of 180 accumulated days, or they may request payment for the Universal Service Credit up to a maximum of $32,500, upon retirement.

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

Sick Leave	$10,538

NOTE G - 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	$ 150	$ -	$ -	$ 150
Construction in progress	-	-	-	-
Total Capital Assets not being Depreciated	150	-	-	150
Capital assets being depreciated:				
Land improvements	11,375	-	-	11,375
Buildings and additions	230,000	-	-	230,000
Equipment and furniture	-	-	-	-
School buses	85,503	-	6,500	79,003
Total Capital Assets being Depreciated	326,878	-	6,500	320,378
Less accumulated depreciation:				
Land improvements	(11,375)	-	-	(11,375)
Buildings and additions	(178,750)	(2,500)	-	(181,250)
Equipment and furniture	-	-	-	-
School buses	(85,503)	-	(6,500)	(79,003)
Total Accumulated Depreciation	(275,628)	(2,500)	(6,500)	(271,628)
CAPITAL ASSETS, NET	$ 51,400	$ (2,500)	$ -	$ 48,900

Depreciation expense charged to supporting services was $2,500.

NOTE H - STATE REVENUE:

The State of Michigan currently uses a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. The foundation is funded from state and local sources. Revenue from state sources is 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 weighted 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 School District also received revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

NOTE I - INTERFUND RECEIVABLES AND PAYABLES:

Wells Township School District #18 reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds. Interfund transactions resulting in interfund receivables and payables are as follows:

DUE TO OTHER FUNDS	DUE FROM OTHER FUNDS	
	General Fund	Total Due To Other Funds
School Service Fund	$ -	$ -
Total Due From Other Funds	$ -	$ -

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE I - INTERFUND RECEIVABLES AND PAYABLES: (Continued)

		Transfer Out To Other Funds	
		General Fund	Total Transfers In
Transfer In From Other Funds	School Service Fund	$ 13,066	$ 13,066
	Total Transfers Out	$ 13,066	$ 13,066

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE J - NON-MONETARY TRANSACTIONS:

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the School Lunch Fund. The commodities are accounted for on the modified accrual basis and the related revenues and expenditures are recognized as commodities as utilized. The School District recognized $1,958 during fiscal 2007 in revenues and expenditures for USDA commodities.

NOTE K - PROPERTY TAXES:

The taxable value of real and personal property located in the School District at December 31, 2006 totaled $ 23,531,533 ($6,937,562 designated as Homestead and $ 16,593,971 designated as Non-Homestead). The total tax levied consists of 18.0000 mills for the General Fund.

NOTE L - 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.

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

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

The MPSERS also provides death, disability, health, medical, dental and 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 $41,801 which consisted of $34,599 from the District and $7,202 from employees electing the MIP option. These represent approximately 17.38% and 3.62% of covered payroll, respectively. The School District's contributions to MPSERS for 2006 was $37,115 and for 2005 $33,677.

Payroll paid to employees covered by the System for the year ended June 30, 2007 was approximately $199,112. The District's total payroll was approximately $208,200.

Other Post-Employment Benefits

In additional 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 M - 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 are 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 $500,000 for each insured event.

NOTE M - CONTINGENT LIABILITIES (Continued):

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.

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 N - ECONOMIC DEPENDENCY:

The School District receives approximately 11 percent of its revenues through State and Federal sources to be used for providing elementary and secondary education to the students of Wells Township School District #18.

NOTE O - SINGLE AUDIT:

The District's audited financial statements report a total of $34,209 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

Wells Township School, District #18

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:					
Local sources	$ 359,049	$ 340,672	$ 336,909	$ (18,377)	$ (3,763)
State sources	1,815	3,531	6,695	1,716	3,164
Federal sources	-	25,060	24,807	25,060	(253)
TOTAL REVENUES	360,864	369,263	368,411	8,399	(852)
EXPENDITURES:					
Instruction:					
Basic Instruction	172,891	190,165	183,436	(17,274)	6,729
Special Education	4,984	10,174	9,865	(5,190)	309
Total Instruction	177,875	200,339	193,301	(22,464)	7,038
Supporting Services:					
Pupil Support	50	7,550	8,202	(7,500)	(652)
Improvement of Instruction	560	1,578	1,451	(1,018)	127
Board of Education	8,350	7,700	7,327	650	373
School Administration	38,984	39,731	38,557	(747)	1,174
Business Support	78,887	48,069	45,802	30,818	2,267
Operation and Maintenance	61,386	49,285	43,730	12,101	5,555
Pupil Transportation	70,860	84,644	81,940	(13,784)	2,704
Total Supporting Services	259,077	238,557	227,009	20,520	11,548
Payments to Others					
Gwinn School District	10,000	-	-	10,000	-
Total Payments to Others	10,000	-	-	10,000	-
Other Expenditures					
Other expenditures	-	200	192	(200)	8
Total Other Expenditures	-	200	192	(200)	8
TOTAL EXPENDITURES	446,952	439,096	420,502	7,856	18,594
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(86,088)	(69,833)	(52,091)	16,255	17,742
OTHER FINANCING SOURCES (Uses)					
Transfers out	(12,592)	(13,323)	(13,066)	(731)	257
NET CHANGE IN FUND BALANCE	(98,680)	(83,156)	(65,157)	15,524	17,999
Fund Balance, July 1	328,352	328,352	328,352	-	-
FUND BALANCE, JUNE 30	$ 229,672	$ 245,196	$ 263,195	$ 15,524	$ 17,999

OTHER SUPPLEMENTAL INFORMATION

Wells Township School, District #18

General Fund

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:			
Local Sources:			
Property tax levy	$ 303,746	$ 303,715	$ (31)
Income from investments	13,800	12,710	(1,090)
Medicaid fee for service	6,000	8,082	2,082
USF contribution	912	350	(562)
Transportation payments	4,550	-	(4,550)
County special education	7,031	7,032	1
Other local revenue	4,633	5,020	387
Total Local Sources	340,672	336,909	(3,763)
State Sources:			
State school aid - unrestricted	1,605	4,769	3,164
Restricted:			
Durant funds	180	180	-
Special education	1,277	1,277	-
Math/Science	469	469	-
Other grants received through MARESA	-	-	-
Total State Sources	3,531	6,695	3,164
Federal Sources:			
Restricted - received through the federal government:			
REAP	17,679	17,679	-
Restricted - received through the state:			
Title V, Part A	59	59	-
Title II, Part A	2,135	2,114	(21)
Restricted - received through MARESA:			
Other grants	1,297	1,065	(232)
Restricted - received through other schools			
Other grants	3,890	3,890	-
Total Federal Sources	25,060	24,807	(253)
TOTAL REVENUES	369,263	368,411	(852)
EXPENDITURES:			
Instruction:			
Basic Instruction:			
Salaries	118,037	117,710	327
Employee benefits	62,221	56,403	5,818
Purchased services	798	692	106
Supplies and materials	9,050	8,572	478
Capital outlay	59	59	-
Other expense	-	-	-
Total Basic Instruction	190,165	183,436	6,729

Wells Township School, District #18

General Fund

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)
Special Education			
Salaries	$ 6,528	$ 6,645	$ (117)
Employee benefits	3,546	3,220	326
Purchased services	-	-	-
Supplies and materials	100	-	100
Capital outlay	-	-	-
Other expense	-	-	-
Total Special Education	10,174	9,865	309
TOTAL INSTRUCTION	200,339	193,301	7,038
Supporting Services:			
Pupil Support			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	50	18	32
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expense	7,500	8,184	(684)
Total Pupil Support	7,550	8,202	(652)
Improvement of Instruction			
Salaries	120	-	120
Employee benefits	30	-	30
Purchased services	1,428	1,451	(23)
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expense	-	-	-
Total Improvement of Instruction	1,578	1,451	127
Board of Education:			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	6,600	6,221	379
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expense	1,100	1,106	(6)
Total Board of Education	7,700	7,327	373

Wells Township School, District #18

General Fund

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)
School Administration:			
Salaries	22,000	22,000	-
Employee benefits	14,831	14,142	689
Purchased services	1,400	1,095	305
Supplies and materials	$ 500	$ 393	$ 107
Capital outlay	-	-	-
Other expense	1,000	927	73
Total School Administration	39,731	38,557	1,174
Business Support			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	4,923	4,805	118
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expense	43,146	40,997	2,149
Total Business Support	48,069	45,802	2,267
Operation and Maintenance:			
Salaries	9,734	9,494	240
Employee benefits	5,261	5,180	81
Purchased services	12,690	10,780	1,910
Supplies and materials	21,600	18,276	3,324
Capital outlay	-	-	-
Other expense	-	-	-
Total Operations and Maintenance	49,285	43,730	5,555
Pupil Transportation:			
Salaries	31,227	31,279	(52)
Employee benefits	26,445	26,040	405
Purchased services	9,872	9,382	490
Supplies and materials	13,100	11,239	1,861
Capital outlay	4,000	4,000	-
Other expense	-	-	-
Total Pupil Transportation	84,644	81,940	2,704
TOTAL SUPPORTING SERVICES	238,557	227,009	11,548

Wells Township School, District #18

General Fund

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)
Payments to Others			
Gwinn - special education services	-	-	-
Gwinn - transportation services	-	-	-
TOTAL PAYMENTS TO OTHERS	-	-	-
Other Expenditures			
Other expenditures	200	192	8
TOTAL OTHER EXPENDITURES	200	192	8
TOTAL EXPENDITURES	439,096	420,502	18,594
EXCESS REVENUES (EXPENDITURES)	(69,833)	(52,091)	17,742
Other Financing Sources (Uses):			
Transfers Out:			
School Service	$ (13,323)	$ (13,066)	$ 257
TOTAL OTHER FINANCING SOURCES (USES)	(13,323)	(13,066)	257
NET CHANGE IN FUND BALANCE	(83,156)	(65,157)	17,999
Fund Balance, July 1	328,352	328,352	-
FUND BALANCE, JUNE 30	$ 245,196	$ 263,195	$ 17,999

Wells Township School, District #18

School 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:			
School lunch activities	$ 2,800	$ 3,085	$ 285
State aid	-	168	168
Federal sources			
Hot lunch	7,153	7,444	291
USDA entitlements	1,935	1,935	-
USDA bonus	23	23	-
TOTAL REVENUES	11,911	12,655	744
EXPENDITURES:			
School lunch activities:			
Salaries	13,594	13,824	(230)
Fringe benefits	4,995	5,292	(297)
Purchased services	200	186	14
Supplies and materials	6,445	6,419	26
Capital outlay	-	-	-
Other expense	-	-	-
TOTAL EXPENDITURES	25,234	25,721	(487)
EXCESS REVENUES (EXPENDITURES)	(13,323)	(13,066)	257
OTHER FINANCING SOURCES:			
Operating transfer in	13,323	13,066	(257)
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance, July 1	-	-	-
FUND BALANCE, JUNE 30	$ -	$ -	$ -

COMPLIANCE SECTION

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

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

Wells Township School District #18
PO Box 108
Arnold, Michigan, 49819

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wells Township School District #18 as of and for the year ended June 30, 2007, which collectively comprise the Wells Township School District #18's basic financial statements and have issued our report thereon dated October 12, 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 Wells Township School District #18'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 Wells Township School District #18'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 Wells Township School District #18'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 Wells Township School District #18's financial statements that is more than inconsequential will not be prevented or detected by the Wells Township School District #18'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 and 07-02.

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 Wells Township School District #18's internal control.

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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 Wells Township School District #18'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 12, 2007

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

PARTNERS

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Wells Township School District #18
Report to Management Letter
For the Year Ended June 30, 2007

Board of Education
Wells Township School District #18
P.O. Box 108
AuTrain, MI 49819

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Wells Township School District #18 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 the Wells Township School District #18' 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 Wells Township School District #18's internal control. Accordingly, we do not express an opinion on the effectiveness of the Wells Township School District #18'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.

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07-01 - SEGREGATION OF DUTIES

Condition/Criteria: The accounting staff of the Wells Township School District #18 is made up of one individual, which does not allow for segregation of duties.

Effect: Because of the limited staff, there is an increased chance that misstatements in financial statements would not be prevent or detect on a timely basis.

Cause of Condition: The size of the organization's accounting staff precludes certain internal design controls that would be preferred in the office staffs were large enough to provide optimum segregation of duties.

Recommendation: Smaller organizations, due to limited resources, are generally more sensitive to the cost of implementing these design controls and often have compensating controls to partially mitigate this deficiency.

Management Response - Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
  - Jackie Cole, Business Manager
- Corrective Action Planned:
  - The Board of Education closely monitors all payments and reviews the financial statements on a monthly basis.
- Anticipated Completion Date:
  - June 30, 2008

07-02 - ASSIST IN PREPARING FINANCIAL STATEMENTS AND FOOTNOTES.

Condition/Criteria: Statement on Auditing Standards #112 requires us to communicate in writing when a client requires assistance to prepare the financial statements and footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Effect: We assisted management with the external financial reporting responsibility to ensure their financial statements are in accordance with GAAP.

Cause of Condition: The staff of the district does not have adequate time to prepare all the information included in the annual financial statements. Therefore, we assisted in the preparing the financial statements and related footnotes.

Recommendation: We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

Management Response - Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
  - Jackie Cole, Business Manager
- Corrective Action Planned:
  - We are aware of this deficiency and believe it is not cost beneficial in our situation to allocate the time need to prepare the audit report in the current fiscal year.
- Anticipated Completion Date:
  June 30, 2008

Board of Education
Wells Township School District #18

This communication is intended solely for the information and use of the management, audit committee, Wells Township School District #18 Board of Education, and others within the organization, and is not intended to be and should not be and should not be used by anyone other than these specified parties.

We appreciate and would like to thank the Wells Township School District #18's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 12, 2007

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

PARTNERS

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October 12, 2007

To the Honorable President and School Board
Of Wells Township School District #18
PO Box 108
Arnold, MI 49819

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wells Township School District #18 for the year ended June 30, 2007, and have issued our report thereon dated October 12, 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 and *Government Auditing Standards*
As stated in our engagement letter dated August 20, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with 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 Wells Township School District #18. 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 tests of the Wells Township School District #18's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests 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 about the appropriateness of accounting policies and their application. The significant accounting policies used by the Wells Township School District #18 are described in the Footnotes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2006-2007. We noted no transactions entered into by the Wells Township School District #18 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.

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To the Honorable President and School Board
Of Wells Township School District #18

Accounting Estimates

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

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 Wells Township School District #18'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 Wells Township School District #18, either individually or in the aggregate, indicate matters that could have a significant effect on the Wells Township School District #18'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 auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

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

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 Well Township School District #18'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 and completing our audit.

This information is intended solely for the use of Wells Township School District #18 Board of Trustees and management of Wells Township School District #18 and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,
Anderson, Tackman & Company, PLC
Certified Public Accountants