

SOUTH LAKE SCHOOLS

St. Clair Shores, Michigan

**ANNUAL FINANCIAL REPORT
with Supplementary Information**

**FOR THE YEAR ENDED
JUNE 30, 2011**

**Stewart,
Beauvais
& Whipple P.C.**



CERTIFIED PUBLIC ACCOUNTANTS

SOUTH LAKE SCHOOLS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
South Lake Schools
St. Clair Shores, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Lake Schools as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of South Lake Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. 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 South Lake Schools, as of June 30, 2011, and the respective changes in financial position, and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

For the year ended June 30, 2011, as discussed in Note 1, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As a result the Athletic Fund, previously a Special Revenue Fund, is reported as part of the Districts General Fund. In addition, the fund balance classifications have changed to comply with this statement.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2011, on our consideration of South Lake Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 9 and budgetary comparison on page 36 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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


Certified Public Accountants

October 7, 2011

This section of South Lake Schools' annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2011. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

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 South Lake 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 Fund and the 2008 Construction Fund, with all other funds presented in one column as non-major funds. The remaining statements, 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/parents and employee benefits.

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

Basic Financial Statements

District-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplementary Information)
Budgetary Information for the General Fund

Other Supplementary Information

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

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

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

The statement of net assets and statement of activities report the governmental activities for the School District which encompass all of the School District's services, including instruction, supporting services, community services, athletics, childcare, food services, and capital projects. 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

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. However, the School District establishes many other funds to help it control and manage money for particular purposes (Food Services and Latch Key Funds are examples) or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money, such as the bond funded construction fund used for voter-approved capital projects. The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the 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 the statement of activities) and governmental funds in reconciliations on pages 13 and 15.

Proprietary fund – Proprietary fund reporting focuses on economic resources measurement and an accounting method called full accrual accounting. The proprietary fund statements present a long-term view of operations and the services it provides to other funds.

The School District established a proprietary fund, specifically an Internal Service Fund, to finance specific services provided to other funds of the School District on a cost reimbursement basis. The specific services are for early retirement benefits.

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

The School District is the trustee, or fiduciary, for its student activity fund. All of the School District’s fiduciary activities are reported in separate statement of fiduciary assets and liabilities. We exclude these activities from the School District’s district-wide financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District’s net assets as of June 30, 2011 and 2010:

TABLE I

	Governmental Activities (in millions)	
	<u>2011</u>	<u>2010</u>
Assets		
Current and other assets	\$ 11.3	\$ 13.9
Capital assets, net of accumulated depreciation	<u>34.9</u>	<u>32.5</u>
Total Assets	<u>46.2</u>	<u>46.4</u>
Liabilities		
Current liabilities	6.3	4.6
Non-current liabilities	<u>24.1</u>	<u>25.9</u>
Total Liabilities	<u>30.4</u>	<u>30.5</u>
Net Assets		
Invested in property and equipment, net of related debt	13.1	13.6
Restricted	1.0	1.6
Unrestricted	<u>1.7</u>	<u>.7</u>
Total Net Assets	<u>\$ 15.8</u>	<u>\$ 15.9</u>

The above analysis focuses on the net assets (see Table I). The change in net assets (see Table II) of the School District’s governmental activities is discussed below. The School District’s net assets were \$15.8 million at June 30, 2011. Capital assets, net of related debt (\$13.1 million) compares the original cost, less depreciation of the School District’s capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets (\$1.0 million) 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 (\$1.7 million) was unrestricted.

The \$1.7 million 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 II), which shows the changes in net assets for fiscal year 2011 and 2010.

TABLE II

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Revenue		
Program Revenue:		
Charges for services	\$ 622,017	\$ 605,551
Operating grant and contributions	3,709,918	3,700,482
Capital grants and contributions	-	8,357
General Revenue:		
Property taxes	8,041,926	8,520,703
State foundation allowance	14,045,526	14,147,318
Interest and investment earnings	18,493	15,717
Other	-	103,344
Total Revenue and Special Item	<u>26,437,880</u>	<u>27,101,472</u>
Functions/Program Expenses		
Instruction	13,448,966	13,638,002
Support services	10,089,847	10,767,642
Community services	898,500	1,035,535
Food services	724,593	687,675
Latchkey	156,754	148,689
Outgoing transfers and other transactions	11,570	54,903
Interest on long-term debt	1,204,562	1,244,706
Special Item: Impairment of Long Lived Assets	-	1,589,576
Total Expenses	<u>26,534,792</u>	<u>29,166,728</u>
Decrease in Net Assets	<u>\$(96,912)</u>	<u>\$(2,065,256)</u>

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$26.5 million. Certain activities were partially funded from those who benefited from the programs (\$.6 million) or by other governments and organizations that subsidized certain programs with grants, categoricals, and contributions (\$3.7 million). We paid for the remaining "public benefit" portion of our governmental activities with \$8.0 million in taxes, \$14.0 million in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced a decrease in net assets of \$96,912. The decrease in net assets differs from the change in fund balance and the reconciliation appears on page 15.

As discussed above, 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 School District 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 unrestricted resources.

The School District's Funds

As we 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 this year, the governmental funds reported a combined fund balance of \$4.7 million, which is a decrease of \$4.3 million from last year. The primary reason for the decrease was due to ongoing bond construction projects. In the General Fund, our principal operating fund, the fund balance decreased by \$619,708 to \$1,726,982. Overall, General Fund expenses were within 97 percent of budgeted amounts. The 2008 Construction Fund balance decreased by \$3,112,620 due to continuing construction expenditures.

General Fund Budgetary Highlights

Over the course of the year, the School District 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 the required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Budgeted revenues were increased by \$1,312,908. The overall change was 6.0%. The change is mostly attributable to an increase in state revenues resulting from per pupil revenues (and state membership aid) above initial projections.
- Budgeted expenditures were decreased by \$1,666,638. The overall change was 6.4%. The decrease is attributable mainly to changes within the operations and maintenance departments and substantial reductions in purchasing expenditures.

- The final budget had estimated a net decrease in fund balance of \$1,278,352 and the actual net decrease in fund balance was \$619,708. This difference is due to expenditures being lower than expected at the end of the year.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2011 the School District had \$46.9 million invested in a broad range of capital assets before depreciation, including land, building, furniture, and equipment. This amount represents a net increase of capital assets prior to depreciation (including additions and disposals) of approximately \$3,214,301 or 7.4% over last year.

	<u>2011</u>	<u>2010</u>
Land	\$ 580,332	\$ 580,332
Construction in progress	-	5,676,469
Buildings and Improvements	43,275,333	35,363,005
Buses and other vehicles	853,722	853,722
Furniture and equipment	<u>2,213,535</u>	<u>1,235,093</u>
 Total capital assets	 46,922,922	 43,708,621
 Less accumulated depreciation	 (<u>12,031,493</u>)	 (<u>11,218,291</u>)
 Net capital assets	 <u>\$ 34,891,429</u>	 <u>\$ 32,490,330</u>

This year’s additions of \$3,229,289 were related to the substantial completion of construction in progress. The accumulated amount in construction in progress was reclassified to the appropriate building and improvements and furniture and equipment asset categories in the current year.

Debt

At the end of this year, the School District had \$23.9 million in bonds outstanding versus \$25.7 in the previous year – a decrease of 7.1%. Those bonds consisted of the following:

	<u>2011</u>	<u>2010</u>
General Obligation Bonds	<u>\$ 23,900,000</u>	<u>\$ 25,725,000</u>

The School District’s General Obligation Bond rating is tied to the State’s credit rating. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the 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 qualified general obligation debt of \$23.9 million is significantly below the statutorily imposed limit for unqualified debt.

Other obligations include employee-compensated absences and severance plan benefits. We present more detailed information about our long-term liabilities in Note 8 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration considered many factors when setting the School District's 2011-12 fiscal year budget. One of the most important factors affecting the budget is our student count. Foundation revenue, which is composed of State aid and local property taxes, is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2011-12 fiscal year is 10 percent and 90 percent of the February 2011 and September 2011 student counts, respectively. The 2011-12 fiscal year budget was adopted in June 2011 with expenditures over revenues of \$3,304,154; this was before any contracts were ratified for fiscal year 2011-12.

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 2011-2012 school year, we anticipate that the fall student count will be above estimates used in creating the 2011-12 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriations to school districts. The State periodically holds a revenue-estimating conference to estimate revenues.

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 funds it receives. If you have questions about this report or need additional financial information, contact the Business Department, 23101 Stadium Boulevard, St. Clair Shores, MI 48080.

BASIC FINANCIAL STATEMENTS

SOUTH LAKE SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
ASSETS:	
Cash and cash equivalents	\$ 6,105,350
Investments	1,906,658
Receivables -	
Accounts	10,002
Interest	1,453
Taxes (Net allowance for doubtful accounts)	26,299
Due from other governmental units -	
State	2,795,560
Local	169,419
Prepaid expenses	105,071
Deferred charges - issuance cost	223,869
Capital Assets (net of accumulated depreciation)	
Assets not being depreciated	580,332
Assets being depreciated	34,311,097
Total Assets	46,235,110
LIABILITIES:	
Accounts payable	237,558
Accrued payroll and payroll taxes	2,715,161
Accrued interest	202,129
Due to other governmental units	93,807
Note payable	3,000,000
Unearned revenue	41,567
Non current liabilities-	
Due to employees within one year	8,080
Due to employees due more than one year	395,970
Bonds payable due within one year	1,814,863
Bonds payable due more than one year	21,895,852
Total Liabilities	30,404,987
NET ASSETS :	
Investment in capital assets, net of related liabilities	12,886,994
Restricted -	
Debt service	635,686
Capital projects	253,502
Food service	128,829
Unrestricted	1,925,112
Total Net Assets	\$ 15,830,123

The accompanying notes are an integral part of these financial statements.

SOUTH LAKE SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

		Program Revenue				
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Net (Expense) Revenue and Change in Net Assets	
Governmental Activities:						
Instruction	\$ 13,448,966	\$ 47,464	\$ 3,213,077	\$ -	\$(10,188,425)	
Support Services	10,089,847	133,076	-	-	(9,956,771)	
Community Services	898,500	-	-	-	(898,500)	
Food Services	724,593	258,621	496,841	-	30,869	
Latch Key	156,754	182,856	-	-	26,102	
Outgoing Transfers and Other Transactions	11,570	-	-	-	(11,570)	
Interest and fiscal charges on long term debt	1,204,562	-	-	-	(1,204,562)	
Total governmental activities	\$ 26,534,792	\$ 622,017	\$ 3,709,918	\$ -	\$(22,202,857)	
General Revenues:						
Taxes:						
Property taxes, levied for general purposes					5,606,669	
Property taxes, levied for debt services					2,435,257	
State aid unrestricted					14,045,526	
Interest and investment earnings					18,493	
Total general revenues and special item					22,105,945	
Change in net assets					(96,912)	
Net assets at beginning of year					15,927,035	
Net assets at end of year					\$ 15,830,123	

The accompanying notes are an integral part of these financial statements.

SOUTH LAKE SCHOOLS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011**

	General	2008 Construction	Other Non-Major Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 4,423,542	\$ 614,222	\$ 1,067,586	\$ 6,105,350
Investments	352,814	1,303,229	-	1,656,043
Receivables -				
Accounts	9,695	-	24	9,719
Interest	-	1,404	-	1,404
Taxes (net of allowance)	19,946	-	6,353	26,299
Due from other funds	1,541	-	2,137	3,678
Due from other governmental units -				
State	2,795,560	-	-	2,795,560
Local	169,419	-	-	169,419
Prepaid expenditures/deposits	105,071	-	-	105,071
 Total Assets	 \$ 7,877,588	 \$ 1,918,855	 \$ 1,076,100	 \$ 10,872,543
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 200,583	\$ 23,290	\$ 13,685	\$ 237,558
Accrued interest	21,107	-	-	21,107
Accrued payroll and payroll fringes	2,715,161	-	-	2,715,161
Due to other governmental units	93,807	-	-	93,807
Due to other funds	2,137	-	1,258	3,395
Deferred revenue	117,811	-	12,862	130,673
State aid note	3,000,000	-	-	3,000,000
Total Liabilities	6,150,606	23,290	27,805	6,201,701
 Fund Balances :				
Nonspendable	105,071	-	-	105,071
Restricted -				
Debt service	-	-	635,686	635,686
Capital projects	-	1,895,565	-	1,895,565
Food service	-	-	128,829	128,829
Committed -				
Working capital	1,621,911	-	-	1,621,911
Latchkey	-	-	30,278	30,278
Capital projects	-	-	253,502	253,502
Total Fund Balances	1,726,982	1,895,565	1,048,295	4,670,842
 Total Liabilities and Fund Balances	 \$ 7,877,588	 \$ 1,918,855	 \$ 1,076,100	 \$ 10,872,543

The accompanying notes are an integral part of these financial statements.

SOUTH LAKE SCHOOLS

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS
JUNE 30, 2011**

Fund Balances - total governmental funds	\$ 4,670,842
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.	
Capital assets	46,922,922
Accumulated depreciation	(12,031,493)
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
	89,106
Internal Service Fund used by management to charge cost of the School District's termination payments for qualified employees. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.	
	238,974
Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds payable	(23,900,000)
Accrued interest on bonds payable	(181,022)
Accrued compensated absence	(392,360)
Losses on refunding are not reported in the governmental funds, whereas they are capitalized and amortized for net assets (netted against bonds payable)	
	482,810
Premiums on bonds are reported as other financing sources in the governmental funds, where they are capitalized and amortized from net assets (netted against bonds payable)	
	(293,525)
Bond issuance costs reported as debt retirement in the governmental funds, where they are deferred and amortized from net assets	
	223,869
Net Assets of governmental activities	\$ 15,830,123

The accompanying notes are an integral part of these financial statements.

SOUTH LAKE SCHOOLS

GOVERNMENTAL FUNDS

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011**

	General	2008 Construction	Other Non-Major Governmental Funds	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues:				
Local sources	\$ 5,755,887	\$ 102,009	\$ 2,787,941	\$ 8,645,837
State sources	14,843,433	-	20,734	14,864,167
Federal sources	1,736,552	-	476,107	2,212,659
Interdistrict sources	678,618	-	-	678,618
Total Revenues	<u>23,014,490</u>	<u>102,009</u>	<u>3,284,782</u>	<u>26,401,281</u>
Expenditures:				
Current -				
Instruction	12,765,423	-	-	12,765,423
Support services	9,958,705	-	-	9,958,705
Community services	898,500	-	-	898,500
Food services	-	-	723,252	723,252
Latch key	-	-	156,754	156,754
Outgoing transfers and other transactions	11,570	-	-	11,570
Capital outlay	-	3,214,629	1,907	3,216,536
Debt service	-	-	3,003,724	3,003,724
Total Expenditures	<u>23,634,198</u>	<u>3,214,629</u>	<u>3,885,637</u>	<u>30,734,464</u>
Net Change in Fund Balances	(619,708)	(3,112,620)	(600,855)	(4,333,183)
Fund Balances at beginning of year, restated	<u>2,346,690</u>	<u>5,008,185</u>	<u>1,649,150</u>	<u>9,004,025</u>
Fund Balances at end of year	<u>\$ 1,726,982</u>	<u>\$ 1,895,565</u>	<u>\$ 1,048,295</u>	<u>\$ 4,670,842</u>

The accompanying notes are an integral part of these financial statements.

SOUTH LAKE SCHOOLS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds	\$(4,333,183)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p style="padding-left: 40px;">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 and reported as depreciation expense.</p>	
Capital outlay	3,229,289
Depreciation expense	(828,190)
<p style="padding-left: 40px;">Revenue reported in the statement of activities that does not provide current financial resources and are not reported as revenue in the governmental funds</p>	
	35,895
<p style="padding-left: 40px;">The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net assets.</p>	
Principal payment on bonds	1,825,000
Bond premium, net of amortization	49,144
Deferred issuance cost, net of amortization	(11,305)
Amortization of deferred loss on refunding	(74,281)
<p style="padding-left: 40px;">Internal service fund used by management to charge costs of the School District's termination payments for qualified employees.</p>	
	704
<p style="padding-left: 40px;">Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.</p>	
Increase in compensated absences	(589)
Decrease in accrued interest	10,604
Change in net assets of governmental activities	\$(96,912)

The accompanying notes are an integral part of these financial statements.

SOUTH LAKE SCHOOLS

**PROPRIETARY FUND - INTERNAL SERVICE FUND
STATEMENT OF NET ASSETS
JUNE 30, 2011**

	<u>Governmental Activities</u>
ASSETS	
Investments	\$ 250,615
Interest receivable	<u>49</u>
	250,664
LIABILITIES	
Due to employees	<u>11,690</u>
NET ASSETS	
Unrestricted	<u><u>\$ 238,974</u></u>

**PROPRIETARY FUND - INTERNAL SERVICE FUND
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011**

Non-Operating Revenues:	
Interest earned	<u>\$ 704</u>
Change in Net Assets	704
Net Assets at beginning of year	<u>238,270</u>
Net Asset at end of year	<u><u>\$ 238,974</u></u>

The accompanying notes are an integral part of these financial statements.

SOUTH LAKE SCHOOLS

**PROPRIETARY FUND - INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Governmental Activities</u>
Cash Flows From Operating Activities:	
Employee benefits paid	\$(12,511)
Payments to other funds	<u>(103,344)</u>
Net Cash Used by Operating Activities	<u>(115,855)</u>
Cash Flows From Investing Activities:	
Interest earned	704
Purchase of investments	<u>(44,576)</u>
Net Cash Used by Investing Activities	<u>(43,872)</u>
Net Decrease in Cash and Cash Equivalents for the year	(159,727)
Cash and Cash Equivalents at beginning of year	<u>159,727</u>
Cash and Cash Equivalents at end of year	<u><u>\$ -</u></u>
Reconciliation of operating income to net cash used by operating activities:	
Operating income for the year	\$ -
Adjustments to reconcile operating income to net cash used by operating activities -	
Changes in assets and liabilities -	
Due to other funds	(103,344)
Due to employees	<u>(12,511)</u>
Net Cash Used by Operating Activities	<u><u>\$(115,855)</u></u>

The accompanying notes are an integral part of these financial statements.

SOUTH LAKE SCHOOLS

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
STUDENT ACTIVITIES AGENCY FUND
JUNE 30, 2011**

ASSETS:

Cash and cash equivalents	\$	125,870
Investments		<u>157,862</u>
Total Assets	\$	<u><u>283,732</u></u>

LIABILITIES:

Accounts payable	\$	2,292
Due to other funds		283
Due to student groups		<u>281,157</u>
Total Liabilities	\$	<u><u>283,732</u></u>

The accompanying notes are an integral part of these financial statements.

SOUTH LAKE SCHOOLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting methods and procedures adopted by South Lake Schools conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant accounting policies used by the School District:

A. Reporting Entity -

South Lake Schools, located in St. Clair Shores, Michigan, was established under the Constitution and statutes of the State of Michigan. South Lake Schools is one of twenty-one (21) school districts located in Macomb County, Michigan, each of which is a separate governmental entity. The School District operates under an elected School Board (seven members) and provides services to its more than 2,200 students in many areas, including basic education, special education, vocational education, adult education, athletics, and food services.

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. Based on these criteria, the School District had no component units.

B. 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* are normally supported by taxes and intergovernmental revenues.

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

Separate financial statements are provided for Governmental Funds, the Proprietary Fund, and the Fiduciary Funds even though the latter is excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation -

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year 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.

SOUTH LAKE SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

The Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the School District 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 the accrual basis of 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 therefore have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School District.

The proprietary fund and fiduciary fund statements are also reported using the economic resource measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operation. The principal revenue in our proprietary fund relates to charges to other funds for services. Operating expenses for the proprietary fund includes the costs of services. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The School District reports the following major governmental funds:

General Fund - is the School District's primary operating fund. It accounts for all activities not reported in other funds.

2008 Construction Fund - is used to record expenditures in connection with remodeling, re-equipping, and refurbishing school buildings, equipment, technology and school buses.

Additionally, the District reports the following fund types-

Special Revenue (School Service) Funds - are used to account for specific revenue sources that are restricted or committed expenditures for specific purposes other than debt service or capital projects. The District has two Special Revenue Funds, which are Food Service and Latch Key.

Debt Service Funds - are used to account for the accumulation of resources for the payment of principal and interest on long-term debt. The District has three Debt Service Funds, which are 2008 Issue, 2005 Issue and 1997 Issue.

Capital Project Fund - is used to record transactions related to the expenditure of bond proceeds for the renovation and expansion of the School District buildings. The District has three Capital Projects Funds, which are the 2008 Construction Fund described above and the Building and Site and Energy Conservation Construction Funds.

SOUTH LAKE SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Internal Service Fund - is used to account for accumulated resources to fund termination payments for qualified employees.

Agency Fund - is used to account for assets held by the School District as an agent for student clubs and other activities.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

D. Assets, Liabilities, and Net Assets or Equity -

Deposits and Investments -

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit with original maturities of three months or less from the date of acquisition, money markets, and governmental pool investment funds which are recorded at cost which approximates fair value. The governmental pool investment funds have the general characteristics of demand deposit accounts in that the School District may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty, and are reported as cash and cash equivalents.

Receivables and Payables -

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds." (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All property taxes and trade receivables are shown net of an allowance for uncollectible amounts.

Prepaid Items -

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide financial statements and in the fund financial statements.

Property Tax Calendar -

Property taxes are levied as of July 1 and December 1, by the various municipalities within the School District based on the assessed value the preceding December 31. Taxes are due on September 14 or February 14, respectively, with the final collection date of February 28, after which the delinquent real property taxes are added to the County roll.

In connection, Macomb County has established a Delinquent Tax Revolving Fund whereby all local units of government, including the School District, are paid for the delinquent real property taxes each year. The County will charge back to the local units of government any real property taxes not collected at the end of four years. Past experience has indicated that such chargebacks should not be material.

SOUTH LAKE SCHOOLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Capital Assets -

Capital assets, which include property, buildings, equipment, and vehicles, are reported in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of \$5,000 or more and an estimated life in excess of two years. 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 maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The School District does not have infrastructure type assets.

Buildings, equipment, and vehicles of the School District are depreciated using the straight-line method over the estimated useful lives:

Building and improvements	20-50 years
Buses and other vehicles	10 years
Furniture and equipment	7-20 years

Compensated Absences -

In accordance with contracts negotiated with the various employee groups of the School District, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. All vested vacation and sick leave is accrued when incurred in the district-wide fund financial statements. A liability for this amount is reported in governmental funds only if they have matured, for example, as a result of identified employee resignations and retirements, due to occur within one year.

Long-Term Obligations -

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity -

In the fund financial statements, governmental funds reported fund balances in one or more of the following classifications:

Nonspendable fund balance - the portion of fund balance that cannot be spent based on its form or because it must remain intact.

Restricted fund balance - the portion of fund balance that has limitations imposed by external sources.

SOUTH LAKE SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Committed fund balance - the portion of fund balance where amounts can only be used for specific purposes pursuant to constraints imposed by formal action via board resolution, (e.g., to establish, modify or rescind) of the highest level of decision-making authority (Board of Education).

Assigned fund balance - the portion of fund balance that reflects the District's intended use of resources. Such intent currently must be determined by the Director of Business Operations. Also, amounts in excess of nonspendable, restricted and committed fund balance in funds other than the General Fund is reported as assigned.

Unassigned fund balance - the portion of fund balance in the General Fund that cannot be classified into one of the four categories above.

When different classifications of fund balance are present, it is the District's policy that expenditures are to be spent from restricted fund balance first, if appropriate, followed in order by committed fund balance, assigned fund balance and lastly, unassigned fund balance.

To make the foundational support of the District as effective as possible, the Board desires to maintain, in stable economic times, a fund balance of at least 10% of the District's General Fund annual operating expenditures.

Comparative Data -

Comparative Data is not included in the School District's financial statements.

Estimates -

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Federal Programs -

Federal Programs are accounted for in the General and Special Revenue Funds of the District. The District has not integrated its Single Audit Reports and Schedule of Expenditures of Federal Awards as part of the Annual Financial Report. The Single Audit is issued under separate cover as supplementary information to the Basic Financial Statements.

Accounting Change -

For the year ended June 30, 2011, the District implemented Government Accounting Standard Board (GASB) Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing fund type definitions. This statement establishes fund balance classification that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement requires that the Athletic Fund, previously reported as a Special Revenue Fund, be reported as part of the General Fund. The Athletic Fund had a fund balance at June 30, 2010 of \$5; therefore the combination of funds resulted in a \$5 increase to the beginning fund balance of the General Fund.

SOUTH LAKE SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgetary Compliance -

The General and Special Revenue Funds budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and are on the same modified accrual basis used to reflect actual results.

The departments, in conjunction with the School District Business Manager, prepare and submit their proposed operating budgets for the fiscal year commencing July 1. The budgets include proposed expenditures and resources to finance them.

Prior to June 30, the proposed budget is presented to the Board of Education. The Board holds a public hearing and may add to, subtract from, or change appropriations. The budget is then legally enacted through the passage of a Board of Education Resolution. After the budget is adopted, all amendments must be approved by the Board of Education.

The School District's approved budgets were adopted at the object level for the General and the function level for the Special Revenue Funds. These are the legal enacted levels under the State of Michigan Uniform Budgeting and Accounting Act and the level of budgetary control adopted by the Board of Education (the level at which expenditures may not legally exceed appropriations). The General Fund budget was maintained at the account level for control purposes.

Budget amounts are reported as the original adopted and the final amended by the Board of Education during the year.

Excess of Expenditures over Appropriations -

The Uniform Budgeting and Accounting Act provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated at the legally enacted level. During the year ended June 30, 2011, the School District incurred expenditures in the General Fund and Latch Key Special Revenue Fund that were in excess of the appropriated amounts as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund -			
Business Services	\$ 447,154	\$ 496,795	\$ 49,641
Special Revenue Fund -			
Latch Key Fund -			
Latch Key	156,354	156,754	400

The Business Services budget variance was due to a tax refund to the City of Grosse Pointe Woods received in August 2011 for \$66,434.

SOUTH LAKE SCHOOLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (cont'd):

Bond Compliance -

2008 Construction Fund -

The School District is remodeling, re-equipping, refurbishing school buildings, athletic facilities and other facilities, preparing, developing and improving sites at school buildings, athletic fields and playgrounds, erecting, equipping and furnishing additions to school buildings and preparing, developing and improving sites for additions to school buildings; erecting, equipping and furnishing athletic facilities and improving sites for athletic facilities; equipping and re-equipping school buildings for technology systems and equipment and purchasing school buses; and paying costs of issuing the Bond.

The accumulated costs as of June 30, 2011 are \$9,597,098.

For these Capital Projects Funds, the School District has complied with the provisions of Section 1351a of the Revised School Code.

NOTE 3 - DEPOSITS AND INVESTMENTS:

As of June 30, 2011, the carrying amounts of the deposits and investments are as follows:

	Governmental Activities	Fiduciary Funds	Total
Cash on Hand -			
Petty Cash	\$ 4,496	\$ -	\$ 4,496
Deposits with Financial Institutions -			
Checking	945,852	125,870	1,071,722
Savings/Certificates of Deposit	702,231	157,862	860,093
Total Deposits	1,648,083	283,732	1,931,815
Investments -			
Money Markets	590,293	-	590,293
Investment Pools	4,465,907	-	4,465,907
Asset Backed Securities	1,303,229	-	1,303,229
Total Investments	6,359,429	-	6,359,429
Total Cash on Hand, Deposits and Investments	\$ 8,012,008	\$ 283,732	\$ 8,295,740
Reconciliation to Combined Balance Sheet			
Reported as Cash and Cash Equivalents -			
Petty Cash	\$ 4,496	\$ -	\$ 4,496
Checking/Money Markets	1,536,145	125,870	1,662,015
Investment Pools	4,465,907	-	4,465,907
Savings/Certificates of Deposit	98,802	-	98,802
Total Cash and Cash Equivalents	6,105,350	125,870	6,231,220
Reported as Investments -			
Certificates of Deposit	603,429	157,862	761,291
Asset Backed Securities	1,303,229	-	1,303,229
Total Investments	1,906,658	157,862	2,064,520
Total Cash, Cash Equivalents and Investments	\$ 8,012,008	\$ 283,732	\$ 8,295,740

SOUTH LAKE SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

Custodial Credit Risk - Deposits -

Custodial Credit Risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, insured credit unions, and savings and loan associations with an office in Michigan. The District does not have a deposit policy for custodial credit risk.

Depository Insurance regulations provide that deposits of governmental units are to be separately insured for the amount of \$250,000 for interest bearing checking and \$250,000 for interest bearing savings. Noninterest bearing accounts that meet various other specifications have unlimited insurance.

As of June 30, 2011 the carrying amount of the School District deposits is \$1,931,815 and the bank balance is \$2,620,864, of which \$778,389 is insured by depository insurance and \$1,842,475 is uninsured and uncollateralized.

Investments -

The District does not have a policy regarding the type of investments or concentration of credit risk; however, Michigan Public Act 132 of 1986, as amended, has authorized School Districts in Michigan to invest surplus funds in the following types of investments:

- a) Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- b) Certificates of deposit issued by a state or national bank, savings account of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in the State.
- c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d) Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- e) United States government or federal agency obligation repurchase agreements.
- f) Bankers' acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- g) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.
- h) Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a School District.

SOUTH LAKE SCHOOLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

The investments held by the School District are made through the use of an Investment Advisor, which is selected and retained by the School District Board. The advisor serves at the leisure of the School District Board as provided by the investment agreements. At June 30, 2011 the District had the following investment types:

<u>Investment Types</u>	<u>Fair Value</u>	<u>Percentage</u>
Asset Backed Securities		
Federal Home Loan Bank	\$ 1,303,229	20.49 %
Investment Pools	4,465,907	70.23
Money Markets	<u>590,293</u>	<u>9.28</u>
Total	<u>\$ 6,359,429</u>	<u>100.00 %</u>

Credit Risk - Investments - The District had \$4,465,907 invested in two investment pools. The investment pools are investment funds created exclusively for Michigan public school districts. The funds comply with all the requirements of Michigan Public Act 451 of 1976. The funds invest primarily in U.S. Government securities, commercial paper, mutual funds, and repurchase agreements.

The balances at June 30, 2011, per investment pool are as follows:

	<u>Amount</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Average Days to Maturity</u>
Fifth Third Institutional	\$ 590,293	AAAm	S & P	44 days
Michigan Liquid Asset Fund	4,188,438	AAAm	S & P	37 days
Comerica Fund J	<u>277,469</u>	Not Rated	N/A	52 days
	<u>\$ 5,056,200</u>			

These investment pools have been reported in the financial statements as a cash equivalent because they have the general characteristics of demand deposit accounts in that the district may deposit additional cash at any time and may effectively withdraw cash at any time without prior notice or penalty.

As of June 30, 2011, investments held by the District, excluding investment pools, had the following ratings:

	<u>Fair Value</u>	<u>Ratings</u>	<u>Rating Agency</u>
Asset Banked Securities			
Federal Home Loan Bank	<u>\$ 1,303,229</u>	AAA	S & P

Custodial Credit Risk - Investments - is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in possession of another party.

The securities of the investment pools are kept safe with a third party selected by the counterparty. However, the pool's securities are held in trust for the participants of the fund that are not available to the counterparty if the counterparty should happen to fail. We believe this arrangement satisfies the District's investment policy safekeeping requirement.

SOUTH LAKE SCHOOLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

Concentration of Credit Risk - Investments - is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District has attempted to minimize risk by diversifying its investments by maturity dates, individual financial institutions, and/or security type, so that potential loss on individual securities do not exceed the income generated from the remainder of the portfolio.

Interest Rate Risk - Investments - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. At year-end, the School District's investments had the following range of maturity dates:

Investment Types	Fair Value	Maturity (Years)			
		<1	1-5	6-10	>10
Asset Backed Securities	\$ 1,303,229	\$ -	\$ -	\$ -	\$ 1,303,229
Certificates of Deposit	603,429	603,429	-	-	-
	<u>\$ 1,906,658</u>	<u>\$ 603,429</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,303,229</u>

NOTE 4 - CAPITAL ASSETS:

Capital assets activity of the School District for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Assets, not being depreciated:				
Land	\$ 580,332	\$ -	\$ -	\$ 580,332
Construction in progress	5,676,469	3,229,289	8,905,758	-
Total Assets not being depreciated	6,256,801	3,229,289	8,905,758	580,332
Capital assets, being depreciated:				
Building and improvements	35,363,005	7,912,328	-	43,275,333
Buses and other vehicles	853,722	-	-	853,722
Furniture and equipment	1,235,093	993,430	14,988	2,213,535
Total capital assets being depreciated	37,451,820	8,905,758	14,988	46,342,590
Less accumulated depreciation for:				
Building and improvements	9,859,642	661,773	-	10,521,415
Buses and other vehicles	540,476	49,439	-	589,915
Furniture and equipment	818,173	116,978	14,988	920,163
Total accumulated depreciation	11,218,291	828,190	14,988	12,031,493
Total capital assets being depreciated, net	26,233,529	8,077,568	-	34,311,097
Total capital assets	\$ 32,490,330	\$ 11,306,857	\$ 8,905,758	\$ 34,891,429

SOUTH LAKE SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 4 - CAPITAL ASSETS - (cont'd):

Depreciation expense was charged to the various function/programs as follows:

Governmental Activities -	
Instruction	\$ 696,343
Support services	128,874
Food service	<u>2,973</u>
	<u>\$ 828,190</u>

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

The composition of interfund balances is as follows:

Due To/From Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	2008 Debt Fund	\$ 373 (1)
	2005 Debt Fund	817 (1)
	1997 Debt Fund	68 (1)
	Agency Fund	283 (2)
Food Service Fund	General Fund	2,054 (2)
Latch Key Fund	General Fund	<u>83 (2)</u>
		<u>\$ 3,678</u>

(1) Reimbursement for debt fund deposit.

(2) Reimbursement for costs incurred.

NOTE 6 - DEFERRED REVENUE:

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent personal property taxes	\$ 48,971	\$ -
State Aid	66,434	-
Grants/deposits received by the District not expended at June 30, 2011	<u>-</u>	<u>41,567</u>
	115,405	41,567
Less: allowance for doubtful accounts	(26,299)	-
Total	<u>\$ 89,106</u>	<u>\$ 41,567</u>

SOUTH LAKE SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 7 - STATE AID NOTE:

The following is a summary of changes in the short-term debt for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011
Michigan Municipal Bond Authority Revenue Notes				
Series 2010 C-1	\$ 500,000	\$ -	\$ 500,000	\$ -
Series 2010 F	-	3,000,000	-	3,000,000
	\$ 500,000	\$ 3,000,000	\$ 500,000	\$ 3,000,000

South Lake Schools issued short-term revenue notes for operating purposes. On December 22, 2010, the District issued a State Aid Note for \$3,000,000 with interest of 1.36% payable on August 22, 2011. This obligation was subsequently paid.

NOTE 8 - LONG-TERM DEBT:

The following is a summary of changes in the long-term debt (including current portions) for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year
District-wide Financial Statements -					
Bonds payable	\$ 25,725,000	\$ -	\$ 1,825,000	\$ 23,900,000	\$ 1,840,000
Deferred amounts for -					
Refunding Loss	(557,091)	-	(74,281)	(482,810)	(74,281)
Issuance Premium	342,669	-	49,144	293,525	49,144
Accrued vacation/sick leave	391,771	589	-	392,360	-
	25,902,349	589	1,799,863	24,103,075	1,814,863
Internal Service Fund -					
Employee Benefits	24,201	-	12,511	11,690	8,080
	\$ 25,926,550	\$ 589	\$ 1,812,374	\$ 24,114,765	\$ 1,822,943

Bonds Payable -

South Lake Schools issued Building and Site Bonds for the purposes of acquiring land, erecting and remodeling and furnishing and equipping various schools. The bonds are being paid from ad-valorem taxes levied without limitation as to rate or amount as provided by the Michigan Constitution. The bonds payable at June 30, 2011, per respective issue are as follows:

1997 Building and Site Bonds for equipping and furnishing additions and school buildings; improving athletic fields, playgrounds and other facilities; and acquiring, installing and equipping school buildings for technology systems and equipment, dated November 1, 1997, with original issue of \$25,000,000, were partially refunded February 2005. The remaining bonds are due in installments of \$1,950,000 in 2013 and 2014; interest of 5.125 percent, payable semi-annually. \$ 3,900,000

SOUTH LAKE SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 8 - LONG-TERM DEBT - (cont'd):

In February 2005 \$15,465,000 of general obligation unlimited tax refunding bonds were issued to purchase direct obligations of or obligations in which the principal of and interest are unconditionally guaranteed by the United States of America, which were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments representing \$1,830,000 of the 1995 refunded and \$13,875,000 of the 1997 partially refunded general obligation unlimited tax bonds. As a result, the refunded bonds are considered defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$965,631. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which is the same as the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over 13 years by \$1,883,395 and resulted in an economic gain of \$742,046. The bonds are due in annual installments ranging from \$1,800,000 to \$1,910,000; interest increasing from 3.90 to 5.00 percent, payable semi-annually. \$ 9,400,000

2008 Building and Site Bonds for remodeling, re-equipping, refurbishing school buildings, athletic facilities and other facilities and preparing, developing and improving sites at school buildings, athletic fields and playgrounds, erecting, equipping and furnishing additions to school buildings and preparing, developing and improving sites for additions to school buildings; erecting, equipping and furnishing athletic facilities and improving sites for athletic facilities; equipping and re-equipping school buildings for technology systems and equipment and purchasing school buses; and paying costs of issuing the Bond dated June 26, 2008 \$10,900,000. The bonds are due in annual installments ranging from \$40,000 to \$900,000; interest increasing from 3.25 to 5.00 percent, payable semi-annually through 2028. 18,600,000

\$ 23,900,000

The Debt Service Funds have \$635,686 available at June 30, 2011, to service the Building and Site Bonds.

Accrued Vacation and Sick Leave -

The accrued vacation and sick leave represents the unmaturing portion of accumulated unpaid vacation and sick leave due qualifying School District employees upon termination with the District. \$ 392,360

SOUTH LAKE SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 8 - LONG-TERM DEBT - (cont'd):

Severance Pay -

The severance pay amount represents the FICA liability for teachers and principals who opted for the Employee Severance Plan, which is being administered through EPC Associates. A plan was offered to employees during 2007 with exit dates through June 30, 2014. At June 30, 2011 the outstanding balance of \$11,690 represents the FICA payable on future annuity payments made by EPC.

Annual Debt Requirements -

The annual requirements to pay the debt outstanding at June 30, 2011 for the following obligation (excluding vacation and sick) are as follows:

	District-wide Financial Statements		Internal Service Fund
	Bonds		Severance Pay
	Principal	Interest	FICA
2012	\$ 1,840,000	\$ 1,086,134	\$ 8,080
2013	1,990,000	1,012,834	2,510
2014	1,990,000	911,597	1,100
2015	2,095,000	810,258	-
2016	2,285,000	708,053	-
2017-2021	7,445,000	2,248,557	-
2022-2026	4,475,000	1,055,962	-
2027-2028	1,780,000	126,825	-
	\$ 23,900,000	\$ 7,960,220	\$ 11,690

NOTE 9 - DEFINED BENEFIT PENSION PLAN:

Plan Description -

The District, as part of the Michigan Public School System, is required by State law to participate in the Michigan Public School Employees Retirement System (MPSERS), a statewide cost sharing multiple-employer defined benefit pension plan administered by the 12 member board of the MPSERS. The MPSERS provides retirement, survivor and disability benefits and currently operates under the provisions of Act 300 of the Public Acts of 1980, as amended. The plan covers substantially all employees of the School District.

The Pension Plus Plan was created under the provisions of Public Act 75 of 2010. As a result of the legislation, anyone newly hired by the District after June 30, 2010 becomes a member of the Pension Plus Plan. The new plan is a hybrid plan providing a lifetime guaranteed pension element through a defined benefit component with a flexible and transferable retirement savings element through a defined contribution account.

SOUTH LAKE SCHOOLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 9 - DEFINED BENEFIT PENSION PLAN - (cont'd):

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report is available on the web at <http://www.michigan.gov/orsschools> or may be obtained by writing to the Office of Retirement Services, Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan 48909-7671.

Post Employment Benefits -

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage. Retirees having these benefits contribute an amount approximately equivalent to the monthly cost for Part B Medicare and 10% of the monthly premium amount for the health, dental and vision coverage. For members who first work after June 30, 2008, a graded premium health insurance subsidy has been put in place.

Funding Policy -

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional administrative contribution rate annually established by the MPSERS board to fund retiree health care benefits. These retiree healthcare benefits are currently funded on the pay-as-you-go basis. The employer contribution rates for all employees except Pension Plus members for the fiscal year ended June 30, 2011 are summarized in the following table:

<u>Period of Rate</u>	<u>Pension Benefit</u>	<u>Health Care Benefit</u>	<u>Total</u>
July 1, 2010- September 30, 2010	10.13%	6.81%	16.94%
October 1, 2010- October 31, 2010	12.16	7.25	19.41
November 1, 2010- June 30, 2011	12.16	8.50	20.66

The employer contribution rates for Pension Plus members (employees hired after June 30, 2010) for the fiscal year ended June 30, 2011 is summarized in the following table:

<u>Period of Rate</u>	<u>Pension Benefit</u>	<u>Health Care Benefit</u>	<u>Total</u>
July 1, 2010- September 30, 2010	8.63%	6.81%	15.44%
October 1, 2010- October 31, 2010	10.66	7.25	17.91
November 1, 2010- June 30, 2011	10.66	8.50	19.16

SOUTH LAKE SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 9 - DEFINED BENEFIT PENSION PLAN - (cont'd):

Basic plan members make no contributions, but other plan members contribute to the Member Investment Plan (MIP) at graduated rates ranging from 3.0% to 4.3% applied to gross wages based on the date of enrollment. Members hired on or after July 1, 2008 contribute to the MIP and members hired on or after July 1, 2010 contribute to the Pension Plus Plan defined benefit component on graduated rates ranging from 3.0% to 6.4% of gross wages. In addition, members of the Pension Plus Plan are automatically set up to contribute 2% of gross wages to the defined contribution component unless selecting to opt out or the election of a higher contribution rate. The District is required to provide a matching contribution of 50% of the employee contributions not to exceed 2% of the employee's wages.

The District's required and actual contributions to MPSERS for the last three years were as follows:

2009	\$	2,488,664
2010		2,556,050
2011		2,807,771

The required and actual contributions for the Pension Plus Plan and post employment healthcare, dental and vision benefits are included in the contribution amounts presented above.

NOTE 10 - RISK MANAGEMENT:

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and workers' compensation, as well as medical benefits provided to employees. The School District contracts with a commercial insurance carrier to provide medical benefits. The School District participates in the SET-SEG risk pool for property loss, general liability, fleet coverage, and errors and omissions. The pool, organized under Public Act 138, is composed of School Districts throughout the State of Michigan who pay annual premiums based on the level of coverage, experience, deductible levels, etc. The pool retains the first \$500,000 coverage for each individual claim with reinsurance for amounts in excess of that amount. In years when premiums exceed the claims and other costs, refunds are given based on a number of criteria, including those mentioned above. Should the plan need additional funding they could also assess the members' additional charges.

The School District also participates in the SET-SEG Self-Insured Workers' Compensation Fund for claims relating to workers' compensation. The pool operates as a common risk sharing management program for school districts in Michigan. Members' premiums are used to purchase commercial excess insurance and to pay member claims in excess of deductible amounts.

NOTE 11 - CONSTRUCTION CONTRACT COMMITMENTS:

The District has also committed to the following contracts for the improvements to existing buildings at June 30, 2011:

	Contract Amount	Completed Through June 30, 2011	Remaining Balance June 30, 2011
High School	\$ 931,268	\$ 629,980	\$ 301,288
Athletic Complex	94,314	87,199	7,115
Technology	115,092	4,683	110,409
	<u>\$ 1,140,674</u>	<u>\$ 721,862</u>	<u>\$ 418,812</u>

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH LAKE SCHOOLS

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local sources	\$ 5,657,666	\$ 5,743,054	\$ 5,755,887	\$ 12,833
State sources	13,752,561	14,848,438	14,843,433	(5,005)
Federal sources	1,881,181	1,803,486	1,736,552	(66,934)
Interdistrict sources	466,934	676,272	678,618	2,346
Total Revenues	<u>21,758,342</u>	<u>23,071,250</u>	<u>23,014,490</u>	<u>(56,760)</u>
Expenditures:				
Instruction -				
Basic programs	11,119,372	11,000,264	10,892,592	107,672
Added needs	1,981,365	1,940,864	1,872,831	68,033
Support Services -				
Pupil	3,247,423	3,023,756	2,963,962	59,794
Instructional staff	1,975,683	1,731,438	1,578,349	153,089
General administration	560,225	575,181	573,029	2,152
School administration	1,250,153	1,235,465	1,192,582	42,883
Business services	461,948	447,154	496,795	(49,641)
Operation and maintenance	3,104,482	2,424,452	2,241,163	183,289
Pupil transportation services	501,007	470,261	448,657	21,604
Central	199,488	109,593	76,594	32,999
Athletics	397,005	388,228	387,574	654
Community Services -				
Custody and care of children	94,784	94,784	89,425	5,359
Non-public school pupils	1,023,623	820,428	809,075	11,353
Outgoing Transfers	99,682	87,734	11,570	76,164
Total Expenditures	<u>26,016,240</u>	<u>24,349,602</u>	<u>23,634,198</u>	<u>715,404</u>
Net Change in Fund Balance	(4,257,898)	(1,278,352)	(619,708)	658,644
Fund Balance at beginning of year, restated	<u>2,346,690</u>	<u>2,346,690</u>	<u>2,346,690</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ (1,911,208)</u></u>	<u><u>\$ 1,068,338</u></u>	<u><u>\$ 1,726,982</u></u>	<u><u>\$ 658,644</u></u>

OTHER SUPPLEMENTARY INFORMATION

SOUTH LAKE SCHOOLS

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011**

	Special Revenue Funds		Debt Service Funds		
	Food Service	Latch Key	2008 Issue	2005 Issue	1997 Issue
ASSETS					
Cash and cash equivalents	\$ 130,160	\$ 34,171	\$ 87,231	\$ 516,444	\$ 46,078
Due from other funds	2,054	83	-	-	-
Accounts receivable	-	24	-	-	-
Taxes receivable	-	-	1,141	4,779	433
Total Assets	\$ 132,214	\$ 34,278	\$ 88,372	\$ 521,223	\$ 46,511
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 2,337	\$ 1,549	\$ 9,799
Due to other funds	-	-	373	817	68
Deferred revenues	3,385	4,000	984	4,120	373
Total Liabilities	3,385	4,000	3,694	6,486	10,240
Fund Balance:					
Restricted -					
Debt Service	-	-	84,678	514,737	36,271
Food Service	128,829	-	-	-	-
Committed -					
Latch Key	-	30,278	-	-	-
Capital Projects	-	-	-	-	-
	128,829	30,278	84,678	514,737	36,271
Total Liabilities and Fund Balance	\$ 132,214	\$ 34,278	\$ 88,372	\$ 521,223	\$ 46,511

<u>Capital Projects Funds</u>		
<u>Building & Site</u>	<u>Energy Conservation Construction</u>	<u>Total</u>
\$ 9,110	\$ 244,392	\$ 1,067,586
-	-	2,137
-	-	24
-	-	6,353
<u>\$ 9,110</u>	<u>\$ 244,392</u>	<u>\$ 1,076,100</u>
\$ -	\$ -	\$ 13,685
-	-	1,258
-	-	12,862
-	-	27,805
-	-	635,686
-	-	128,829
-	-	30,278
9,110	244,392	253,502
<u>9,110</u>	<u>244,392</u>	<u>1,048,295</u>
<u>\$ 9,110</u>	<u>\$ 244,392</u>	<u>\$ 1,076,100</u>

SOUTH LAKE SCHOOLS

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>		
	<u>Food Service</u>	<u>Latch Key</u>	<u>2008 Issue</u>	<u>2005 Issue</u>	<u>1997 Issue</u>
Revenues:					
Local Sources -					
Interest	\$ 128	\$ 60	\$ 2,208	\$ 9,721	\$ 851
Other	258,621	182,856	409,718	1,763,906	159,624
State Sources	20,734	-	-	-	-
Federal Sources	476,107	-	-	-	-
Total Revenues	<u>755,590</u>	<u>182,916</u>	<u>411,926</u>	<u>1,773,627</u>	<u>160,475</u>
Expenditures:					
Current -					
Food services	723,252	-	-	-	-
Latch key	-	156,754	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service -					
Principal retirement	-	-	100,000	1,725,000	-
Interest and fiscal charges	-	-	481,594	478,411	218,719
Total Expenditures	<u>723,252</u>	<u>156,754</u>	<u>581,594</u>	<u>2,203,411</u>	<u>218,719</u>
Net Change in Fund Balance	32,338	26,162	(169,668)	(429,784)	(58,244)
Fund Balances at beginning of year	<u>96,491</u>	<u>4,116</u>	<u>254,346</u>	<u>944,521</u>	<u>94,515</u>
Fund Balances at end of year	<u>\$ 128,829</u>	<u>\$ 30,278</u>	<u>\$ 84,678</u>	<u>\$ 514,737</u>	<u>\$ 36,271</u>

<u>Capital Projects Funds</u>		
<u>Building & Site</u>	<u>Energy Conservation Construction</u>	<u>Total</u>
\$ 10	\$ 238	\$ 13,216
-	-	2,774,725
-	-	20,734
-	-	476,107
<u>10</u>	<u>238</u>	<u>3,284,782</u>
-	-	723,252
-	-	156,754
1,907	-	1,907
-	-	1,825,000
-	-	1,178,724
<u>1,907</u>	<u>-</u>	<u>3,885,637</u>
(1,897)	238	(600,855)
<u>11,007</u>	<u>244,154</u>	<u>1,649,150</u>
<u>\$ 9,110</u>	<u>\$ 244,392</u>	<u>\$ 1,048,295</u>

SOUTH LAKE SCHOOLS

FOOD SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2011

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local sources -				
Sales	\$ 294,459	\$ 259,203	\$ 258,621	\$(582)
Interest	123	123	128	5
State sources -				
Durant	35,247	20,734	20,734	-
Federal sources -				
Grants	358,557	472,292	476,107	3,815
Total Revenues	<u>688,386</u>	<u>752,352</u>	<u>755,590</u>	<u>3,238</u>
Expenditures:				
Food Service -				
Salaries			222,887	
Insurance			56,356	
FICA, retirement, etc.			62,626	
Purchased services			13,922	
Cost of goods sold			364,588	
Other expenditures			2,873	
Total Expenditures	<u>688,386</u>	<u>728,289</u>	<u>723,252</u>	<u>5,037</u>
Net Change in Fund Balance	-	24,063	32,338	8,275
Fund Balance at beginning of year	<u>96,491</u>	<u>96,491</u>	<u>96,491</u>	-
Fund Balance at end of year	<u>\$ 96,491</u>	<u>\$ 120,554</u>	<u>\$ 128,829</u>	<u>\$ 8,275</u>

SOUTH LAKE SCHOOLS

LATCH KEY FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local sources -				
Tuition	\$ 175,113	\$ 180,658	\$ 182,357	\$ 1,699
Interest	60	60	60	-
Other	-	-	499	499
Total Revenues	<u>175,173</u>	<u>180,718</u>	<u>182,916</u>	<u>2,198</u>
Expenditures:				
Latch Key -				
Salaries			109,755	
Insurance			361	
FICA, retirement, etc.			30,711	
Purchased services			618	
Supplies and materials			4,344	
Other expenditures			10,965	
Total Expenditures	<u>175,173</u>	<u>156,354</u>	<u>156,754</u>	<u>(400)</u>
Net Change in Fund Balance	-	24,364	26,162	1,798
Fund Balance at beginning of year	<u>4,116</u>	<u>4,116</u>	<u>4,116</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 4,116</u>	<u>\$ 28,480</u>	<u>\$ 30,278</u>	<u>\$ 1,798</u>