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COLEMAN COMMUNITY SCHOOLS COLEMAN, MICHIGAN

FINANCIAL STATEMENTS JUNE 30, 2007

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INDEPENDENT AUDITORS' REPORT

September 10, 2007

Board of Education
Coleman Community Schools
Coleman, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Coleman Community Schools as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the index. 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 U.S. generally accepted auditing standards 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Coleman Community Schools, as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 10, 2007, on our consideration of Coleman Community Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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WEINLANDER FITZHUGH

To the Board of Education
Coleman Community Schools
September 10, 2007

The management's discussion and analysis and budgetary comparison are not a required part of the basic financial statements but is supplemental information required by the U.S. generally accepted accounting principles and Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Coleman Community Schools' basic financial statements. The accompanying other supplemental information, as identified in the index, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Weinlander Fitzhugh

COLEMAN COMMUNITY SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2007

Our discussion and analysis of the Coleman Community Schools' financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2007.

Financial Highlights

The School District's net assets increased by \$74,924. Program revenues were \$1,626,700 or 19% of total revenues, and general revenues were \$7,055,269 million or 81%.

The General Fund reported a positive fund balance of \$308,656.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Coleman Community Schools financially as a whole. The District-wide Financial Statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds – the General and Capital Projects Funds, with all other funds presented in one column as non-major 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. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- District-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

Other Supplemental Information

COLEMAN COMMUNITY SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2007

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the School District's finances is, "Is the School District better or worse off 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 manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector businesses. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School District's net assets as a way to measure the School District's financial position. The change in net assets provides the reader a tool to assist in determining whether the School District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, student enrollment growth and facility conditions in arriving at their conclusion regarding the overall health of the School District.

Reporting the District's Most Significant Funds

Fund Financial Statements

The School District's fund financial statements provide detailed information about 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. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The School District's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left remaining at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to 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 available to spend in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

COLEMAN COMMUNITY SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2007

Fiduciary Funds

The School District is the trustee, or fiduciary, for its student activity funds and scholarship 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 assets cannot be utilized by the School District to finance its operations.

District-wide Financial Analysis

The statement of net assets provides the perspective of the School District as a whole. Exhibit A provides a summary of the School District's net assets as of June 30, 2007 and 2006:

Exhibit A	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Assets		
Current and other assets	\$ 2,935,847	\$ 2,649,303
Capital assets - net of accumulated depreciation	6,370,768	6,634,909
Total assets	<u>9,306,615</u>	<u>9,284,212</u>
Liabilities		
Current liabilities	2,520,336	2,178,868
Long-term liabilities	3,835,079	4,229,068
Total liabilities	<u>6,355,415</u>	<u>6,407,936</u>
Net Assets		
Invested in property and equipment - net of related debt	2,637,862	2,518,272
Restricted	118,199	282,627
Unrestricted	195,139	75,377
Total net assets	<u>\$ 2,951,200</u>	<u>\$ 2,876,276</u>

The Table above focuses on net assets (see Exhibit A). The School District's net assets were \$2,951,200 at June 30, 2007. Investment in property and equipment, net of related debt totaling \$2,637,862, compares the original costs less depreciation and amortization of the School District's capital assets to long-term debt used to finance those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets of \$118,199 (for Debt Service and Capital Projects) are reported separately to show legal constraints from debt requirements and legislation that limit the School District's ability to use those net assets for day-to-day operations.

COLEMAN COMMUNITY SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2007

The \$195,139 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. Exhibit B provides a summary of the changes in net assets for the years ended June 30, 2007 and 2006.

Exhibit B	Governmental Activities	
	2007	2006
Revenue		
Program revenue:		
Charges for services	\$ 504,459	\$ 436,581
Grants and categoricals	1,122,241	1,161,918
General revenue:		
Property taxes	1,085,887	1,120,124
State foundation allowance	5,903,901	5,928,791
Other	65,481	37,252
Total revenue	8,681,969	8,684,666
Function/Program Expenses		
Instruction	4,674,120	4,668,183
Support services	2,789,872	2,807,639
Community services	26,809	112,500
Food services	369,615	386,205
Athletics	183,986	188,629
Capital projects	80,656	137,008
Interest on long-term debt	156,000	212,904
Depreciation and amortization (unallocated)	325,987	263,142
Total expenses	8,607,045	8,776,210
Change in Net Assets	\$ 74,924	\$ (91,544)

COLEMAN COMMUNITY SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2007

As reported in the statement of activities, the cost of all of our governmental activities this year was \$8.6 million. Certain activities were partially funded from those who benefited from the programs, \$504,459, or by the other governments and organizations that subsidized certain programs with grants and categoricals, \$1.1 million. We paid for the remaining "public benefit" portion of our governmental activities with \$1.1 million in taxes, \$5.9 million in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced a increase in net assets of \$74,924. The key reason for the change in net assets was the reduction in the amount of debt owed by the School District. The decrease in net assets differs from the change in fund balance and a reconciliation appears in the financial statements.

The School District's Funds

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.

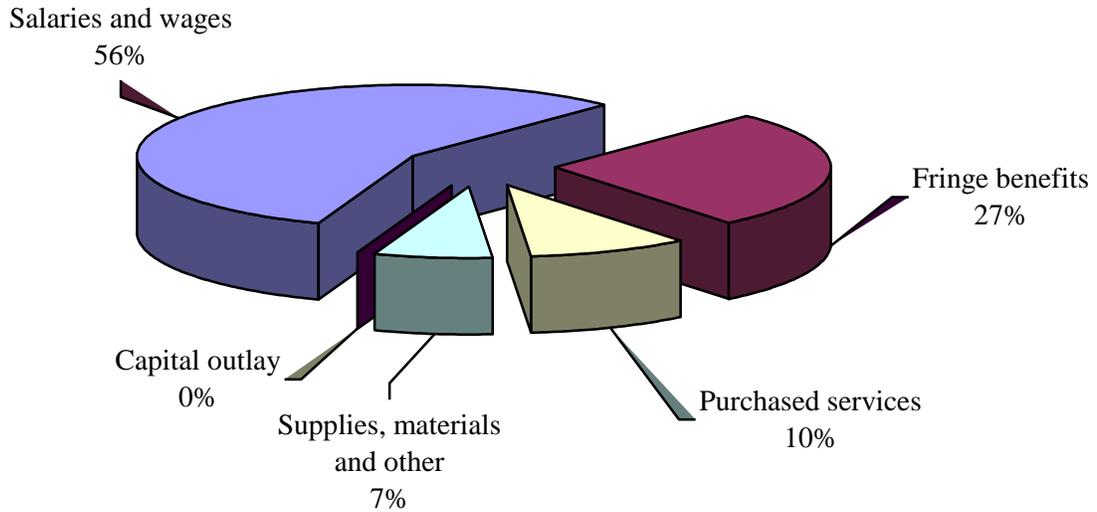
The School District's governmental funds reported a combined fund balance of \$430,876 which is below last year's total of \$482,314. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2007 and 2006.

	<u>Fund Balance</u> <u>June 30, 2007</u>	<u>Fund Balance</u> <u>June 30, 2006</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 308,656	\$ 199,586	\$ 109,070
Capital Projects	11,924	86,203	(74,279)
Special Revenue	4,021	101	3,920
Debt Service	<u>106,275</u>	<u>196,424</u>	<u>(90,149)</u>
	<u>\$ 430,876</u>	<u>\$ 482,314</u>	<u>\$ (51,438)</u>

- The General Fund increase is due to increases in property taxes and other local revenues. The General Fund also experienced an increase in state revenue for categorical income. These increases were off set by an increase in payroll and benefit costs.
- The Capital Projects Fund decrease was a result of additional costs for the bond project.
- Athletic activities had an decrease in fund balance of \$86. Food Services increased by \$4,006. Food Services increase will be used for future years operations.
- The Debt Service Funds decrease is based upon scheduled payments on debt obligations. Debt Service funds are reserved since they can only be used to pay debt obligations.

COLEMAN COMMUNITY SCHOOLS
 Management's Discussion & Analysis
For the Year Ended June 30, 2007

As the graph below illustrates, the largest portion of General Fund expenditures are for salaries and fringe benefits. The School District by nature is a labor intensive organization.



	2007	2006
<i>General Fund Expenditures by Object (Excluding Interfund Transfers)</i>		
Salaries and wages	\$ 4,075,974	\$ 4,357,443
Fringe benefits	2,040,511	2,050,922
Purchased services	1,040,316	739,430
Supplies, materials and other	399,932	522,239
Capital outlay	7,687	6,677
Total	<u>\$ 7,564,420</u>	<u>\$ 7,676,711</u>

General Fund expenditures are down \$112,291 from the prior year mostly due to the School District reducing supplies and materials purchases to only the necessities. The School District also experienced a decrease in wages and benefits mainly due to the School District switching to contracted substitute teacher, which caused purchased services to increase. If cuts had not been made, the fund balance would have been substantially reduced. In addition, it was necessary to stay within the legal budget restrictions imposed by the State.

COLEMAN COMMUNITY SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2007

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget to reflect 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 were as follows:

- Budgeted revenues were increased due to a increase in local, federal and interdistrict revenues. The overall change was immaterial.
- Budgeted expenditures were adjusted due to lower costs for instructional and computer supplies. Community service programs and debt service expenses were added to the final budget. The overall change was immaterial.
- There were immaterial differences in the final budget and actual amounts.

Capital Assets

At June 30, 2007, the School District had \$6.4 million invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net decrease (including additions and disposals) of \$264,141, or 4%, from last year.

	2007	2006
Buildings and improvements	\$ 8,952,785	\$ 8,936,862
Buses and other vehicles	618,660	651,851
Furniture and equipment	1,276,912	1,233,205
Total capital assets	10,848,357	10,821,918
Less accumulated depreciation	4,477,589	4,187,009
Net capital assets	\$ 6,370,768	\$ 6,634,909

This year's additions of \$59,630 include various site and technological improvements.

COLEMAN COMMUNITY SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2007

Debt

At the end of this year, the School District had \$3,688,898 of outstanding debt consisting of bonds and a note versus \$4,073,898 in the previous year – a change of 9%.

The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that schools can issue to 15% of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt is significantly below the statutorily imposed limit.

Factors Expected to have an Effect on Future Operations

Our elected Board and administration consider many factors when setting the School District's 2007 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2008 fiscal year budget was adopted in June 2007, based on an estimate of students that will be enrolled in September, 2007. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2007-2008 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2008 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Requests For Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Superintendent
Coleman Community Schools
991 E. Railway
Coleman, MI 48618

COLEMAN COMMUNITY SCHOOLS
Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and investments	\$ 1,475,683
Accounts receivable	64,588
Due from other governmental units	1,323,290
Inventory	10,759
Prepaid expenses	32,884
Capital assets less accumulated depreciation of \$4,477,589	6,370,768
Bond issuance costs less accumulated amortization of \$4,619	<u>28,643</u>
Total assets	<u>9,306,615</u>
<u>Liabilities</u>	
Accounts payable	177,306
Note payable	1,800,000
Accrued payroll and other liabilities	480,084
Due to other governmental units	18,938
Accrued interest payable	44,008
Long-term liabilities:	
Due within one year	409,242
Due in more than one year	<u>3,425,837</u>
Total liabilities	<u>6,355,415</u>
<u>Net Assets</u>	
Investment in capital assets - net of related debt	2,637,862
Restricted for debt service	106,275
Restricted for capital projects	11,924
Unrestricted	<u>195,139</u>
Total net assets	<u>\$ 2,951,200</u>

See accompanying notes to financial statements.

COLEMAN COMMUNITY SCHOOLS
Statement of Activities
For the Year Ended June 30, 2007

	Program Revenues			Governmental Activities
Expenses	Charges for Services	Operating Grants/ Contributions	Net (Expense) Revenue and Changes in Net Assets	
<u>Functions/Programs</u>				
Primary government -				
Governmental activities:				
Instruction	\$ 4,674,119	\$ 235,100	\$ 776,376	\$ (3,662,643)
Support services	2,789,872	65,334	0	(2,724,538)
Community services	26,809	18,717	118,800	110,708
Food services	369,615	139,019	227,065	(3,531)
Athletics	183,986	44,912	0	(139,074)
Capital projects	75,656	1,377	0	(74,279)
Interest on long-term debt	161,000	0	0	(161,000)
Depreciation and amortization (unallocated)	325,988	0	0	(325,988)
Total governmental activities	\$ 8,607,045	\$ 504,459	\$ 1,122,241	(6,980,345)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				640,953
Property taxes, levied for debt services				444,934
State aid not restricted to specific purposes				5,903,901
Interest and investment earnings				50,067
Other				15,414
Total general revenues				7,055,269
Change in net assets				74,924
Net assets - beginning of year				2,876,276
Net assets - end of year				\$ 2,951,200

See accompanying notes to financial statements.

COLEMAN COMMUNITY SCHOOLS
Governmental Funds
Balance Sheet
June 30, 2007

	General	Capital Projects Fund	Other Nonmajor Governmental Funds	Total
<u>ASSETS</u>				
Cash and investments	\$ 1,347,862	\$ 11,924	\$ 115,897	\$ 1,475,683
Receivables:				
Accounts receivable	64,556	0	32	64,588
Due from other governmental units	1,323,290	0	0	1,323,290
Due from other funds	15,404	0	0	15,404
Inventory	0	0	10,759	10,759
Prepaid expenditures	31,009	0	1,875	32,884
Total Assets	\$ 2,782,121	\$ 11,924	\$ 128,563	\$ 2,922,608
<u>LIABILITIES AND FUND BALANCE</u>				
<u>Liabilities</u>				
Accounts payable	\$ 177,306	\$ 0	\$ 0	\$ 177,306
Note payable	1,800,000	0	0	1,800,000
Accrued payroll and other liabilities	477,221	0	2,863	480,084
Due to other governmental units	18,938	0	0	18,938
Due to other funds	0	0	15,404	15,404
Total liabilities	2,473,465	0	18,267	2,491,732
<u>Fund Balance</u>				
Reserved for prepaid expenditures	31,009	0	1,250	32,259
Reserved for debt service	0	0	106,275	106,275
Reserved for capital projects	0	11,924	0	11,924
Unreserved:				
Undesignated	277,647	0	2,771	280,418
Total fund balance	308,656	11,924	110,296	430,876
Total Liabilities and Fund Balance	\$ 2,782,121	\$ 11,924	\$ 128,563	\$ 2,922,608

See accompanying notes to financial statements.

COLEMAN COMMUNITY SCHOOLS
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2007

Total fund balance - governmental funds	\$ 430,876
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and are not reported in the funds:</p>	
Cost of the capital assets	10,848,357
Accumulated depreciation	(4,477,589)
Bond issuance costs	33,262
Accumulated amortization	(4,619)
<p>Long-term liabilities are not due and payable in the current period and are not reported in the funds:</p>	
Bonds payable	(3,688,898)
Compensated absences	(146,181)
Accrued interest payable on long-term debt is not included as a liability in governmental activities	(44,008)
Total net assets - governmental activities	\$ 2,951,200

See accompanying notes to financial statements.

COLEMAN COMMUNITY SCHOOLS
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2007

	General	Capital Projects Fund	Other Nonmajor Governmental Funds	Total
<u>Revenues</u>				
Local sources:				
Property taxes	\$ 640,953	\$ 0	\$ 444,934	\$ 1,085,887
Other	116,747	1,377	188,579	306,703
State sources	6,552,045	0	29,699	6,581,744
Federal sources	247,032	0	197,366	444,398
Interdistrict sources	263,238	0	0	263,238
	<u>7,820,015</u>	<u>1,377</u>	<u>860,578</u>	<u>8,681,970</u>
<u>Expenditures</u>				
Current:				
Instruction	4,199,183	0	0	4,199,183
Support services	2,859,177	0	0	2,859,177
Community services	26,809	0	0	26,809
Food service	0	0	369,615	369,615
Athletics	0	0	183,986	183,986
Capital projects	0	75,656	0	75,656
Debt service:				
Principal	5,000	0	380,000	385,000
Interest	0	0	159,731	159,731
	<u>7,090,169</u>	<u>75,656</u>	<u>1,093,332</u>	<u>8,259,157</u>
Excess (deficiency) of revenues over expenditures	<u>729,846</u>	<u>(74,279)</u>	<u>(232,754)</u>	<u>422,813</u>
<u>Other Financing Sources (Uses)</u>				
Operating transfers in from other funds	0	0	146,525	146,525
Operating transfers out to other funds	(146,525)	0	0	(146,525)
Transfers to other governmental units	(474,251)	0	0	(474,251)
	<u>(620,776)</u>	<u>0</u>	<u>146,525</u>	<u>(474,251)</u>
Net change in fund balance	109,070	(74,279)	(86,229)	(51,438)
Fund balance - beginning of year	199,586	86,203	196,525	482,314
Fund balance - end of year	<u>\$ 308,656</u>	<u>\$ 11,924</u>	<u>\$ 110,296</u>	<u>\$ 430,876</u>

See accompanying notes to financial statements.

COLEMAN COMMUNITY SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2007

Net change in fund balance - total governmental funds	\$ (51,438)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:</p>	
Capital outlay	59,630
Depreciation expense	(323,771)
Amortization expense	(2,217)
<p>Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid</p>	
	(1,268)
<p>Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)</p>	
	385,000
<p>Decreases in compensated absences are reported as a reduction to expenditures when financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6.</p>	
	8,988
Change in net assets of governmental activities	\$ 74,924

See accompanying notes to financial statements.

COLEMAN COMMUNITY SCHOOLS
Statement of Fiduciary Net Assets
June 30, 2007

	<u>ASSETS</u>	<u>Student Activity Fund</u>
Cash and investments		<u>\$ 48,241</u>
	<u>LIABILITIES</u>	
Due to student groups		<u>\$ 48,241</u>

See accompanying notes to financial statements.

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Coleman Community Schools (School District) conform to U.S. generally accepted accounting principles applicable to governments. The School District is considered to be a local government unit. The following is a summary of the significant accounting policies.

Reporting Entity

The School District is governed by an elected Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Capital Projects Fund – The Capital Projects Fund is used to record the activity related to major construction projects of the School District. Included are transaction related to the additions and improvements to the School District's grounds and buildings.

Assets, Liabilities, and Net Assets or Equity

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

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Inventory and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

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 purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

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

Buildings and improvements	25 to 50 years
Buses and other vehicles	8 years
Furniture and equipment	5 to 20 years

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

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

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

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes – For Coleman Community Schools’ taxpayers, properties are assessed as of December 31, and the related property taxes are levied and become a lien on July 1. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

State Aid – For the fiscal year ended June 30, 2007, 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. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007, the foundation allowance was based on the average pupil membership counts taken in February and September 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 payments from October, 2006 – August, 2007. The local revenue is recognized as outlined in Note 1 under the Basis of Accounting. Amounts receivable from the State of Michigan at June 30, 2007, relating to state aid is \$1,091,374.

The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year, are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 2 - BUDGETARY POLICIES AND DATA

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of school districts prior to the expenditure of monies in a fiscal year.

Coleman Community Schools follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The School District's Superintendent submits to the Board a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
4. Appropriations lapse at year end and therefore cancel all encumbrances. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as Required Supplemental Information.

During the year ended June 30, 2007, the School District incurred revenues and expenditures in certain budgetary funds that were in excess of the amounts appropriated as follows:

<u>Fund/Function</u>	<u>Budget Amount</u>	<u>Actual Amount</u>	<u>Budget Variance</u>
Revenues:			
General Fund:			
State sources	\$ 6,559,851	\$ 6,552,045	\$ (7,806)
Expenditures:			
Food Services Fund	355,541	369,616	(14,075)
Athletics Fund	174,787	183,986	(9,199)

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS

State statutes and the School District’s investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers’ acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District’s deposits are in accordance with statutory authority.

At year-end, the School District’s deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Fund	Total Primary Government
Cash and investments	\$ 1,475,683	\$ 48,241	\$ 1,523,924

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking and savings accounts)	\$ 1,523,849
Petty cash and cash on hand	<u>75</u>
Total	<u><u>\$ 1,523,924</u></u>

Custodial Credit Risk- Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2007, \$1,847,000 of the School District's bank balance of \$1,947,000 was exposed to custodial credit risk because it was uninsured and collateralized.

Interest Rate Risk

In accordance with its investment policy, the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 4 – CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
Capital assets being depreciated:				
Buildings and improvements	\$ 8,936,862	\$ 15,923	\$ 0	\$ 8,952,785
Buses and other vehicles	651,851	0	33,191	618,660
Furniture and equipment	1,233,205	43,707	0	1,276,912
Subtotal	<u>10,821,918</u>	<u>59,630</u>	<u>33,191</u>	<u>10,848,357</u>
Accumulated depreciation:				
Buildings and improvements	3,338,089	193,496	33,191	3,498,394
Buses and other vehicles	372,688	42,703	0	415,391
Furniture and equipment	476,232	87,572	0	563,804
Subtotal	<u>4,187,009</u>	<u>323,771</u>	<u>33,191</u>	<u>4,477,589</u>
Net capital assets	<u>\$ 6,634,909</u>	<u>\$ (264,141)</u>	<u>\$ 0</u>	<u>\$ 6,370,768</u>

Depreciation for the fiscal year ended June 30, 2007, amounted to \$323,771. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

A summary of interfund receivable and payable balances at June 30, 2007, and transfers made during the year ended June 30, 2007, is as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 15,404	\$ 0	\$ 0	\$ 146,525
Special Revenue:				
Athletics	0	6,040	138,988	0
Food Service	0	9,364	7,537	0
	<u>\$ 15,404</u>	<u>\$ 15,404</u>	<u>\$ 146,525</u>	<u>\$ 146,525</u>

These interfund receivable and payable 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 systems and 3) payments between funds are made.

Transfers are used to reflect funding support for athletic salaries and benefits and food service indirect costs.

NOTE 6 – RECEIVABLES

Receivables at June 30, 2007, consist of accounts (fees), intergovernmental grants and interest.

A summary of the intergovernmental receivables (due from other governmental units) follows:

State aid and categoricals	\$ 1,091,374
State and federal grants	<u>231,916</u>
	<u>\$ 1,323,290</u>

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 7 - LONG-TERM DEBT

The following is a summary of long-term debt transactions of the School District for the year ended June 30, 2007:

	Balance July 1, 2006	Additions	Retirements and Payments	Balance June 30, 2007	Amount Due Within One Year
Bonds and note payable	\$ 4,073,898	\$ 0	\$ 385,000	\$ 3,688,898	\$ 409,242
Compensated absences	155,170	0	8,989	146,181	0
Total	\$ 4,229,068	\$ 0	\$ 393,989	\$ 3,835,079	\$ 409,242

Bonds and note payable at June 30, 2007, are comprised of the following issues:

\$1,430,000 2000 School Building & Site bonds due in annual installments of \$145,000 to \$170,000 through May 1, 2011; interest at 4.50% to 4.75%.	\$ 645,000
\$1,440,000 1999 School Building & Site bonds due in annual installments of \$175,000 to \$205,000 through May 1, 2010; interest at 4.75% to 4.80%.	585,000
\$202,646 Durant Non-Plaintiff serial bonds due in annual installments of \$10,273 to \$49,567 through May 15, 2013; interest at 4.76%.	119,656
\$86,742 note payable to the Environmental Protection Agency (EPA) due in semi-annual installments of \$2,500 with 0% interest through May 30, 2008	4,242
\$2,480,000 2004 School Building & Site bonds due in annual installments of \$60,000 to \$250,000 through May 1, 2019; interest at 2.10% to 4.00%	<u>2,335,000</u>
Total bonds and note payable	<u>\$ 3,688,898</u>

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 7 – LONG-TERM DEBT (CONTINUED)

The Durant Non-Plaintiff bond, including interest, was issued in anticipation of payment to the School District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The School District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

The Durant Non-Plaintiff bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitations. This Bond is payable both as to principal and interest solely from the State Aid payments described in the preceding paragraph.

The annual requirements to amortize the bonds and note outstanding as of June 30, 2007, including interest payments, are as follows:

Year Ended			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 409,242	\$ 142,859	\$ 552,101
2009	436,278	128,479	564,757
2010	509,453	133,111	642,564
2011	407,377	89,303	496,680
2012	237,966	73,889	311,855
2013-2017	1,188,582	243,183	1,431,765
2018-2019	500,000	30,000	530,000
	<u>\$ 3,688,898</u>	<u>\$ 840,824</u>	<u>\$ 4,529,722</u>

Under the terms of the present contracts between the Coleman Community Schools Board of Education and the various employee associations, the School District is contingently liable for unused sick days. Each employee may accumulate various numbers of sick days and must be paid to them upon retirement.

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 8 – SHORT-TERM DEBT ACTIVITY

The School District issues state aid anticipation notes in advance of State of Michigan state aid payments, depositing the proceeds in its General Fund. These notes are necessary because the School District’s cash flow obligation for operating expenses precede the collection of state aid.

	Beginning Balance	Issued	Redeemed	Ending Balance
State Aid Anticipation Note, due August 20, 2007, accruing interest at 3.68%	\$ 1,500,000	\$ 1,800,000	\$ 1,500,000	\$ 1,800,000

NOTE 9 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers’ compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers’ compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

The SET-SEG shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description – The School District participates in the Michigan Public School Employees’ Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees’ Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

Funding Policy – Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

The pension benefit rate totals 16.34% for the period from July 1, 2006 through September 30, 2006 and 17.74% from October 1, 2006 through June 30, 2007 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3% to 4.3% of gross wages. The School District's contributions to the MPSERS plan for the years ended June 30, 2007, 2006, and 2005 were \$729,110, \$724,522 and \$677,753, respectively.

Postemployment Benefits – Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage. Retirees having these benefits contribute an amount equivalent to the monthly cost for Part B Medicare and 10% of the monthly premium amount for the health, dental, and vision coverage. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPSERS plan discussed above.

NOTE 11 - GRANTS

The School District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the School District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the School District administration believes such disallowance, if any, would be immaterial.

NOTE 12 - ECONOMIC DEPENDENCY

The School District received approximately 84% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source to the School District, the School District is considered to be economically dependent.

Required Supplemental Information

COLEMAN COMMUNITY SCHOOLS
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual
<u>Revenues</u>			
Local sources	\$ 693,229	\$ 721,902	\$ 757,700
State sources	6,511,914	6,559,851	6,552,045
Federal sources	268,231	239,231	247,032
Interdistrict sources	136,794	227,529	263,238
	<u>7,610,168</u>	<u>7,748,513</u>	<u>7,820,015</u>
<u>Expenditures</u>			
Instruction:			
Basic programs	3,352,109	3,334,503	3,321,244
Added needs	939,340	882,662	877,939
Support services:			
Pupil	182,681	263,311	259,459
Instructional staff	136,839	117,993	116,868
General administration	386,383	430,032	429,917
School administration	458,754	458,754	458,610
Business services	160,686	163,209	161,561
Operations and maintenance	907,849	948,326	947,585
Transportation	419,573	428,273	427,536
Information services	71,037	71,037	57,641
Community services	0	30,898	26,809
Debt service	0	5,000	5,000
	<u>7,015,251</u>	<u>7,133,998</u>	<u>7,090,169</u>
Excess of revenues over expenditures	<u>594,917</u>	<u>614,515</u>	<u>729,846</u>
<u>Other Financing Sources (Uses)</u>			
Operating transfers out:			
Transfers to other funds	0	133,000	(146,525)
Transfers to other governmental units	(588,323)	(497,623)	(474,251)
Total other financing (uses)	<u>(588,323)</u>	<u>(364,623)</u>	<u>(620,776)</u>
Net change in fund balance	6,594	249,892	109,070
Fund balance - beginning of year	<u>199,586</u>	<u>199,586</u>	<u>199,586</u>
Fund balance - end of year	<u>\$ 206,180</u>	<u>\$ 449,478</u>	<u>\$ 308,656</u>

Other Supplemental Information

COLEMAN COMMUNITY SCHOOLS
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>			<u>Totals</u>
	<u>Food Service</u>	<u>Athletics</u>	<u>1999 Issue</u>	<u>2000 Issue</u>	<u>2004 Issue</u>	
<u>ASSETS</u>						
Cash and investments	\$ 1,361	\$ 8,293	\$ 36,050	\$ 26,538	\$ 43,655	\$ 115,897
Receivables	0	0	16	11	5	32
Inventory	10,759	0	0	0	0	10,759
Prepaid expenditures	1,250	625	0	0	0	1,875
Total Assets	\$ 13,370	\$ 8,918	\$ 36,066	\$ 26,549	\$ 43,660	\$ 128,563
<u>LIABILITIES AND FUND BALANCE</u>						
<u>Liabilities</u>						
Accrued liabilities	\$ 0	\$ 2,863	\$ 0	\$ 0	\$ 0	\$ 2,863
Due to other funds	9,364	6,040	0	0	0	15,404
Total liabilities	9,364	8,903	0	0	0	18,267
<u>Fund Balance</u>						
Reserved for prepaid expenditures	1,250	0	0	0	0	1,250
Reserved for debt service	0	0	36,066	26,549	43,660	106,275
Unreserved:						
Undesignated	2,756	15	0	0	0	2,771
Total fund balance	4,006	15	36,066	26,549	43,660	110,296
Total Liabilities and Fund Balance	\$ 13,370	\$ 8,918	\$ 36,066	\$ 26,549	\$ 43,660	\$ 128,563

Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes
in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>			<u>Totals</u>
	<u>Food Service</u>	<u>Athletics</u>	<u>1999 Issue</u>	<u>2000 Issue</u>	<u>2004 Issue</u>	
<u>Revenues</u>						
Local sources:						
Property taxes	\$ 0	\$ 0	\$ 225,673	\$ 154,758	\$ 64,503	\$ 444,934
Other	139,019	44,912	135	158	4,355	188,579
State sources	29,699	0	0	0	0	29,699
Federal sources	197,366	0	0	0	0	197,366
Total revenues	<u>366,084</u>	<u>44,912</u>	<u>225,808</u>	<u>154,916</u>	<u>68,858</u>	<u>860,578</u>
 <u>Expenditures</u>						
Current:						
Food service	369,615	0	0	0	0	369,615
Athletics	0	183,986	0	0	0	183,986
Debt service:						
Principal	0	0	175,000	145,000	60,000	380,000
Interest	0	0	36,575	36,766	86,390	159,731
Total expenditures	<u>369,615</u>	<u>183,986</u>	<u>211,575</u>	<u>181,766</u>	<u>146,390</u>	<u>1,093,332</u>
Excess (deficiency) of revenues over expenditures	(3,531)	(139,074)	14,233	(26,850)	(77,532)	(232,754)
 <u>Other Financing Sources</u>						
Operating transfers in from other funds	7,537	138,988	0	0	0	146,525
Net change in fund balance	4,006	(86)	14,233	(26,850)	(77,532)	(86,229)
Fund balance - beginning of year	0	101	21,833	53,399	121,192	196,525
Fund balance- end of year	<u>\$ 4,006</u>	<u>\$ 15</u>	<u>\$ 36,066</u>	<u>\$ 26,549</u>	<u>\$ 43,660</u>	<u>\$ 110,296</u>

COLEMAN COMMUNITY SCHOOLS
Detail of Bonded Debt
June 30, 2007

Maturity Date	Percent of Interest Rate	Bonds Outstanding July 1, 2006	Additions	Bonds Retired This Year	Bonds Outstanding June 30, 2007	Annual Interest Payment	Total Annual Payment
Durant Issue							
Fiscal Year:							
2007	4.76	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2008	4.76	0	0	0	0	0	0
2009	4.76	11,278	0	0	11,278	2,953	14,231
2010	4.76	69,453	0	0	69,453	26,160	95,613
2011	4.76	12,377	0	0	12,377	1,853	14,230
2012	4.76	12,966	0	0	12,966	1,264	14,230
2013	4.76	13,582	0	0	13,582	646	14,228
Total Durant issue		<u>119,656</u>	<u>0</u>	<u>0</u>	<u>119,656</u>	<u>32,876</u>	<u>152,532</u>
1999 Issue							
Fiscal Year:							
2007	4.70	175,000	0	(175,000)	0	36,300	211,300
2008	4.75	185,000	0	0	185,000	27,988	212,988
2009	4.80	195,000	0	0	195,000	19,200	214,200
2010	4.80	205,000	0	0	205,000	9,840	214,840
Total 1999 Issue		<u>760,000</u>	<u>0</u>	<u>(175,000)</u>	<u>585,000</u>	<u>93,328</u>	<u>853,328</u>
2000 Issue							
Fiscal Year:							
2007	4.50	145,000	0	(145,000)	0	36,492	181,492
2008	4.60	150,000	0	0	150,000	29,966	179,966
2009	4.60	160,000	0	0	160,000	23,066	183,066
2010	4.625	165,000	0	0	165,000	15,706	180,706
2013	4.750	170,000	0	0	170,000	8,075	178,075
Total 2000 issue		<u>790,000</u>	<u>0</u>	<u>(145,000)</u>	<u>645,000</u>	<u>113,305</u>	<u>903,305</u>
2004 Issue							
2007	2.10	60,000	0	(60,000)	0	86,165	146,165
2008	2.35	70,000	0	0	70,000	84,905	154,905
2009	2.65	70,000	0	0	70,000	83,260	153,260
2010	2.90	70,000	0	0	70,000	81,405	151,405
2011	3.00	225,000	0	0	225,000	79,375	304,375
2012	3.15	225,000	0	0	225,000	72,625	297,625
2013 and after	3.35-4.0	1,675,000	0	0	1,675,000	272,537	1,947,537
Total 2004 issue		<u>2,395,000</u>	<u>0</u>	<u>(60,000)</u>	<u>2,335,000</u>	<u>760,272</u>	<u>3,155,272</u>
Total all Issues		<u>\$ 4,064,656</u>	<u>\$ 0</u>	<u>\$ (380,000)</u>	<u>\$ 3,684,656</u>	<u>\$ 999,781</u>	<u>\$ 5,064,437</u>



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September 10, 2007

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

Board of Education
Coleman Community Schools
Coleman, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Coleman Community Schools as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated September 10, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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.

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Board of Education
Coleman Community Schools
September 10, 2007
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A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School District's financial statements that is more than inconsequential will not be prevented or detected by the School District's internal control over financial reporting. We consider the following deficiency to be a significant deficiency in internal control over financial reporting.

Financial Reporting

As part of our consideration of the internal control over financial reporting, we as auditors are not allowed to be considered to be part of School District internal controls. In taking this required position, we must consider whether the School District has the ability, on its own, to monitor and report financial activity in accordance with our professional standards without auditor intervention.

The School District uses accounting software as a management tool to monitor the financial status of the School District, to facilitate the preparation and amendment of budgets and to compare budgeted amounts to actual results. In addition, the School District demonstrates the ability to report fund level activities and report on certain fund level note disclosures. Due to the complexity of the required government wide financial statements and related note disclosures in accordance with GASB 34, the School District does not maintain personnel who can report in accordance with U.S. generally accepted accounting principles without auditor intervention.

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 presented or detected by the School District's internal control. 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.



WEINLANDER FITZHUGH

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Coleman Community Schools
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether School District's financial statements are free of material misstatements, 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 instances of noncompliance that are required to be reported under Government Auditing Standards .

This report is intended solely for the information and use of Board of Education, management, others within the entity 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.

Weinlander Fitzhugh



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Board of Education
Coleman Community Schools
Coleman, Michigan

This letter is intended to inform the Board of Education of Coleman Community Schools about significant matters related to the conduct of the annual audit so that it can appropriately discharge its oversight responsibility, and that we comply with our professional responsibilities to the Board of Education.

The following summarizes various matters which must be communicated to you under U.S. generally accepted auditing standards.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. 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 Coleman Community Schools. 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 Coleman Community Schools' 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.

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Coleman Community Schools
September 10, 2007
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Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based on management's current knowledge. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us that they used all the relevant facts available to them at the time to make the best judgment about accounting estimates, and we considered this information in the scope of our audit. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

Audit Adjustments

There were audit adjustments made to the original trial balance presented to us to begin our audit. In our judgment, the adjustments we proposed, either individually or in the aggregate, are not considered to have a significant effect on the School District's financial reporting process.

Accounting Policies and Alternative Treatments

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies adopted by the School District are described in Footnote 1 to the financial statements.

We noted no transaction entered into by the School District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transaction for which there is a lack of authoritative guidance or consensus.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Consultation with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing related matters.



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Major Issues Discussed with Management Prior to Retention

No major issues were discussed with management prior to our retention to perform the aforementioned audit.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to Coleman Community Schools.

This report is intended solely for the information of the Board of Education, management, others within the entity 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.

Weinlander Fitzhugh