

SOUTH LAKE SCHOOLS

St. Clair Shores, Michigan

**ANNUAL FINANCIAL REPORT
with Supplementary Information**

**FOR THE YEAR ENDED
JUNE 30, 2016**



SOUTH LAKE SCHOOLS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Lake Schools (the "District") as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules, and pension system schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Lake Schools' basic financial statements. The combining and individual nonmajor statements and schedules (supplementary information), as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2016 on our consideration of South Lake Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Lake Schools' internal control over financial reporting and compliance.


Certified Public Accountants

October 14, 2016

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, 2016. 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. 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 2014 Construction Fund, with all other funds presented in one column as non-major funds. The remaining Statement of Fiduciary Assets and Liabilities presents financial information about student activities for which the School District acts solely as an agent for the benefit of students/parents.

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

Basic Financial Statements

District-wide Financial Statements

Fund Financial Statements

Notes to the Financial Statements

Required Supplementary Information

Budgetary Comparison Schedules

Pension System Schedules

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 position 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 position – the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, as reported in the statement of net position – 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 position – 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. 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 position 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, latchkey, 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. The School District establishes other funds to help it control and manage money for particular purposes (Food Services and Latchkey 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 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 be readily 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 position and the statement of activities) and governmental funds in reconciliations on pages 12 and 14.

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 position provides the perspective of the School District as a whole. Table I provides a summary of the School District’s net position as of June 30:

TABLE I

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Assets		
Current and other assets	\$ 4,619,314	\$ 10,121,501
Capital assets, net of accumulated depreciation	<u>37,518,735</u>	<u>34,598,541</u>
Total Assets	<u>42,138,049</u>	<u>44,720,042</u>
Deferred Outflows of Resources	<u>3,789,974</u>	<u>3,593,418</u>
Liabilities		
Current liabilities	4,515,843	5,976,051
Non-current liabilities	<u>55,021,548</u>	<u>55,153,276</u>
Total Liabilities	<u>59,537,391</u>	<u>61,129,327</u>
Deferred Inflows of Resources	<u>2,068,006</u>	<u>3,525,209</u>
Net Position		
Net investment in capital assets	17,495,625	16,421,385
Restricted	676,124	522,218
Unrestricted	(33,849,123)	(33,284,679)
Total Net Position	<u>\$(15,677,374)</u>	<u>\$(16,341,076)</u>

The above analysis focuses on the net position (see Table I). The change in net position (see Table II) of the School District’s governmental activities is discussed below. The School District’s net position was \$(15.7) million at June 30, 2016. Net investment in capital assets of \$17.5 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 position of \$0.7 million is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District’s ability to use those net positions for day-to-day operations. The remaining amount of net position of \$(33.9) million was an unrestricted deficit.

The \$(33.9) million unrestricted deficit 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 position 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 position for fiscal year 2016 and 2015:

TABLE II

	Governmental Activities	
	2016	2015
Revenue		
Program Revenue:		
Charges for services	\$ 938,632	\$ 575,891
Operating grants and contributions	3,554,556	3,391,473
General Revenue:		
Property taxes	7,790,548	7,477,686
State foundation allowance	11,945,666	13,163,450
Interest and investment earnings	5,652	3,572
Total Revenue	<u>24,235,054</u>	<u>24,612,072</u>
Functions/Program Expenses		
Instruction	12,752,850	13,225,369
Support services	8,377,461	8,530,691
Community services	656,747	588,425
Food services	903,290	943,592
Latchkey	101,846	144,595
Outgoing transfers and other transactions	6,600	18,403
Interest on long-term debt	772,558	1,267,893
Total Expenses	<u>23,571,352</u>	<u>24,718,968</u>
Increase (Decrease) in Net Position	<u>\$ 663,702</u>	<u>\$(106,896)</u>

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$23.6 million. Certain activities were partially funded from those who benefited from the programs of \$0.9 million or by other governments and organizations that subsidized certain programs with grants, categoricals, and contributions of \$3.6 million. We paid for the remaining “public benefit” portion of our governmental activities with \$7.8 million in taxes, \$11.9 million in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net position of \$663,702. The increase in net position differs from the change in fund balance and the reconciliation appears on page 14.

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 \$244,071, which is a decrease of \$4,103,786 from last year. The primary reason for the decrease was due to capital outlay expenditures of \$4,154,868 from the 2014 Construction Fund. In the General Fund, our principal operating fund, the fund balance decreased by \$164,943 to \$(1,296,368). Overall, General Fund expenses were 99% of budgeted amounts. The 2014 Construction Fund balance decreased by \$4,152,241 due to capital outlay expended.

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 \$889,806. The overall change was 4.4%, primarily due to increased State funding and the sharing of services agreement during the year.
- Budgeted expenditures increased by \$125,927. The overall change was 0.6%.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2016, the School District had \$54.8 million invested in a broad range of capital assets before depreciation, including land, buildings, vehicles, and equipment. This amount represents an increase of capital assets of \$4,081,728 or 8.0% over last year related to bond expenditures including building and facility improvements, technology, buses, and other capital improvement.

We present more detailed information about our capital assets in Note 4 to the financial statements.

Long-term Debt

At the end of this year, the School District had a debt of \$20.5 million versus \$22.8 in the previous year – a decrease of 10% due to the payments made on bonds.

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 \$19.9 million is significantly below the statutorily imposed limit for unqualified debt.

We present more detailed information about our long-term liabilities in Note 7 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 2016-2017 fiscal year budget. The two most important factors affecting the budget is student count and foundation revenue. The School District's foundation revenue is composed of State aid and local property taxes. State aid is determined by multiplying the student count by the foundation allowance per pupil and then subtracting local non-homestead property taxes. The student count is a blended count made up of 10% for the February 2016 count and 90% for the October 2016 count.

The 2016-2017 fiscal year budget was adopted in June 2016 with expenditures over revenues and included an assumed employee-negotiated modification of contract end dates. The contract end date for employees would adjust the salary and benefit accruals for July and August and bring the budget back into balance and eliminate the School District's deficit. If the modification of contract end dates does not occur in employee negotiations, then expenditure reductions will be sought through wage concessions to balance the budget. The School District has filed a five-year deficit elimination plan with the State, which has been approved. A revised deficit elimination plan is due to the State in October 2016.

With a deficit for the 2015-2016 school year and the unlikelihood of a significant increase in the State's School Aid Funding or increase in enrollment, all employee groups will again take a step freeze for the school year. As a result of the State's reduction of the foundation allowance in 2012 by \$470 per pupil, the School District is still operating with a foundation per-student equivalent to the amount in 2006. 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. The State holds two revenue-estimating conferences per year to estimate State revenues, one in May and the other in January.

Salary and benefits have averaged 84.76% of the School District's budget over the past six years, with pension costs remaining the biggest benefit expense for employees. Even with the State reforms to the retirement system, the retirement rate for the 2016-2017 school year will increase to 36.64% of payroll. This rate is based on the Basic/MIP with Premium Subsidy plan, which is one out of seven plans provided to employees, with the lowest rate being 32.66% of payroll. The State is helping schools pay for this increase by allocating additional funding to be used toward the retirement rate increase. With this additional funding, the retirement rate that schools will pay this year is artificially reduced to approximately 24.94% and 20.96%, respectively.

Statewide, school districts are finding it more difficult to balance their budgets with less than inflationary increases in revenues from the State to match the at-least-inflationary increases in expenditures. South Lake Schools will continue to take action to improve its fiscal position from one of a deficit situation to one of financial strength, while maintaining focus on the core mission of the School District - student learning.

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 ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

	Program Revenue			Net (Expense) Revenue and Change in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities:					
Instruction	\$ 12,752,850	\$ 108,818	\$ 2,823,227	\$ -	\$(9,820,805)
Support Services	8,377,461	430,171	2,775	-	(7,944,515)
Community Services	656,747	-	-	-	(656,747)
Food Services	903,290	260,068	728,554	-	85,332
Latchkey	101,846	139,575	-	-	37,729
Outgoing Transfers and Other Transactions	6,600	-	-	-	(6,600)
Interest on Long Term Debt	772,558	-	-	-	(772,558)
	<u>\$ 23,571,352</u>	<u>\$ 938,632</u>	<u>\$ 3,554,556</u>	<u>\$ -</u>	<u>(19,078,164)</u>
General Revenues:					
Property taxes -					
Levied for general purposes					4,494,409
Levied for debt service					3,296,139
State aid, unrestricted					11,945,666
Interest and investment earnings					5,652
Total general revenues					<u>19,741,866</u>
Change in Net Position					663,702
Net Position at beginning of year					<u>(16,341,076)</u>
Net Position at end of year					<u>\$(15,677,374)</u>

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

SOUTH LAKE SCHOOLS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016**

	General	2014 Construction	Other Non-Major Governmental Funds	Total
Assets:				
Cash and cash equivalents	\$ 217,042	\$ 624,260	\$ 1,037,013	\$ 1,878,315
Accounts receivable	4,324	-	1,124	5,448
Due from other funds	3,783	-	-	3,783
Due from other governmental units -				
State	2,530,519	-	-	2,530,519
Local	111,728	-	-	111,728
Prepaid expenditures/deposits	93,304	-	-	93,304
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 2,960,700</u>	<u>\$ 624,260</u>	<u>\$ 1,038,137</u>	<u>\$ 4,623,097</u>
Liabilities:				
Accounts payable	\$ 101,574	\$ 114,555	\$ -	\$ 216,129
Accrued payroll and payroll fringes	2,165,259	-	-	2,165,259
Due to other governmental units	62,610	-	-	62,610
Due to other funds	-	-	3,783	3,783
Unearned revenue	67,625	-	3,620	71,245
State aid note	660,000	-	-	660,000
Tax anticipation note	1,200,000	-	-	1,200,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>4,257,068</u>	<u>114,555</u>	<u>7,403</u>	<u>4,379,026</u>
Fund Balances (Deficit):				
Nonspendable	93,304	-	-	93,304
Restricted -				
Debt service	-	-	676,124	676,124
Capital projects	-	509,705	-	509,705
Food service	-	-	267,434	267,434
Committed - Latchkey	-	-	87,176	87,176
Unassigned (Deficit)	(1,389,672)	-	-	(1,389,672)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances (Deficit)	<u>(1,296,368)</u>	<u>509,705</u>	<u>1,030,734</u>	<u>244,071</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 2,960,700</u>	<u>\$ 624,260</u>	<u>\$ 1,038,137</u>	<u>\$ 4,623,097</u>

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

SOUTH LAKE SCHOOLS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2016

Fund Balances - total governmental funds	\$ 244,071
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	54,775,373
Accumulated depreciation	(17,256,638)
Certain pension contributions and changes in pension plan liabilities are reported as deferred outflows (inflows) of resources in the statement of net position.	
Deferred outflows of resources	3,789,974
Deferred inflows of resources	(2,068,006)
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	(19,955,000)
Accrued interest on bonds payable	(140,600)
Accrued compensated absence	(398,485)
Accrued contracts payable	(85,298)
Net pension liability	(34,004,950)
Premiums on bonds are reported as other financing sources in the governmental funds, whereas they are capitalized and amortized from net position (netted against bonds payable)	(577,815)
Net Position of governmental activities	<u><u>\$ (15,677,374)</u></u>

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

SOUTH LAKE SCHOOLS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	General	2014 Construction	Other Non-Major Governmental Funds	Total
Revenues:				
Local sources	\$ 4,944,243	\$ 2,627	\$ 3,698,584	\$ 8,645,454
State sources	14,025,325	-	39,770	14,065,095
Federal sources	894,089	-	688,784	1,582,873
Interdistrict sources	864,888	-	-	864,888
Total Revenues	20,728,545	2,627	4,427,138	25,158,310
Expenditures:				
Current -				
Instruction	12,009,594	-	-	12,009,594
Support services	8,255,533	-	4,237	8,259,770
Community services	672,761	-	-	672,761
Food services	-	-	913,489	913,489
Latchkey	-	-	104,362	104,362
Outgoing transfers and other transactions	6,600	-	-	6,600
Capital outlay	-	4,154,868	-	4,154,868
Debt service	-	-	3,140,652	3,140,652
Total Expenditures	20,944,488	4,154,868	4,162,740	29,262,096
Revenues over (under) expenditures	(215,943)	(4,152,241)	264,398	(4,103,786)
Other Financing Sources (Uses) :				
Transfers from other funds	51,000	-	-	51,000
Transfers to other funds	-	-	(51,000)	(51,000)
Total Other Financing Sources (Uses)	51,000	-	(51,000)	-
Net Change in Fund Balances (Deficit)	(164,943)	(4,152,241)	213,398	(4,103,786)
Fund Balances (Deficit) at beginning of year	(1,131,425)	4,661,946	817,336	4,347,857
Fund Balances (Deficit) at end of year	\$(1,296,368)	\$ 509,705	\$ 1,030,734	\$ 244,071

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
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Net change in fund balances - total governmental funds \$(4,103,786)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	4,081,728
Depreciation expense	(1,161,534)

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 position.

Principal payment on bonds	2,190,000
Amortization of bond premium	116,287

Change in pension contributions made subsequent to the measurement date	360,806
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Revenue in support of pension contributions made subsequent to the measurement date	(923,256)
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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.

Decrease in compensated absences	30,207
Increase in accrued contracts payable	(85,298)
Increase in net pension liability	(2,119,468)
Change in pension expense related to deferred items related to the pension plan	2,216,209
Decrease in accrued interest	61,807
	<u>61,807</u>

Change in net position of governmental activities	<u><u>\$ 663,702</u></u>
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The accompanying notes are an integral part of these financial statements.

SOUTH LAKE SCHOOLS

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND - STUDENT ACTIVITIES
JUNE 30, 2016**

Assets:

Cash and cash equivalents	\$ <u>314,728</u>
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Liabilities:

Accounts payable	\$ 197
Due to student groups	<u>314,531</u>

Total Liabilities	\$ <u>314,728</u>
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The accompanying notes are an integral part of these financial statements.

SOUTH LAKE SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity -

South Lake Schools (the "School District"), 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 1,900 student population 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 is 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 position 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 is 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 and the fiduciary fund 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*. (The Agency fund, a type of fiduciary fund, is unlike all other funds, reporting only assets and liabilities. Agency funds cannot be said to have a measurement focus. They do, however, use the *accrual basis of accounting* to recognize receivables and payables). 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, 2016

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

Governmental 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 can be 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 can be 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 judgements, 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 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.

2014 Construction Fund - is used to record bond proceeds from the 2014 Bond Issuance and expenditures in connection with remodeling, re-equipping, and refurbishing school buildings, equipment, technology and school buses.

Additionally, the School District reports the following fund types-

Governmental Fund Types -

Special Revenue (School Service) Funds - are used to account for specific revenue sources that are restricted or committed for expenditures for specific purposes other than debt service or capital projects. The School District has two Special Revenue Funds, which are the Food Service Fund that is used to account for sales and grants received for meals served to students of the School District and the Latchkey Fund that is used to account for tuition for before and after school childcare.

Debt Service Funds - are used to account for the accumulation of resources for, and payment of, principal and interest on long-term debt. The School District has three Debt Service Funds, which are 2015 Issue, 2014 Issue, and 2008 Issue.

Fiduciary Fund Type -

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

SOUTH LAKE SCHOOLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance -

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 investment trust funds. The investment trust 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 "due to/from other funds" (i.e., the current portion of interfund loans), "advances to/from other funds" (i.e., the noncurrent portion of interfund loans).

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.

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, except if purchased with bonds proceeds which are capitalized regardless of cost, and an estimated life in excess of one year. 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 life are not capitalized. The School District does not have infrastructure type assets.

SOUTH LAKE SCHOOLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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

Buildings, equipment, and vehicles of the School District are depreciated using the straight-line method over the following 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 district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts 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 expensed when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issue costs, during the current period. The face amount of debt issued is reported 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, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources -

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses) until then. The School District has the following items that qualify for reporting in this category: pension payments made subsequent to the measurement date and pension related changes in assumptions, net difference between projected and actual earnings on plan investments, and changes in proportionate share, which are all reported on the government-wide statement of net position. Pension payments made subsequent to the measurement date will be recognized in the next plan year, and the other pension related deferred outflows of resources are amortized over the expected remaining service lives of the participants with the exception of the net difference between projected and actual earnings on plan investments which will be amortized over a period of five years.

SOUTH LAKE SCHOOLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) so will not be recognized as an inflow of resources (revenue) until that time. The School District has the following items that qualify for reporting in this category: pension related changes in proportionate share, the difference between expected and actual experience, and 147c revenues in support of pension contributions made subsequent to the measurement date, which are all reported on the government-wide statement of net position and are amortized over the expected remaining service lives of the participants, except for the 147c deferral that will be recognized in the next plan year.

Fund Balance -

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

Nonspendable fund balance - the portion of fund balance that is not in spendable form.

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

Committed fund balance - the portion of fund balance that is set aside for a specific purpose 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 School 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 School 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.

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.

SOUTH LAKE SCHOOLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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

Federal Programs -

Federal Programs are accounted for in the General and Special Revenue Funds of the School District. The School 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 Annual Financial Report.

New Accounting Standard -

As of June 30, 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants*. GASB Statement No. 79 provides guidance for determining whether certain investment pools can continue to be accounted for using amortized cost. The adoption of this standard did not have an effect on amounts reported in the statements.

Upcoming Accounting Pronouncements -

The Governmental Accounting Standards Board (GASB) issued the following statements that may have an impact on the School District's financial statements when adopted. The School District is currently evaluating the implications of the pronouncements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plan Other Than Pension Plans*, was issued in June 2015 and will become effective for the School District's June 30, 2018 fiscal year. The statement requires governments providing defined benefit plans to report the net OPEB liability in their statement of net position. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets accumulated in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. This statement requires cost-sharing employers to record a liability and expenses equal to their proportionate share of the collective net OPEB liability of the cost-sharing plan (e.g. MPSERS). The plan will also improve the comparability and consistency of how governments calculate the OPEB liabilities and expenses.

GASB Statement No. 77, *Tax Abatement Disclosures*, was issued in August 2015 and will become effective for the School District's June 30, 2017 fiscal year. The statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements, including the tax being abated during the period, and commitments made by the government.

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.

SOUTH LAKE SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

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 function level for the General and the Special Revenue Funds. This is the legal enacted level 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.

For fiscal year 2015-16, the School District adopted a deficit budget which is a violation of the Uniform Budgeting and Accounting Public Act 2 of 1968. The School District submitted a deficit elimination plan with the State of Michigan.

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

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, 2016, the School District incurred the following expenditures which were in excess of the amounts appropriated:

	<u>Appropriations</u>	<u>Expended</u>	<u>Variance</u>
General Fund -			
Instruction - Basic Programs	\$ 9,966,909	\$ 10,071,900	\$ 104,991
Support Services - Pupil	2,057,672	2,058,824	1,152
Community Services - Nonpublic			
School Pupils	664,105	666,975	2,870

Bond Compliance -

2014 Construction Fund -

The School District is remodeling, equipping, re-equipping, furnishing, refurbishing school buildings and other facilities to enhance security and for other purposes; acquiring and installing technology equipment and technology infrastructure in school buildings and other facilities; constructing additions to school buildings, including entrances to enhance security and the construction of a storage facility; preparing, developing, and improving sites at school buildings and other facilities; the purchase of school buses; and paying costs of issuing bonds.

The accumulated costs as of June 30, 2016 are \$6,215,833.

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

SOUTH LAKE SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3 - DEPOSITS AND INVESTMENTS:

As of June 30, 2016, the carrying amounts of the deposits and investments are as follows:

	Governmental Activities	Fiduciary Funds	Total
Cash on Hand - Petty Cash	\$ 5,092	\$ -	\$ 5,092
Deposits with Financial Institutions	1,248,963	314,728	1,563,691
Investments - Investment Pools	624,260	-	624,260
Grand Total - Reported as Cash and Cash Equivalents	\$ 1,878,315	\$ 314,728	\$ 2,193,043

Custodial Credit Risk - Deposits -

Custodial Credit Risk is the risk that in the event of a bank failure, the School 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 School District does not have a deposit policy for custodial credit risk.

As of June 30, 2016, the carrying amount of the School District deposits is \$1,563,691 and the bank balance is \$1,939,329, of which \$250,000 is insured by depository insurance and \$1,689,329 is uninsured and uncollateralized.

Investments -

The School 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.

SOUTH LAKE SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

- 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.

Credit Risk - Investments - The School District had \$624,260 invested in an investment pool, the Michigan Liquid Asset Fund, created exclusively for Michigan public school districts and Michigan governmental units and is reported at amortized cost. The fund complies with all the requirements of Michigan Public Act 451 of 1976. The fund invests primarily in U.S. Government securities, commercial paper, mutual funds, and repurchase agreements.

The balance of the investment pool at June 30, 2016 is as follows:

	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Average Days to Maturity</u>
Michigan Liquid Asset Fund	<u>\$ 624,260</u>	AAAm	S & P	N/A

The investment pool has been reported in the financial statements as a cash equivalent because it has the general characteristics of a demand deposit account in that the School District may deposit additional cash at any time and may effectively withdraw cash at any time without prior notice or penalty. There are no limitations or restriction on participant withdrawals for investment pools that are recorded at amortized cost except for a 14-day redemption limitation on MILAF MAX Class funds.

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

The securities of the investment pool 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 School District's investment policy safekeeping requirement.

Concentration of Credit Risk - Investments - is the risk of loss attributed to the magnitude of the School District's investment in a single issuer. The School 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.

SOUTH LAKE SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 - CAPITAL ASSETS:

Capital asset activity of the School District for the year ended June 30, 2016 was as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Assets, not being depreciated:				
Land	\$ 580,332	\$ -	\$ -	\$ 580,332
Construction in progress	<u>2,002,762</u>	<u>4,074,603</u>	<u>5,939,065</u>	<u>138,300</u>
Total assets not being depreciated	<u>2,583,094</u>	<u>4,074,603</u>	<u>5,939,065</u>	<u>718,632</u>
Capital assets, being depreciated:				
Building and improvements	44,609,579	5,491,829	-	50,101,408
Buses and other vehicles	889,122	171,993	-	1,061,115
Furniture and equipment	<u>2,611,850</u>	<u>282,368</u>	-	<u>2,894,218</u>
Total capital assets being depreciated	<u>48,110,551</u>	<u>5,946,190</u>	-	<u>54,056,741</u>
Less accumulated depreciation for:				
Building and improvements	13,646,483	900,499	-	14,546,982
Buses and other vehicles	732,336	29,089	-	761,425
Furniture and equipment	<u>1,716,285</u>	<u>231,946</u>	-	<u>1,948,231</u>
Total accumulated depreciation	<u>16,095,104</u>	<u>1,161,534</u>	-	<u>17,256,638</u>
Total capital assets being depreciated, net	<u>32,015,447</u>	<u>4,784,656</u>	-	<u>36,800,103</u>
Total capital assets	<u>\$ 34,598,541</u>	<u>\$ 8,859,259</u>	<u>\$ 5,939,065</u>	<u>\$ 37,518,735</u>

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

Governmental Activities -	
Instruction	\$ 955,834
Support services	198,328
Food service	<u>7,372</u>
	<u>\$ 1,161,534</u>

The book value of Pare Elementary (idle asset) at June 30, 2016 is \$1,203,982, which approximates fair value.

SOUTH LAKE SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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	Food Service Fund	\$ 3,008 (1)
	Latchkey Fund	<u>775 (1)</u>
		<u>\$ 3,783</u>

Transfers From/To Other Funds:

Receiving Fund	Expending Fund	Amount
General Fund	Food Service Fund	\$ 31,000 (2)
	Latchkey Fund	<u>20,000 (2)</u>
		<u>\$ 51,000</u>

- (1) Reimbursement of expenditures
- (2) Charge for indirect costs

NOTE 6 - SHORT-TERM BORROWINGS:

The following is a summary of changes in the short-term debt for the year ended June 30, 2015:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016
Tax Anticipation Note	\$ -	\$ 1,200,000	\$ -	\$ 1,200,000
State Aid Note	-	900,000	240,000	660,000
2014/15 Line of Credit	<u>2,200,000</u>	<u>-</u>	<u>2,200,000</u>	<u>-</u>
	<u>\$ 2,200,000</u>	<u>\$ 2,100,000</u>	<u>\$ 2,440,000</u>	<u>\$ 1,860,000</u>

South Lake Schools entered into a revolving line of credit with a local financial institution in lieu of issuing a short-term revenue note for operating purposes. The line of credit was dated August 22, 2014 for \$4,000,000 with interest in monthly installments of a 2.00% fixed rate payable. The note was paid in full in August 2015.

In September 2015, the School District issued a State Aid Note for \$900,000 with interest of 3.90% to assist with operating cash flow. The State Aid Note is payable in four installments ranging from \$140,000 to \$444,375 starting May 2016, with a final installment due on August 22, 2016, including interest. The note was paid in full in August 2016.

In March 2016, the School District issued a Tax Anticipation Note for \$1,200,000 with interest of 4.00% to assist with operating cash flow. The Tax Anticipation Note and interest is payable on September 30, 2016. The note was paid in full in September 2016.

SOUTH LAKE SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 - LONG-TERM DEBT:

The following is a summary of changes in the long-term debt (including current portions) for the year ended June 30, 2016:

	Restated Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2016</u>	Due Within <u>One Year</u>
District-wide Financial Statements -					
Bonds payable	\$ 22,145,000	\$ -	\$ 2,190,000	\$ 19,955,000	\$ 2,305,000
Deferred amounts for -					
Issuance Premium	694,102	-	116,287	577,815	116,287
Accrued vacation/sick leave	428,692	-	30,207	398,485	-
Accrued contracts payable	<u>-</u>	<u>85,298</u>	<u>-</u>	<u>85,298</u>	<u>-</u>
	<u>\$ 23,268,794</u>	<u>\$ 85,298</u>	<u>\$ 2,336,494</u>	<u>\$ 21,016,598</u>	<u>\$ 2,421,287</u>

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, 2015, per respective issue are as follows:

In February 2015 \$5,490,000 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 the 2005 refunded general obligation unlimited tax bonds. As a result, the refunded bonds are considered defeased and the liability has been removed from the statement of net position. The principal balance outstanding of these defeased bonds is \$3,785,000. The 2015 bonds are due in semi-annual installments ranging from \$270,000 to \$1,575,000; interest of 4.00 percent, payable semi-annually.

\$ 3,680,000

2014 Building and Site bonds for remodeling, equipping, re-equipping, furnishing, refurbishing school buildings and other facilities to enhance security and for other purposes; acquiring and installing technology equipment and technology infrastructure in school buildings and other facilities; constructing additions to school buildings, including entrances to enhance security and the construction of a storage facility; preparing, developing and improving sites at school buildings and other facilities, the purchase of school buses; and paying costs of issuing the bonds dated November 20, 2014 for \$6,360,000. The bonds are due in annual installments ranging from \$100,000 to \$1,530,000 with interest ranging from 3.125% to 4.000%, payable semi-annually through 2044.

6,360,000

SOUTH LAKE SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 - LONG-TERM DEBT - (cont'd):

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 for \$10,900,000. The bonds are due in annual installments ranging from \$185,000 to \$900,000; interest ranging from 3.625 to 5.00 percent, payable semi-annually through 2028.

\$ 9,915,000
\$ 19,955,000

The Debt Service Funds have \$676,124 available at June 30, 2016, 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 School District.

\$ 398,485

Accrued Contracts Payable -

The accrued contracts payable represents the balance of certain employees' contracts that will not be paid until termination of employment with the School District as a result of voluntarily changing contract end date to June 30.

\$ 85,298

Annual Debt Requirements -

The annual requirements to pay the debt outstanding at June 30, 2016 (excluding vacation and sick and accrued contracts payable) are as follows:

	Bonds	
	Principal	Interest
2017	\$ 2,305,000	\$ 813,501
2018	2,445,000	721,782
2019	2,370,000	623,382
2020	1,690,000	533,980
2021	1,255,000	483,181
2022-2026	4,975,000	1,696,430
2027-2031	2,550,000	653,588
2032-2036	950,000	361,537
2037-2041	925,000	187,377
2042-2044	490,000	28,000
	\$ 19,955,000	\$ 6,102,758

SOUTH LAKE SCHOOLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 8 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS:

Plan Description -

The Michigan Public School Employees' Retirement System (MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (the "State") originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this Act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor plus the State Superintendent of Instruction, who serves as an ex-officio member.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS in their Comprehensive Annual Financial Report. The report may be obtained online at www.michigan.gov/orsschools. The System's financial statements are prepared using the accrual basis of accounting. Contributions from the employers are recognized as revenue when due and payable. Benefits and refunds are recognized when due and payable in accordance with the terms of the System. Plan investments are reported at fair value or estimated fair value.

Benefits Provided -

Benefit provisions of the defined benefit pension plan (the "Plan") are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) Plan. Retirement benefits for DB Plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB Plan members.

A DB member or Pension Plus Plan member who leaves Michigan public school employment may request a refund of his or her member contributions from the retirement system account. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Depending on the Plan option selected, member retirement benefits are calculated as final average compensation times years of service times a pension factor ranging from 1.25%-1.5%. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced 0.5% for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Members are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100% of the participant's final average compensation with an increase of 2% each year thereafter.

SOUTH LAKE SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 8 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS - (cont'd):

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3%. For some members who do not receive annual increases, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

Member and Employer Contributions -

Each school district or reporting entity is required to contribute the full actuarial funding contribution amount to fund pension benefits.

The majority of the members currently participate on a contributory basis, as described above under "Benefits Provided." Districts are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. For retirement, the unfunded (overfunded) actuarial accrued liability as of the September 30, 2015 valuation will be amortized over a 21 year period for the Plan's 2015 fiscal year. Employer contributions ranged from 18.76% to 23.07% for the period July 1 through September 30, 2015 and 14.56% to 18.95% for the period October 1, 2015 through June 30, 2016. In addition, the State of Michigan contributes stabilization revenues to all school districts to use exclusively for retirement benefits, which was 0% for the period July 1, 2015 through September 30, 2015 and approximately 7.31% for the period October 1, 2015 through June 30, 2016. The School District's contributions amounted to approximately \$3,011,000, of which approximately \$2,088,000 was district funded and \$923,000 was State funded.

The program allows members to purchase service credit and repay refunds on a tax-deferred basis. Members sign an irrevocable agreement that identifies the contract duration, monthly payment, total contract amount and years of service credit being purchased. The duration of the contract can range from 1 to 20 years. The amounts are withheld from members' paychecks and are treated as employer pick-up contributions pursuant to Internal Revenue Code Section 414(h).

Measurement of the MPSERS Net Pension Liability -

The Plan's net pension liability is to be measured as the total pension liability, less the amount of the pension plan's fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

SOUTH LAKE SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS - (cont'd):

Proportionate Share Net Pension Liability -

At June 30, 2016, the School District's portion of the Plan's assets was \$58,315,835 and liabilities was \$92,320,785, resulting in a net pension liability of \$34,004,950 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2014. The School District's proportionate share of the net pension liability was based on statutorily required contributions in relation to all of the School District's statutorily required contributions for the measurement period. At September 30, 2015, the School District's proportionate share percent was 0.13922175 percent and 0.14476 percent as of September 30, 2014.

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions -

For the year ended June 30, 2016, the recognized total pension expense in the district-wide financial statements was \$2,596,748. At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 837,274	\$ -
Net difference between projected and actual earnings on Plan investments	173,568	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	1,414	-
Contributions made subsequent to the measurement date*	2,777,718	-
147c Pension revenue related to contributions made subsequent to the measurement date*	-	923,256
Difference between expected and actual experience	-	112,634
Change in proportion and difference between employee contributions and proportionate share of contributions	-	1,032,116
Total	\$ 3,789,974	\$ 2,068,006

SOUTH LAKE SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS - (cont'd):

*These amounts, reported as deferred outflows or inflows of resources related to pensions resulting from contributions made subsequent to the measurement date and the related State contributions, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2017	\$(181,978)
2018	(181,978)
2019	(227,364)
2020	458,826
	\$(132,494)

Actuarial Valuations and Assumptions -

The total pension liability was determined by an actuarial valuation as of September 30, 2014 using updated procedures to roll forward the liability to September 30, 2015. The valuation was based on the most recent study of Plan experience covering the period of October 1, 2007 through September 30, 2012. Significant assumptions used in the latest valuation were:

Actuarial Cost Method	Entry Age, Normal
Wage Inflation Rate	3.5%
Investment Rate of Return	
- MIP and Basic Plans (Non-Hybrid)	8.0%
- Pension Plus Plan (Hybrid)	7.0%
Projected Salary Increases	3.5 - 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments	3% Annual Non-Compounded for MIP Members
Mortality	RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA (for men, 140% of table rates for ages 0-79, 133% for ages 80-84, and 121.8% thereafter; for women, 96% of table rates).

SOUTH LAKE SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS - (cont'd):

Long-Term Expected Return on Plan Assets -

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.9 %
Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.9
Real Estate and Infrastructure Pools	10.0	4.3
Absolute Return Pools	15.5	6.0
Short Term Investment Pools	2.0	0.0
TOTAL	100.0 %	

*Long term rate of return does not include 2.1% inflation

Discount Rate -

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus Plan, a hybrid plan). This discount rate was based on the long term expected rate of return on Plan investments of 8.0% (7.0% for the Pension Plus Plan). The projection of cash flows used to determine this discount rate assumed that Plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate -

The following presents the School District's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Pension Plus Plan), as well as what the reporting unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease (7.0%/6.0%)	Current Rate (8.0%/7.0%)	1% Increase (9.0%/8.0%)
\$ 43,841,097	\$ 34,004,950	\$ 25,712,675

SOUTH LAKE SCHOOLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 8 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS - (cont'd):

Payable to the Plan -

At June 30, 2016, the School District reported a payable of \$469,988 to the Plan for pension benefits required for the remaining pays related to the year ended June 30, 2016 and State section 147c revenues.

Postemployment Benefits -

Under the Michigan Public School Employees' Retirement Act, all retirees have the option of continuing health, dental and vision coverage. Current and future retirees having these benefits contribute 20% of premium costs, except that retirees who are Medicare-eligible as of January 1, 2013 will pay 10%. For members who first work after June 30, 2008, a graded premium health insurance subsidy defined benefit has been put in place. Beginning September 4, 2012, for new employees entering the plan retiree health benefits have been eliminated and replaced with a defined contribution cash benefit or Personal Healthcare Fund. Effective February 1, 2013, members had the option to choose to contribute 3% of their compensation to the Retiree Healthcare Fund and keep this premium subsidy benefit or elect not to pay the 3% contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement.

Members electing the Personal Healthcare Fund will be automatically enrolled to provide a 2% employee contribution into their 457 account as of their transition date and create an obligation for the School District to provide a 2% employer match into the employee's 403(b) account. For the year ended June 30, 2016, the School District's contributions were approximately \$15,000.

The MPSERS Board annually sets the employer contribution rate, which participatory employees are required to contribute. Employer contributions range from 2.20% to 2.71% for the period July 1 through September 30, 2015 and 6.40% to 6.83% for the period October 1, 2015 through June 30, 2016. In addition, the State of Michigan contributed revenues to the School District to use exclusively for retirement benefits, which was approximately 7.6% for the period July 1 through September 30, 2015 and 3.2% for the period October 1, 2015 through June 30, 2016.

The School District's funded contributions amounted to approximately \$749,000, \$198,000, and \$754,000; and the State funded contributions amounted to approximately \$406,000, \$1,043,000, and \$636,000 for the years ended June 30, 2016, 2015, and 2014, respectively.

NOTE 9 - 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 pool need additional funding they could also assess the members' additional charges.

SOUTH LAKE SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9 - RISK MANAGEMENT - (cont'd):

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.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH LAKE SCHOOLS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Local sources	\$ 4,698,283	\$ 4,716,881	\$ 4,944,243	\$ 227,362
State sources	13,612,291	14,051,092	14,025,325	(25,767)
Federal sources	1,054,858	1,040,238	894,089	(146,149)
Interdistrict sources	687,352	1,134,379	864,888	(269,491)
Total Revenues	<u>20,052,784</u>	<u>20,942,590</u>	<u>20,728,545</u>	<u>(214,045)</u>
Expenditures:				
Current -				
Instruction -				
Basic programs	10,083,173	9,966,909	10,071,900	(104,991)
Added needs	1,816,803	1,990,154	1,937,694	52,460
Support Services -				
Pupil	2,412,387	2,057,672	2,058,824	(1,152)
Instructional staff	1,261,310	1,242,532	1,120,728	121,804
General administration	542,259	532,482	528,938	3,544
School administration	1,123,108	1,134,451	1,114,325	20,126
Business services	281,762	540,418	514,390	26,028
Operation and maintenance	2,067,800	2,174,586	2,099,024	75,562
Pupil transportation services	423,898	415,849	392,252	23,597
Central	130,224	140,680	137,961	2,719
Athletics	311,371	305,246	289,091	16,155
Community Services -				
Custody and care of children	7,264	9,831	5,786	4,045
Non-public school pupils	586,298	664,105	666,975	(2,870)
Outgoing Transfers	19,734	18,403	6,600	11,803
Total Expenditures	<u>21,067,391</u>	<u>21,193,318</u>	<u>20,944,488</u>	<u>248,830</u>
Revenues under expenditures	(1,014,607)	(250,728)	(215,943)	34,785
Other Financing Sources:				
Transfers from other funds	51,000	51,000	51,000	-
Net Change in Fund Deficit	(963,607)	(199,728)	(164,943)	34,785
Fund Deficit at beginning of year	<u>(1,131,425)</u>	<u>(1,131,425)</u>	<u>(1,131,425)</u>	<u>-</u>
Fund Deficit at end of year	<u><u>\$(2,095,032)</u></u>	<u><u>\$(1,331,153)</u></u>	<u><u>\$(1,296,368)</u></u>	<u><u>\$ 34,785</u></u>

SOUTH LAKE SCHOOLS

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS
(PLAN YEAR END)**

	Year Ended September 30,		
	2015	2014	2013-2006*
Proportion of net pension liability	0.13922%	0.14476%	0.00%
Proportionate share of net pension liability	\$ 34,004,950	\$ 31,885,482	\$ -
Covered Payroll	\$ 11,560,805	\$ 12,748,583	\$ -
Proportionate share of net pension liability as a percentage of covered payroll	294.14%	250.11%	0.00%
Plan fiduciary net position as a percentage of total pension liability	63.17%	66.20%	0.00%

* GASB 68 was implemented for fiscal year ended June 30, 2015, the School District did not elect retroactive implementation.

SOUTH LAKE SCHOOLS

**SCHEDULE OF DISTRICT CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	Year Ended June 30,		
	2016	2015	2014-2007*
Statutorily required contributions	\$ 3,010,911	\$ 2,673,474	\$ -
Contributions in relation to statutorily required contribution	<u>3,010,911</u>	<u>2,673,474</u>	<u>-</u>
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered Payroll	\$ 10,907,092	\$ 11,808,693	\$ -
Contributions as a Percentage of Covered Employee Payroll	27.61%	22.64%	0.00%

* GASB 68 was implemented for fiscal year ended June 30, 2015, the School District did not elect retroactive implementation.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION:

There have been no changes in the benefit terms or assumptions used to determine the above contributions.

OTHER SUPPLEMENTARY INFORMATION

SOUTH LAKE SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue Funds		Debt Service Funds	
	Food Service	Latchkey	2014 Issue	2008 Issue
Assets:				
Cash and cash equivalents	\$ 272,967	\$ 87,922	\$ 102,390	\$ 139,759
Accounts receivable	1,095	29	-	-
Total Assets	<u>\$ 274,062</u>	<u>\$ 87,951</u>	<u>\$ 102,390</u>	<u>\$ 139,759</u>
 Liabilities:				
Due to other funds	\$ 3,008	\$ 775	\$ -	\$ -
Unearned revenues	3,620	-	-	-
Total Liabilities	<u>6,628</u>	<u>775</u>	<u>-</u>	<u>-</u>
 Fund Balances:				
Restricted -				
Debt service	-	-	102,390	139,759
Food service	267,434	-	-	-
Committed - Latchkey	-	87,176	-	-
Total Fund Balances	<u>267,434</u>	<u>87,176</u>	<u>102,390</u>	<u>139,759</u>
Total Liabilities and Fund Balances	<u>\$ 274,062</u>	<u>\$ 87,951</u>	<u>\$ 102,390</u>	<u>\$ 139,759</u>

Debt Service Fund	
<u>2015 Issue</u>	<u>Total</u>
\$ 433,975	\$ 1,037,013
<u>-</u>	<u>1,124</u>
<u>\$ 433,975</u>	<u>\$ 1,038,137</u>
\$ -	\$ 3,783
<u>-</u>	<u>3,620</u>
<u>-</u>	<u>7,403</u>
433,975	676,124
-	267,434
<u>-</u>	<u>87,176</u>
<u>433,975</u>	<u>1,030,734</u>
<u>\$ 433,975</u>	<u>\$ 1,038,137</u>

SOUTH LAKE SCHOOLS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Special Revenue Funds		Debt Service Funds	
	Food Service	Latchkey	2014 Issue	2008 Issue
Revenues:				
Local Sources	\$ 260,172	\$ 139,617	\$ 325,604	\$ 886,346
State Sources	39,770	-	-	-
Federal Sources	688,784	-	-	-
Total Revenues	988,726	139,617	325,604	886,346
Expenditures:				
Current -				
Support services	-	-	758	1,453
Food services	913,489	-	-	-
Latchkey	-	104,362	-	-
Debt Service -				
Principal retirement	-	-	-	380,000
Interest and fiscal charges	-	-	247,094	463,558
Total Expenditures	913,489	104,362	247,852	845,011
Revenues over expenditures	75,237	35,255	77,752	41,335
Other Financing Uses:				
Transfers to other funds	(31,000)	(20,000)	-	-
Net Change in Fund Balances	44,237	15,255	77,752	41,335
Fund Balances at beginning of year	223,197	71,921	24,638	98,424
Fund Balances at end of year	\$ 267,434	\$ 87,176	\$ 102,390	\$ 139,759

Debt Service Fund	
<u>2015 Issue</u>	<u>Total</u>
\$ 2,086,845	\$ 3,698,584
-	39,770
-	688,784
<u>2,086,845</u>	<u>4,427,138</u>
2,026	4,237
-	913,489
-	104,362
1,810,000	2,190,000
240,000	950,652
<u>2,052,026</u>	<u>4,162,740</u>
34,819	264,398
-	(51,000)
34,819	213,398
<u>399,156</u>	<u>817,336</u>
<u>\$ 433,975</u>	<u>\$ 1,030,734</u>

SOUTH LAKE SCHOOLS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOOD SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local sources -				
Sales	\$ 261,747	\$ 261,747	\$ 260,068	\$(1,679)
Interest	115	115	104	(11)
State sources	39,770	39,770	39,770	-
Federal sources	680,303	680,303	688,784	8,481
Total Revenues	<u>981,935</u>	<u>981,935</u>	<u>988,726</u>	<u>6,791</u>
Expenditures:				
Food Service -				
Salaries			271,763	
Payroll taxes, retirement, etc.			126,362	
Insurance			17,477	
Purchased services			12,960	
Cost of goods sold			463,596	
Other expenditures			9,458	
Capital Outlay			11,873	
Total Expenditures	<u>913,684</u>	<u>913,684</u>	<u>913,489</u>	<u>195</u>
Revenues over expenditures	68,251	68,251	75,237	6,986
Other Financing Uses:				
Transfers to other funds	(31,000)	(31,000)	(31,000)	-
Net Change in Fund Balance	37,251	37,251	44,237	6,986
Fund Balance at beginning of year	<u>223,197</u>	<u>223,197</u>	<u>223,197</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 260,448</u>	<u>\$ 260,448</u>	<u>\$ 267,434</u>	<u>\$ 6,986</u>

SOUTH LAKE SCHOOLS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
LATCHKEY FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local sources -				
Tuition	\$ 141,498	\$ 141,498	\$ 139,575	\$(1,923)
Interest	52	52	42	(10)
Total Revenues	<u>141,550</u>	<u>141,550</u>	<u>139,617</u>	<u>(1,933)</u>
Expenditures:				
Latchkey -				
Salaries			60,292	
Payroll taxes, retirement, etc.			27,119	
Insurance			103	
Purchased services			1,323	
Supplies and materials			2,426	
Other expenditures			13,099	
Total Expenditures	<u>105,154</u>	<u>105,154</u>	<u>104,362</u>	<u>792</u>
Revenues over expenditures	36,396	36,396	35,255	(1,141)
Other Financing Uses:				
Transfers to other funds	(20,000)	(20,000)	(20,000)	-
Net Change in Fund Balance	16,396	16,396	15,255	(1,141)
Fund Balance at beginning of year	<u>71,921</u>	<u>71,921</u>	<u>71,921</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 88,317</u>	<u>\$ 88,317</u>	<u>\$ 87,176</u>	<u>\$(1,141)</u>