

**SPRING LAKE PUBLIC SCHOOLS**



**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2009**



# SPRING LAKE PUBLIC SCHOOLS

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**SPRING LAKE PUBLIC SCHOOLS**  
**Administrative Personnel**  
**Year Ended June 30, 2009**

**BOARD OF EDUCATION MEMBERS**

Madonna Kramer	President
Lisa Ashcraft	Vice-President
Dina Horne	Treasurer
Debra Guzman	Secretary
John Nametz	Trustee
Paul Aldridge	Trustee
Dennis Devlin	Trustee

**PRINCIPALS & ADMINISTRATORS**

Dennis Furton	Superintendent
Mike Gilchrist	High School Principal
Scott Ely	Middle School Principal
Benjamin Lewakowski	Intermediate School Principal
Mary Keeton	Holmes Elementary Principal
Tom Koops	Jeffers Elementary Principal

**DIRECTOR OF BUSINESS**

Debra Miller

## INDEPENDENT AUDITORS' REPORT

October 7, 2009

Board of Education  
Spring Lake Public Schools  
Spring Lake, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of **Spring Lake Public Schools** (the "District"), as of and for the year ended June 30, 2009 which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Spring Lake Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Spring Lake Public Schools as of June 30, 2009, and the respective changes in financial position, where applicable, thereof and the budgetary comparison of the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated October 7, 2009, on our consideration of Spring Lake Public School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants, agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

As discussed in Note 15 to the financial statements, accounts receivable were restated during the year in connection with the Durant bonds. Accordingly, beginning net assets of governmental activities as of July 1, 2008 have been restated to adjust these balances.

A handwritten signature in cursive script that reads "Lehmann Johnson".

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

## **Spring Lake Public Schools** **Management's Discussion and Analysis**

This section of the Spring Lake Public School District annual financial report presents a discussion and analysis of the School District's financial performance during the year ended June 30, 2009. 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 Spring Lake Public School District financially as a whole. The Government-wide Financial Statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's two most significant funds, the General Fund and the 2006 Capital Projects Fund, with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The annual report is arranged as follows:

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

District-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

Other Supplementary Information

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

The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information about the School District as a whole using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The statement of net assets includes all of the School District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

## **Spring Lake Public Schools** **Management's Discussion and Analysis**

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

The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food service. Property taxes, unrestricted State aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

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

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

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

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

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

## Spring Lake Public Schools Management's Discussion and Analysis

### The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. The net assets of the District as of June 30, 2009 amounted to \$11.2 million as compared to the restated amount of \$10.0 million at June 30, 2008. See note 15 to the financial statements for further detail on the restatement of net assets as of June 30, 2008. This increase in net assets is due primarily to a decrease in some liabilities, namely bonds payable, combined with an increase in capital assets. Table 1 provides a condensed breakdown and comparison of these net assets as of June 30, 2009 and June 30, 2008:

**TABLE 1**  
**Condensed Statement of Net Assets**

	Governmental Activities June 30, 2009	Governmental Activities June 30, 2008
Current and other assets	\$9,271,613	\$15,338,652
Capital assets, net of accumulated depreciation	42,958,311	40,643,636
<b>Total assets</b>	<b>\$52,229,924</b>	<b>\$55,982,288</b>
Long-term debt outstanding	\$38,348,801	\$40,632,719
Other liabilities	2,684,761	5,304,148
<b>Total liabilities</b>	<b>\$41,033,562</b>	<b>\$45,936,867</b>
Net assets		
Invested in capital assets, net of related debt	\$5,337,597	\$5,456,993
Restricted	2,170,412	964,724
Unrestricted	3,688,353	3,623,704
<b>Total net assets</b>	<b>\$11,196,362</b>	<b>\$10,045,421</b>

The above analysis focuses on the net assets. The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets are \$11.2 million at June 30, 2009. This shows an increase of \$1.15 million from June 30, 2008, due mainly to a reduction of the bonds payable liability and an increase in capital assets. Capital assets net of related debt, totaling \$5,337,597, compares the original cost, less depreciation, of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets totaling \$3.69 million was unrestricted.

**Spring Lake Public Schools**  
**Management's Discussion and Analysis**

The \$3.69 million in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net assets balance enables the School District to meet working capital and cash flow requirements as well as provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the change in net assets for fiscal year 2009. A revenue and expense comparison to fiscal year 2008 is provided.

**TABLE 2**  
**Statement of Net Assets from Operating Results**

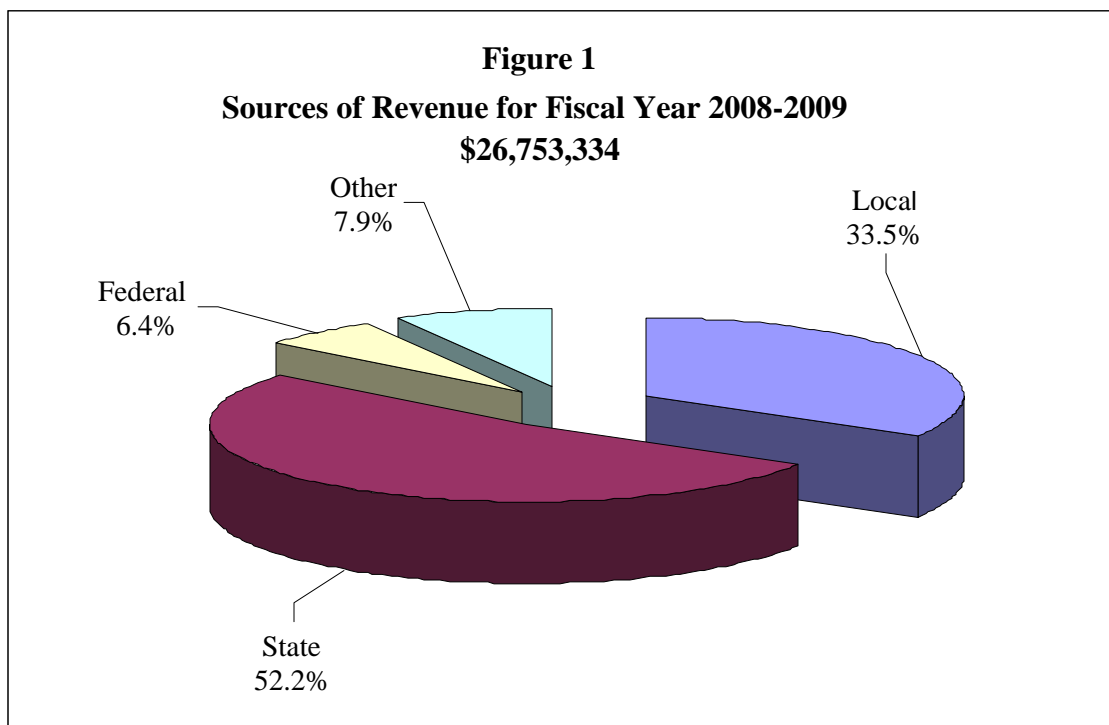
	Governmental Activities 2008-2009	Governmental Activities 2007-2008
<b>Revenues</b>		
Program revenues		
Charges for services	\$1,443,521	\$884,394
Operating grants and contributions	\$3,694,437	\$2,657,920
General revenue		
Property taxes	\$7,238,406	\$7,213,280
State foundation allowance	\$13,920,835	\$14,585,586
Other	\$456,135	\$912,925
<b>Total revenues</b>	<b>\$26,753,334</b>	<b>\$26,254,105</b>
<b>Expenses</b>		
Instruction	\$13,696,466	\$14,149,143
Support services	\$7,276,796	\$6,631,526
Community services	\$636,209	\$134,183
Food service	\$727,668	\$754,905
Athletics	\$496,785	\$487,514
Memorial trust	\$9,469	\$9,245
Payments to other districts	\$0	\$58,931
Depreciation - unallocated	\$1,062,113	\$0
Interest on long-term debt	\$1,696,887	\$1,848,129
<b>Total expenses</b>	<b>\$25,602,393</b>	<b>\$24,073,576</b>
<b>Increase in net assets</b>	<b>\$1,150,941</b>	<b>\$2,180,529</b>

The School District experienced an increase in net assets of \$1,150,941. The change in net assets is partially due to an increase in revenue from the State by way of a higher foundation allowance. When it became apparent that the State did not have the resources to meet this obligation, the increase was funded by federal dollars via the American Recovery and Reinvestment Act of

## Spring Lake Public Schools Management's Discussion and Analysis

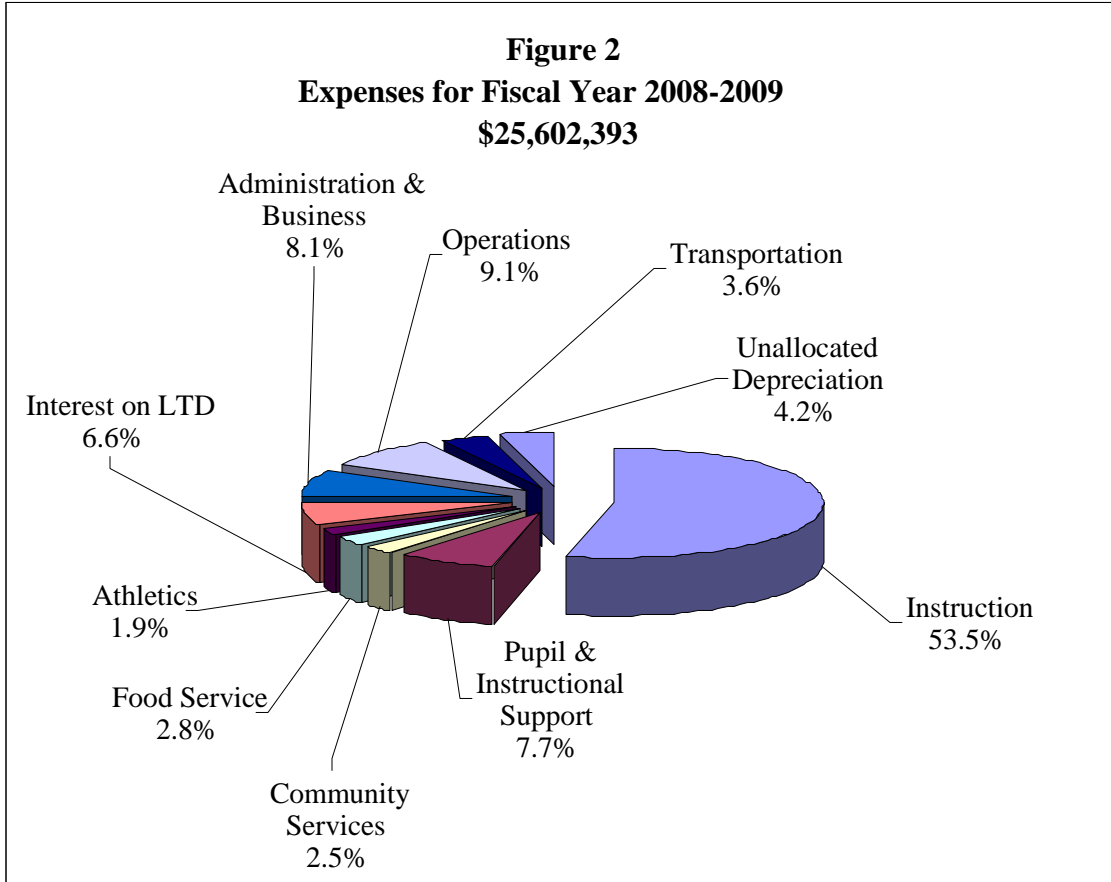
2009. The District also realized a reduction in the amount of long-term debt interest paid in 2008-2009.

Figure 1 depicts the breakdown of the sources of revenue for the District. Certain activities were partially funded by those who benefited from the programs (\$1.4 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$3.7 million), which was an increase from fiscal year 2008 funding in these areas. Spring Lake Public Schools paid for the remaining "public benefit" portion of governmental activities with \$7.2 million in taxes (\$7.2 million in 2008), \$13.9 million in State foundation allowance (\$14.6 million in 2008), and with other revenues of \$0.5 million (i.e., interest and other miscellaneous revenue).



As reported in the statement of activities, the cost of all governmental activities this year was \$25.6 million, which is an increase of approximately \$1.5 million from fiscal year 2008. This net increase is primarily due to the establishment of the Fitness and Aquatic Center and its expenses plus an increase in depreciation offset by lower long-term debt interest. Figure 2 below depicts how the District's resources were spent. 61.2% of these resources were spent on instruction and pupil and instructional support. 8.1% was spent on administration and business services to efficiently operate the District, while 9.1% was spent for building operation and maintenance, including utilities and custodial services. The remaining 21.6% was spent on long-term debt retirement and interest and other support services.

**Spring Lake Public Schools**  
**Management's Discussion and Analysis**



Expenses increased from fiscal year 2008 by 6.3% or \$1,528,817. In addition to salary and benefit increases, this increase is mainly attributable to an increase in depreciation and the commencement of the Fitness and Aquatic Center operations in September, 2008. The increase in total expenses was partially offset by a small decrease in the interest paid on long-term debt.

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.

# **Spring Lake Public Schools** **Management's Discussion and Analysis**

## **The School District's Funds**

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide 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 \$6.6 million, which is a decrease of \$3.4 million from last year's \$10.0 million. This decrease is primarily due to the fund balance reduction in the 2006 Capital Projects Fund as most projects were completed and funds were expended by June, 2009.

In the General Fund, the principal operating fund, the fund balance decreased by \$148,217 or 0.4%. The General Fund fund balance is available to fund costs related to allowable school operating purposes. The Food Service fund balance increased due to an increase in revenue and decrease in expenditures when compared to the prior year.

Combined, the Debt Service Funds showed a fund balance decrease of \$252,537 due to the complete retirement of the 1996 Bond Issue. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Fund balances are reserved since they can only be used to pay debt service obligations.

## **General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted just before year-end. (A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the financial statements).

The final 2009 General Fund expenditures and other financing uses decreased 0.5% from the originally budgeted amount. Revenues and other financing sources showed a positive variance of 3.7%, which, combined with the expenditure decrease, reduced the budgeted deficit by approximately \$890,000. This revenue increase is primarily attributable to the Fitness and Aquatic Center, however, the District did receive a one-time increase in property taxes due to a prior years' TIFA payment as well as an increase in special education funding from the State.

**Spring Lake Public Schools**  
**Management's Discussion and Analysis**

**Capital Assets and Debt Administration**

**Capital Assets**

At June 30, 2009, the School District had \$42.96 million invested in a broad range of capital assets, including land, buildings, and vehicles, furniture and equipment. A summary is presented below in Table 3.

**TABLE 3**  
**Summary of Capital Assets (Net of Depreciation)**

	Governmental Activities	
	June 30, 2009	June 30, 2008
Land	\$521,166	\$521,166
Buildings and improvements	\$40,915,872	\$38,626,921
Vehicles, furniture and equipment	\$1,521,273	\$1,495,549
<b>Total</b>	<b>\$42,958,311</b>	<b>\$40,643,636</b>

The majority of the additions to the capital assets during 2008-2009 were the completion of several bond projects as well as the construction in progress at the prior year end.

**Debt**

At the end of this year, the School District had \$38.3 million in general debt outstanding versus \$40.6 million last year – a decrease of \$2.3 million or 6.0%. This net decrease was primarily due to the scheduled repayment of District debt.

## Spring Lake Public Schools Management's Discussion and Analysis

Table 4 provides a summary of the District's indebtedness.

**TABLE 4**  
**Summary of Indebtedness**

	Outstanding June 30,	
	2009	2008
Balance of 1996 Bond Issue	\$0	\$765,000
Balance of 2006 Bond Issue	\$21,500,000	\$21,835,000
1998 Refunding Bond Issue	\$8,120,000	\$8,700,000
1999 Refunding Bond Issue	\$7,060,000	\$7,560,000
1998 Durant Bond Issue	\$175,087	\$193,307
Deferred 2006 Issuance Premiums	\$579,957	\$650,874
Accrued Severance Pay	\$553,000	\$575,000
Arbitrage Payable	\$360,757	\$353,538
<b>Total</b>	<b>\$38,348,801</b>	<b>\$40,632,719</b>

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 issued "Qualified Debt," that is debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$38.3 million is significantly below this \$90.5 million statutorily imposed limit.

We present more detailed information about long-term liabilities in the notes to the financial statements.

### Economic Factors and Next Year's Budgets and Rates

Elected officials and administration consider many factors when setting the School District's 2009-2010 fiscal year budget. One of the most important factors affecting the budget is student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2009-2010 fiscal year is 25 percent of the February 2009 and 75 percent of the September 2009 student counts at this time. The 2009-2010 budget was adopted in June 2009, based on an estimate of students that would be enrolled in September 2009. Approximately 64% of the total General Fund revenue is from the foundation allowance.

Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data prior to the start of the 2009-2010 school year, we anticipate that the fall student count will be higher than the estimates used in creating the 2009-2010 budget. While the State appropriations have not been determined at this point in time, it is anticipated that the foundation allowance will be reduced from the previous year's level of funding. While the exact amount of the reduction is not currently known, we do

## **Spring Lake Public Schools** **Management's Discussion and Analysis**

anticipate the reduction to be partially offset by revenue in the form of federal dollars via the American Recovery and Reinvestment Act of 2009. Once the final September 2009 student count is validated, the budget will be amended accordingly. State law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to determine if these collections are on track with the budgeted State appropriations.

### **Contacting the School District's Financial Management**

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact:

Debra A. Miller  
Director of Business  
Spring Lake Public Schools  
345 Hammond Street  
Spring Lake, Michigan, 49456

## **BASIC FINANCIAL STATEMENTS**

**SPRING LAKE PUBLIC SCHOOLS**  
**Statement of Net Assets**  
**June 30, 2009**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Cash and investments	\$ 5,831,687
Accounts receivable	3,329,951
Inventory	25,528
Deferred charges	84,447
Non-depreciable capital assets	521,166
Depreciable capital assets, net	42,437,145
<b>Total assets</b>	<b>52,229,924</b>
 <b>Liabilities</b>	
Accounts payable	654,319
Accrued expenses	1,733,085
Accrued interest payable on long-term debt	281,349
Unearned revenue	16,008
Noncurrent liabilities:	
Due within one year	1,965,063
Due in more than one year	36,383,738
<b>Total liabilities</b>	<b>41,033,562</b>
 <b>Net assets</b>	
Invested in capital assets, net of related debt	5,337,597
Restricted for debt service	728,231
Restricted for capital projects	1,442,181
Unrestricted	3,688,353
<b>Total net assets</b>	<b>\$ 11,196,362</b>

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

**SPRING LAKE PUBLIC SCHOOLS**  
**Statement of Activities**  
**For the Year Ended June 30, 2009**

<u>Functions / Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction	\$ 13,696,466	\$ 49,897	\$ 3,426,067	\$ (10,220,502)
Supporting services	7,276,796	45,720	20,774	(7,210,302)
Community services	636,209	689,146	-	52,937
Athletics	496,785	104,373	-	(392,412)
Food services	727,668	554,385	247,596	74,313
Memorial trust	9,469	-	-	(9,469)
Depreciation - unallocated	1,062,113	-	-	(1,062,113)
Interest on long-term debt	1,696,887	-	-	(1,696,887)
<b>Total governmental activities</b>	<b>\$ 25,602,393</b>	<b>\$ 1,443,521</b>	<b>\$ 3,694,437</b>	<b>(20,464,435)</b>
General revenues:				
Property taxes - operations				3,558,578
Property taxes - debt service				3,679,828
State of Michigan aid - unrestricted				13,920,835
Unrestricted investment earnings				358,552
Other				97,583
<b>Total general revenues</b>				<b>21,615,376</b>
Change in net assets				1,150,941
Net assets, beginning of year, as restated				10,045,421
<b>Net assets, end of year</b>				<b>\$ 11,196,362</b>

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

**SPRING LAKE PUBLIC SCHOOLS**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2009**

	<u>General</u>	<u>2006 Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>Assets</b>				
Cash and investments	\$ 2,701,246	\$ 1,243,916	\$ 1,886,525	\$ 5,831,687
Accounts receivable	3,140,864	-	189,087	3,329,951
Due from other funds	3,612	-	-	3,612
Inventory	-	-	25,528	25,528
<b>Total assets</b>	<b>\$ 5,845,722</b>	<b>\$ 1,243,916</b>	<b>\$ 2,101,140</b>	<b>\$ 9,190,778</b>
<b>Liabilities</b>				
Accounts payable	\$ 501,476	\$ 145,441	\$ 7,402	\$ 654,319
Accrued expenses	1,733,085	-	-	1,733,085
Due to other funds	-	-	3,612	3,612
Deferred revenue	-	-	191,095	191,095
<b>Total liabilities</b>	<b>2,234,561</b>	<b>145,441</b>	<b>202,109</b>	<b>2,582,111</b>
<b>Fund balances</b>				
Reserved for inventory	-	-	9,520	9,520
Unreserved, designated for capital projects	-	1,098,475	-	1,098,475
Unreserved, undesignated	3,611,161	-	-	3,611,161
Unreserved, undesignated, reported in nonmajor:				
Special revenue funds	-	-	536,225	536,225
Debt service funds	-	-	1,009,580	1,009,580
Capital projects funds	-	-	343,706	343,706
<b>Total fund balances</b>	<b>3,611,161</b>	<b>1,098,475</b>	<b>1,899,031</b>	<b>6,608,667</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,845,722</b>	<b>\$ 1,243,916</b>	<b>\$ 2,101,140</b>	<b>\$ 9,190,778</b>

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

**SPRING LAKE PUBLIC SCHOOLS**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**June 30, 2009**

Fund balances - total governmental funds	\$	6,608,667
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Amounts reported for governmental activities in the statement of net assets are different because:

Long-term receivables are reported as an asset and revenue when earned on the statement of net assets while the governmental funds report these balances as an asset and deferred revenue until the availability criterion for revenue recognition is met.

Add - deferred long-term receivables		175,087
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - Non-depreciable capital assets		521,166
Add - Depreciable capital assets, net		42,437,145

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds payable		(37,435,044)
Deduct - accrued interest on bonds payable		(281,349)
Deduct - accrued severance pay		(553,000)
Deduct - arbitrage payable		(360,757)
Add - deferred bond charges		84,447

<b>Net assets of governmental activities</b>	<b>\$</b>	<b><u>11,196,362</u></b>
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The accompanying notes are an integral part of these financial statements.

**SPRING LAKE PUBLIC SCHOOLS**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2009**

	<b>General</b>	<b>2006 Capital Projects</b>	<b>Nonmajor Funds</b>	<b>Total</b>
<b>Revenues</b>				
Local sources:				
Property taxes	\$ 3,558,578	\$ -	\$ 3,679,828	\$ 7,238,406
Tuition	225,732	-	-	225,732
Investment income	50,620	282,906	32,245	365,771
Food sales and athletics	-	-	658,758	658,758
Recreation	474,788	-	-	474,788
Other	2,115,995	-	2,145	2,118,140
State sources	13,927,518	-	61,255	13,988,773
Federal sources	1,499,074	-	209,331	1,708,405
Total revenues	21,852,305	282,906	4,643,562	26,778,773
<b>Expenditures</b>				
Current:				
Instruction services	13,702,461	-	-	13,702,461
Supporting services	7,301,852	-	-	7,301,852
Community services	636,209	-	-	636,209
Food service	-	-	727,668	727,668
Athletic activities	-	-	496,785	496,785
Memorial trust	-	-	9,469	9,469
Debt service:				
Principal	-	-	2,198,220	2,198,220
Interest expense	-	-	1,783,848	1,783,848
Capital outlay	-	3,361,632	-	3,361,632
Total expenditures	21,640,522	3,361,632	5,215,990	30,218,144
Revenues over (under) expenditures	211,783	(3,078,726)	(572,428)	(3,439,371)
<b>Other financing sources (uses)</b>				
Transfers in	35,000	-	423,162	458,162
Transfers out	(395,000)	-	(63,162)	(458,162)
Total other financing sources (uses)	(360,000)	-	360,000	-
Net change in fund balances	(148,217)	(3,078,726)	(212,428)	(3,439,371)
Fund balances, beginning of year	3,759,378	4,177,201	2,111,459	10,048,038
<b>Fund balances, end of year</b>	<b>\$ 3,611,161</b>	<b>\$ 1,098,475</b>	<b>\$ 1,899,031</b>	<b>\$ 6,608,667</b>

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

**SPRING LAKE PUBLIC SCHOOLS**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2009**

Net change in fund balances - total governmental funds \$ (3,439,371)

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

Long-term receivables are reported as revenue when earned on the statement of activities while the governmental funds report these balances as revenue when the availability criterion for revenue recognition is met.

Deduct - change in deferred long-term receivables (18,220)

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.

Add - capital outlay 3,376,788  
Deduct - depreciation expense (1,062,113)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term debt 2,198,220  
Add - amortization of deferred charges 70,917

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.

Add - decrease in accrued interest payable on bonds 16,044  
Deduct - amortization of deferred charges (6,105)  
Add - decrease in the accrual for severance pay 22,000  
Deduct - increase in the accrual for arbitrage payable (7,219)

**Change in net assets of governmental activities \$ 1,150,941**

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

**SPRING LAKE PUBLIC SCHOOLS**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2009**

	Budget		Actual	Variance -
	Original	Amended		Over/(Under) Budget
<b>Revenues</b>				
Local sources:				
Property taxes	\$ 2,414,666	\$ 2,854,718	\$ 3,558,578	\$ 703,860
Tuition	185,475	222,400	225,732	3,332
Investment income	125,000	42,000	50,620	8,620
Recreation	50,000	415,000	474,788	59,788
Other	2,065,047	2,128,890	2,115,995	(12,895)
State sources	15,611,252	15,413,793	13,927,518	(1,486,275)
Federal sources	612,164	602,145	1,499,074	896,929
Total revenues	21,063,604	21,678,946	21,852,305	173,359
<b>Expenditures</b>				
Current:				
Instruction services				
Basic programs	11,271,484	11,124,769	11,120,952	(3,817)
Added needs	2,615,386	2,602,181	2,581,509	(20,672)
Supporting services				
Pupil	1,588,221	1,559,646	1,558,576	(1,070)
Instructional staff	181,757	198,265	196,942	(1,323)
General administration	625,666	687,279	681,430	(5,849)
School administration	1,130,139	1,070,839	1,068,355	(2,484)
Business services	327,635	314,976	313,530	(1,446)
Operations and maintenance	2,296,539	2,339,950	2,339,123	(827)
Transportation	998,562	920,008	918,935	(1,073)
Staff services	32,387	23,887	22,213	(1,674)
Technology	241,129	205,221	202,748	(2,473)
Community services	436,202	642,455	636,209	(6,246)
Total expenditures	21,745,107	21,689,476	21,640,522	(48,954)
Revenues over (under) expenditures	(681,503)	(10,530)	211,783	222,313
<b>Other Financing sources (uses)</b>				
Transfers in	35,000	35,000	35,000	-
Transfers out	(395,000)	(395,000)	(395,000)	-
Total other financing sources (uses)	(360,000)	(360,000)	(360,000)	-
Net changes in fund balance	(1,041,503)	(370,530)	(148,217)	222,313
Fund balance, beginning of year	3,759,378	3,759,378	3,759,378	-
<b>Fund balance, end of year</b>	<b>\$ 2,717,875</b>	<b>\$ 3,388,848</b>	<b>\$ 3,611,161</b>	<b>\$ 222,313</b>

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

**SPRING LAKE PUBLIC SCHOOLS**  
**Statement of Fiduciary Assets and Liabilities**  
**Agency Fund**  
**June 30, 2009**

**Assets**

Cash and cash equivalents	<u><u>\$ 197,550</u></u>
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**Liabilities**

Due to student groups	<u><u>\$ 197,550</u></u>
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The accompanying notes are an integral part of these financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

# SPRING LAKE PUBLIC SCHOOLS

## Notes to Financial Statements

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies of Spring Lake Public Schools (the "District") consistently applied in the preparation of the accompanying financial statements follows:

#### *The Reporting Entity*

The District is governed by an elected seven-member Board of Education. As required by generally accepted accounting principles, these financial statements present the reporting entity of Spring Lake Public Schools. The criteria identified in GASB Statements 14 and 39, including financial accountability, have been utilized in identifying the District's reporting entity which includes no component units.

#### *Government-wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the year ended June 30, 2009.

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 or segment. *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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements.

Major individual governmental funds are reported as separate columns in the fund financial statements.

# SPRING LAKE PUBLIC SCHOOLS

## Notes to Financial Statements

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### *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The agency fund follows the accrual basis of accounting, but does not have a measurement focus.

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 are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, expenditure-driven grant revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so 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 District.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *2006 capital projects fund* accounts for the costs of the aquatic/community center addition and additional capital improvements. Financing is provided by the General Obligation bonds issued in 2006.

Additionally, the District reports the following fund types:

The *special revenue funds* account for assets which are restricted for specific purposes.

The *debt service funds* account for the accumulation of resources which are restricted for the payment of principal and interest on bonds.

The *public improvement fund* accounts for the accumulation and disbursement of funds for construction projects.

# SPRING LAKE PUBLIC SCHOOLS

## Notes to Financial Statements

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The *agency fund* accounts for resources held on behalf of other individuals and governments. The District maintains a Student Activities Fund to record the transactions of student and parent groups for school and school-related purposes. The funds are segregated and held in trust for the students and parents.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The effect of interfund activity has been eliminated from the government-wide financial statements.

### ***Budgets and Budgetary Accounting***

Budgets are adopted for general and special revenue funds as required by state law and are adopted on a basis consistent with generally accepted accounting principles (GAAP). The District considers the debt service payment schedule to be an adequate budgetary control. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the Board a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all governmental funds.
5. Adoption and amendments of all budgets used by the District are governed by Public Act 621, which was followed for the year ended June 30, 2009. Expenditures may not exceed appropriations at the function level. The appropriations resolutions are based on the projected expenditures budget of the department heads of the District. Any amendment to the original budget must meet the requirements of public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

# SPRING LAKE PUBLIC SCHOOLS

## Notes to Financial Statements

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### *Encumbrances*

Encumbrance accounting is employed in governmental funds. Encumbrances (purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

### *Property Taxes*

Property taxes are recognized as revenue in the General and Debt Service funds on a levy year basis. The 2008 levy amounts are recognized as current property tax revenue to the extent they are collected during the year or within sixty days after year end. Collections of delinquent taxes in subsequent years are recognized as property tax revenues in the year collected. Assessed values are established annually by the various governmental units within the District and are equalized by the State of Michigan.

### *Cash and Investments*

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

### *Receivables and Revenue*

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

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. For Spring Lake Public Schools, all properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1 for 100 percent of the taxes which are due September 15.

The State of Michigan utilized a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the District Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State’s School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

# SPRING LAKE PUBLIC SCHOOLS

## Notes to Financial Statements

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

### *Inventory*

Inventories are stated at cost (first-in, first-out). They consist primarily of food and cafeteria supplies in the School Lunch Fund. The donated commodities inventory in the School Lunch Fund is valued at current market value, based on government guidelines.

### *Prepaid Items*

Payments to vendors for services that will benefit periods beyond a fund's fiscal year-end are recorded as prepaid items in both government-wide and fund financial statements.

### *Capital Assets*

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful 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 value at the date of donation.

The costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and additions	20-50
Buses and other vehicles	5-10
Furniture and other equipment	5-20

# SPRING LAKE PUBLIC SCHOOLS

## Notes to Financial Statements

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### *Salaries Payable and Accrued Employee Benefits*

A liability is recorded at June 30 for those amounts owed to teachers and other employees of the District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for employee health insurances for the month of July. The District pays these insurances for this period as a part of the compensation for services rendered in the preceding school year.

### *Reserves and Designations of Fund Balance/Restricted Net Assets*

Reservations of fund balance are established to identify 1) third party claims against resources of the entity that have not materialized as liabilities at the balance sheet date, or 2) the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure, or 3) the existence of assets that are legally restricted to a future use.

Designations of fund balance are established to identify amounts set aside by the Board of Education for future expenditures.

Restricted net assets represent assets which are legally restricted by outside parties or enabling legislation.

### *Durant Related Issues*

Under Public Act 142 of 1997, enacted in November 1997 as part of the *Durant* Resolution Package, school districts and intermediate school districts were offered settlement amounts to settle, compromise, and resolve, in their entirety, any potential claims they may have asserted for violations of section 29, Article IX, of the constitution through September 30, 1997, which were similar to the claims asserted by the plaintiffs in the *Durant v. State of Michigan* case. To be eligible to receive its offer of settlement amount, the non-plaintiff district needed to adopt and submit to the State Treasurer a waiver resolution, in the form set forth in Public Act 142 of 1997, waiving any potential claims through September 30, 1997.

Settlement amounts were based on the formula used to determine amounts owed to *Durant* plaintiffs. Half the settlement amount was received in ten annual payments; the other half was received in a lump sum by participating in a special bonding program offered through the Michigan Municipal Bond Authority (MMBA) or in fifteen annual payments. Spring Lake Public Schools elected to participate in the special bonding program.

# SPRING LAKE PUBLIC SCHOOLS

## Notes to Financial Statements

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Districts electing to bond under the Durant settlement received a lump sum amount (bond proceeds) on November 24, 1998. This created a liability which will be reduced each year with an annual state appropriation made for debt service on the bonds. The annual State of Michigan appropriation is the only revenue source for making the annual debt service payment on the bonds. If the legislature fails to appropriate the funds, the District is under no obligation for payment. Additionally, the bond documentation states specifically that the Bonds shall not be in any way a debt or liability of the State of Michigan. This liability has been booked on the statement of net assets. Annual appropriations from the State are recorded in the 1998 Bond Issue Fund along with the payment of the interest and principal of the bonds.

The original bond proceeds were recorded in the 1998 Bond Issue Fund and expended for purposes specified in Section 1351a of the Revised School code.

### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### *Interfund Transactions*

During the course of normal operations, the District has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the District.

### *Arbitrage Payable*

The District records arbitrage payable as a reduction to interest and investment earnings in the government-wide financial statements.

### *Subsequent Events*

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2009, the most recent statement of net assets presented herein, through the auditors' report date, the date these financial statements were available to be issued. No significant such events or transactions were identified.

# SPRING LAKE PUBLIC SCHOOLS

## Notes to Financial Statements

### 2. STATE OF MICHIGAN SCHOOL AID

The District reports State of Michigan school aid in the fiscal year in which the District is entitled to the revenue as provided by State of Michigan school aid appropriation acts. State funding represented 64% of the District's general fund revenue during the 2009 fiscal year.

### 3. DEPOSITS AND INVESTMENTS

Cash and investments are comprised of the following at year-end:

	<b>Governmental Activities</b>	<b>Fiduciary Activities</b>	<b>Total</b>
Petty cash	\$ 100	\$ -	\$ 100
Deposits	5,824,110	197,550	6,021,660
Investments	7,477	-	7,477
<b>Total cash and investments</b>	<b>\$ 5,831,687</b>	<b>\$ 197,550</b>	<b>\$ 6,029,237</b>

State statues authorize the District to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The District has designated five banks for the deposit of its funds. All accounts are in the name of the District and a specific fund or common account. They are recorded in District records at fair value.

# SPRING LAKE PUBLIC SCHOOLS

## Notes to Financial Statements

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The District chooses to disclose its investments by specifically identifying each. As of year end, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Michigan Liquid Asset Fund	Various	<u>\$ 7,477</u>	AAAm S&P

The District's cash and investments are subject to several types of risk, which are examined in more detail below:

### ***Investment and Deposit Risk***

*Interest Rate Risk* - State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. None of the District's deposits or investments had fixed maturities at year end.

*Credit Risk* - State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of District's specific financial institutions, qualified mutual funds, and qualified external investment pools as identified above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

*Custodial Credit Risk - Deposits* - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District minimizes this risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the District's investment policy. As of year end, \$5,515,764 of the District's bank balance of \$6,571,262 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk - Investments* - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District minimizes this risk by pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors to be in compliance with the requirements set forth in the District's investment policy. Of the above mutual fund investment the District's custodial credit risk exposure can not be determined because the mutual funds do not consist of specifically identifiable securities.

# SPRING LAKE PUBLIC SCHOOLS

## Notes to Financial Statements

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*Concentration of Credit Risk* - State law limits allowable investments but does not limit concentration of credit risk as identified above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk.

#### 4. RECEIVABLES

Receivables as of year-end for the District's individual major funds and the nonmajor and other funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<b>General Fund</b>	<b>Nonmajor and Other Funds</b>	<b>Total</b>
<b>Receivables</b>			
Taxes - net of allowance of \$65,138	\$ -	\$ -	\$ -
Trade	1,835	14,000	15,835
Intergovernmental	3,139,029	175,087	3,314,116
<b>Total governmental activities</b>	<b>\$ 3,140,864</b>	<b>\$ 189,087</b>	<b>\$ 3,329,951</b>
<b>Noncurrent portion</b>	<b>\$ -</b>	<b>\$ 156,001</b>	<b>\$ 156,001</b>

# SPRING LAKE PUBLIC SCHOOLS

## Notes to Financial Statements

### 5. CAPITAL ASSETS

A summary of changes in capital assets activity for the year ended June 30, 2009 was as follows:

	<b>Balance July 1, 2008</b>	<b>Additions</b>	<b>Dispositions</b>	<b>Balance June 30, 2009</b>
<b>Governmental activities</b>				
Non-depreciable capital assets:				
Land	\$ 521,166	\$ -	\$ -	\$ 521,166
Construction in progress	13,705,258	-	13,705,258	-
Total non-depreciable capital assets	14,226,424	-	13,705,258	521,166
Depreciable capital assets:				
Building and improvements	32,303,198	16,846,465	-	49,149,663
Building furnishings and equipment	1,338,825	168,876	-	1,507,701
Vehicles	1,414,422	66,705	-	1,481,127
Outdoor equipment	1,288,367	-	-	1,288,367
Total depreciable capital assets	36,344,812	17,082,046	-	53,426,858
Accumulated depreciation:				
Building and improvements	(7,368,579)	(865,212)	-	(8,233,791)
Building furnishings and equipment	(1,049,911)	(83,633)	-	(1,133,544)
Vehicles	(955,247)	(72,217)	-	(1,027,464)
Outdoor equipment	(553,863)	(41,051)	-	(594,914)
Total accumulated depreciation	(9,927,600)	(1,062,113)	-	(10,989,713)
Total capital assets being depreciated, net	26,417,212	18,144,159	-	42,437,145
<b>Governmental activities capital assets, net</b>	<b>\$ 40,643,636</b>	<b>\$ 18,144,159</b>	<b>\$ 13,705,258</b>	<b>\$ 42,958,311</b>

Depreciation expense was reported as unallocated on the statement of activities because the District considers its assets to impact multiple activities and allocation is not practical.

# SPRING LAKE PUBLIC SCHOOLS

## Notes to Financial Statements

### 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances primarily reflect balances utilized to facilitate appropriate cash flow for operations. The composition of interfund balances is as follows:

<b>Due to / from funds</b>	<b>Due to Fund</b>	<b>Due from Fund</b>
General Fund	\$ -	\$ 3,612
Nonmajor Funds	3,612	-
<b>Total</b>	<b>\$ 3,612</b>	<b>\$ 3,612</b>

Transfers primarily reflect subsidies allocated from the General Fund.

<b>Interfund Transfers</b>	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	\$ 35,000	\$ 395,000
Nonmajor Funds:		
1996 Bond Issue debt service	-	28,162
1997 Bond Issue debt service	28,162	-
School Lunch special revenue	-	35,000
Athletics special revenue	395,000	-
<b>Total</b>	<b>\$ 458,162</b>	<b>\$ 458,162</b>

### 7. LONG-TERM DEBT

The District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Other long-term obligations include arbitrage payable and severance pay. The following is a summary of long-term debt transactions of the District for the year ended June 30, 2009:

	<b>Balance July 1, 2008</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2009</b>	<b>Due Within One Year</b>
1996 General Obligation Bonds, final payment May 2009	\$ 765,000	\$ -	\$ 765,000	\$ -	\$ -

# SPRING LAKE PUBLIC SCHOOLS

## Notes to Financial Statements

	<b>Balance July 1, 2008</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2009</b>	<b>Due Within One Year</b>
1998 Refunding					
General Obligation					
Bonds due in annual					
installments of \$580,000					
plus interest at rates					
ranging from 4.05% to					
4.55% through 2023	\$ 8,700,000	\$ -	\$ 580,000	\$ 8,120,000	\$ 580,000
1999 Refunding					
General Obligation					
Bonds due in annual					
installments ranging					
from \$500,000 to					
\$510,000 plus interest					
ranging from 4.25% to					
5.0% through 2023	7,560,000	-	500,000	7,060,000	500,000
2006 General					
Obligation Bonds due in					
annual installments					
ranging from \$750,000					
to \$1,725,000 plus					
interest ranging from					
4.0% to 5.0% through					
2023	21,835,000	-	335,000	21,500,000	750,000
1998 School					
Improvement Bonds					
(Durant Settlement) due					
in amounts ranging from					
\$19,086 to \$115,059					
plus interest at 4.76%					
through 2013	193,307	-	18,220	175,087	19,086
Subtotal installment					
debt	39,053,307	-	2,198,220	36,855,087	1,849,086
Arbitrage payable	353,538	7,219	-	360,757	-
Deferred issuance					
premiums	650,874	-	70,917	579,957	69,977
Net installment debt	40,057,719	-	2,269,137	37,795,801	1,919,063
Accrued severance pay	575,000	-	22,000	553,000	46,000
<b>Total long-term debt</b>	<b>\$ 40,632,719</b>	<b>\$ -</b>	<b>\$ 2,291,137</b>	<b>\$ 38,348,801</b>	<b>\$ 1,965,063</b>

# SPRING LAKE PUBLIC SCHOOLS

## Notes to Financial Statements

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Following is a summary of future bond and loan principal maturities and interest requirements:

	<u>Principal</u>	<u>Interest</u>
2010	\$ 1,849,086	\$ 1,688,095
2011	2,099,996	1,612,445
2012	2,375,946	1,525,964
2013	2,680,059	1,466,256
2014	2,695,000	1,320,592
2015-2019	13,920,000	4,649,736
2020-2023	11,235,000	1,336,735
<b>Total</b>	<b><u>\$36,855,087</u></b>	<b><u>\$ 13,599,823</u></b>

In prior years, the District had defeased two bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the District's long-term debt. As of June 30, 2009, the amount of defeased debt outstanding, but removed from the long-term debt, amounted to \$14,825,000.

### 8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District is a member of the West Michigan Risk Management Trust and the West Michigan Workers' Compensation Fund (Trusts), which are public entity risk pools, currently operating as common risk management and insurance programs. The District pays annual premiums to these Trusts for its general and workers' compensation insurance coverages. The Trusts provide that they will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$250,000 for each insured event.

The District continues to carry commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

# SPRING LAKE PUBLIC SCHOOLS

## Notes to Financial Statements

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### 9. RETIREMENT PLAN

#### *Plan Description*

The District contributes to the Michigan Public School Employees' Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30026, Lansing, Michigan 48909 or by calling (517) 322-6000.

#### *Funding Policy*

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 through June 30, 2008 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members first hired July 1, 2008 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 6.4% of all wages over \$15,000. Basic Plan members make no contributions. The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The rate from July to September was 16.72%, and from October through June was 16.54% of covered payroll. The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The District's contributions to MPERS for the years ended June 30, 2009, 2008, and 2007 were approximately \$2,082,000, \$2,043,000, and \$2,013,000, respectively, equal to the required contributions for each year.

#### *Other Post-Employment Benefits*

Post-employment benefits for health, dental, vision and hearing insurance are available at retirement through the State Retirement Plan. Employees eligible for retirement benefits can use a portion of those benefits to purchase these insurance benefits. Spring Lake Public Schools has no obligation for post-employment benefits after an employee terminates employment.

# SPRING LAKE PUBLIC SCHOOLS

## Notes to Financial Statements

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### 10. SEVERANCE/RETIREMENT INCENTIVE PLANS

The District developed a voluntary severance retirement incentive plan, which is offered to employees with 15 years of service. Eligible employees who elect to retire under the plan will receive up to an additional five years of retirement credit which is purchased from the Michigan Public School Employees' Retirement System or \$1,000 for each year of service with the District. The maximum number of employees allowed to retire in any one year is 6 in 2009. During the year ended June 30, 2009, the School District recorded expenses of approximately \$140,000 relating to this plan.

Effective July 1, 2005, the District established an administrative severance plan based on years of service. Estimated amounts under the plan have been accrued as of June 30, 2009.

### 11. ENDOWMENT FUNDS

The School District holds funds in a trustee capacity which are restricted for scholarships and school projects. At June 30, 2009, \$220,276 was held by the School District under its capacity as trustee.

### 12. CONTINGENCIES

#### *Federal Grant Programs*

The District participates in federally assisted grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, not to be material.

# SPRING LAKE PUBLIC SCHOOLS

## Notes to Financial Statements

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### 13. RECONCILIATION OF CAPITAL OUTLAY

Capital outlay expenditures for governmental funds differ from amounts capitalized. The differences are detailed as follows:

Total capital outlay as reported in the governmental funds	\$ 3,361,632
Adjustments	
Capital outlay recorded in the general fund under expenditures	<u>15,156</u>
<b>Net Assets Capitalized</b>	<b><u><u>\$ 3,376,788</u></u></b>

### 14. CAPITAL PROJECTS FUNDS

The 2006 Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. The following is a summary of the revenues and expenditures in the 2006 Capital Projects Fund.

	<u>Year ended</u> <u>June 30, 2009</u>	<u>Since</u> <u>Inception</u>
Revenues	\$ 282,906	\$ 24,524,847
Expenditures	3,361,632	23,426,372

For these capital projects, the School District has complied with the applicable provisions of Section 1351a of the Michigan Revised School Code.

### 15. RESTATEMENT

Beginning net assets were increased by \$193,307 to adjust amounts due from other governments in connection with the Durant bonds.

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**COMBINING FUND FINANCIAL STATEMENTS  
AND SCHEDULES**

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**NONMAJOR GOVERNMENTAL FUNDS**

**SPRING LAKE PUBLIC SCHOOLS**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2009**

	<b>Special Revenue</b>		
	<b>School Lunch</b>	<b>Athletics</b>	<b>Memorial Trust</b>
<b>Assets</b>			
Cash and investments	\$ 214,091	\$ 98,872	\$ 220,276
Accounts receivable	-	14,000	-
Inventory	25,528	-	-
<b>Total assets</b>	<b>\$ 239,619</b>	<b>\$ 112,872</b>	<b>\$ 220,276</b>
<b>Liabilities</b>			
Accounts payable	\$ 5,250	\$ 2,152	\$ -
Due to other funds	446	3,166	-
Deferred revenue	16,008	-	-
<b>Total liabilities</b>	<b>21,704</b>	<b>5,318</b>	<b>-</b>
<b>Fund balances</b>			
Reserved for inventory	9,520	-	-
Unreserved, undesignated	208,395	107,554	220,276
<b>Total fund balances</b>	<b>217,915</b>	<b>107,554</b>	<b>220,276</b>
<b>Total liabilities and fund balances</b>	<b>\$ 239,619</b>	<b>\$ 112,872</b>	<b>\$ 220,276</b>

Debt Service				Capital Projects	Total
1996 Bond Issue	1997 Bond Issue	1998 Bond Issue	2006 Bond Issue	Public Improvement	
\$ -	\$ 696,986	\$ -	\$ 312,594	\$ 343,706	\$ 1,886,525
-	-	175,087	-	-	189,087
-	-	-	-	-	25,528
<b>\$ -</b>	<b>\$ 696,986</b>	<b>\$ 175,087</b>	<b>\$ 312,594</b>	<b>\$ 343,706</b>	<b>\$ 2,101,140</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,402
-	-	-	-	-	3,612
-	-	175,087	-	-	191,095
-	-	<b>175,087</b>	-	-	<b>202,109</b>
-	-	-	-	-	9,520
-	696,986	-	312,594	343,706	1,889,511
-	<b>696,986</b>	-	<b>312,594</b>	<b>343,706</b>	<b>1,899,031</b>
<b>\$ -</b>	<b>\$ 696,986</b>	<b>\$ 175,087</b>	<b>\$ 312,594</b>	<b>\$ 343,706</b>	<b>\$ 2,101,140</b>

**SPRING LAKE PUBLIC SCHOOLS**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2009**

	<b>Special Revenue</b>		
	<b>School Lunch</b>	<b>Athletics</b>	<b>Memorial Trust</b>
<b>Revenues</b>			
Local sources:			
Property taxes	\$ -	\$ -	\$ -
Investment income	143	268	1,752
Food sales and athletics	554,385	104,373	-
Other	-	-	2,145
State sources	38,265	-	-
Federal sources	209,331	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	802,124	104,641	3,897
<b>Expenditures</b>			
Current:			
Food service	727,668	-	-
Athletic activities	-	496,785	-
Memorial trust	-	-	9,469
Debt service:			
Principal	-	-	-
Interest expense	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	727,668	496,785	9,469
Revenues over (under) expenditures	74,456	(392,144)	(5,572)
<b>Other financing sources (uses)</b>			
Transfers in	-	395,000	-
Transfers out	(35,000)	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(35,000)	395,000	-
Net change in fund balances	39,456	2,856	(5,572)
Fund balances, beginning of year	178,459	104,698	225,848
<b>Fund balances, end of year</b>	<b><u><u>\$ 217,915</u></u></b>	<b><u><u>\$ 107,554</u></u></b>	<b><u><u>\$ 220,276</u></u></b>

Debt Service				Capital Projects	Total
1996 Bond Issue	1997 Bond Issue	1998 Bond Issue	2006 Bond Issue	Public Improvement	
\$ 517,812	\$ 1,771,051	\$ -	\$ 1,390,965	\$ -	\$ 3,679,828
5,109	14,644	-	6,960	3,369	32,245
-	-	-	-	-	658,758
-	-	-	-	-	2,145
-	-	22,990	-	-	61,255
-	-	-	-	-	209,331
522,921	1,785,695	22,990	1,397,925	3,369	4,643,562
-	-	-	-	-	727,668
-	-	-	-	-	496,785
-	-	-	-	-	9,469
765,000	1,080,000	18,220	335,000	-	2,198,220
37,644	730,030	4,770	1,011,404	-	1,783,848
802,644	1,810,030	22,990	1,346,404	-	5,215,990
(279,723)	(24,335)	-	51,521	3,369	(572,428)
-	28,162	-	-	-	423,162
(28,162)	-	-	-	-	(63,162)
(28,162)	28,162	-	-	-	360,000
(307,885)	3,827	-	51,521	3,369	(212,428)
307,885	693,159	-	261,073	340,337	2,111,459
<b>\$ -</b>	<b>\$ 696,986</b>	<b>\$ -</b>	<b>\$ 312,594</b>	<b>\$ 343,706</b>	<b>\$ 1,899,031</b>

## **AGENCY FUND**

**SPRING LAKE PUBLIC SCHOOLS**  
**Statement of Changes in Fiduciary Assets and Liabilities**  
**Agency Fund**  
**For the Year Ended June 30, 2009**

	<b>Student Activities Fund</b>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
<b>Assets</b>				
Cash and cash equivalents	<b>\$ 204,995</b>	<b>\$ 525,603</b>	<b>\$ 533,048</b>	<b>\$ 197,550</b>
<b>Liabilities</b>				
Due to student groups	<b>\$ 204,995</b>	<b>\$ 525,603</b>	<b>\$ 533,048</b>	<b>\$ 197,550</b>

**SPRING LAKE PUBLIC SCHOOLS**  
**Schedule of Bonds Issued and Outstanding**  
**1998 General Obligation Refunding Bonds**  
**June 30, 2009**

1998 refunding bonds to advance refund a portion of  
the 1997 building and site improvement bonds

<b>Issue dated November 12, 1998 in the amount of</b>	\$ 9,670,000
<b>Less:</b>	
Bonds paid in prior years	970,000
Bonds due and paid May 1, 2009	580,000
<b>Balance outstanding - June 30, 2009</b>	<b>\$ 8,120,000</b>

Due	Interest Rate	Bond Principal	Interest Due	Total
5/1/2010	4.05	\$ 580,000	\$ 354,670	\$ 934,670
5/1/2011	4.10	580,000	331,180	911,180
5/1/2012	4.15	580,000	307,400	887,400
5/1/2013	4.20	580,000	283,330	863,330
5/1/2014	4.30	580,000	258,970	838,970
5/1/2015	4.35	580,000	234,030	814,030
5/1/2016	4.40	580,000	208,800	788,800
5/1/2017	4.45	580,000	183,280	763,280
5/1/2018	4.50	580,000	157,470	737,470
5/1/2019	4.50	580,000	131,370	711,370
5/1/2020	4.50	580,000	105,270	685,270
5/1/2021	4.55	580,000	79,170	659,170
5/1/2022	4.55	580,000	52,780	632,780
5/1/2023	4.55	580,000	26,390	606,390
		\$ 8,120,000	\$ 2,714,110	\$ 10,834,110

**Date of issue:** November 12, 1998

**SPRING LAKE PUBLIC SCHOOLS**  
**Schedule of Bonds Issued and Outstanding**  
**1999 General Obligation Refunding Bonds**  
**June 30, 2009**

1999 refunding bonds to advance refund a portion of  
1997 building and site improvement bonds

<b>Issue dated March 30, 1999 in the amount of</b>	\$ 8,390,000
<b>Less:</b>	
Bonds paid in prior years	830,000
Bonds due and paid May 1, 2009	500,000
<b>Balance outstanding - June 30, 2009</b>	<b>\$ 7,060,000</b>

Due	Interest Rate	Bond Principal	Interest Due	Total
5/1/2010	4.30	\$ 500,000	\$ 331,703	\$ 831,703
5/1/2011	4.35	500,000	310,452	810,452
5/1/2012	4.40	500,000	288,703	788,703
5/1/2013	4.50	500,000	266,702	766,702
5/1/2014	4.55	500,000	244,203	744,203
5/1/2015	4.65	500,000	221,452	721,452
5/1/2016	4.70	505,000	198,203	703,203
5/1/2017	4.75	505,000	174,467	679,467
5/1/2018	4.80	505,000	150,480	655,480
5/1/2019	4.80	505,000	126,240	631,240
5/1/2020	5.00	510,000	102,000	612,000
5/1/2021	5.00	510,000	76,500	586,500
5/1/2022	5.00	510,000	51,000	561,000
5/1/2023	5.00	510,000	25,500	535,500
		\$ 7,060,000	\$ 2,567,605	\$ 9,627,605

**Date of issue:** March 30, 1999

**SPRING LAKE PUBLIC SCHOOLS**  
**Schedule of Bonds Issued and Outstanding**  
**2006 General Obligation Bonds**  
**June 30, 2009**

2006 building and site improvement bonds (erecting, furnishing and equipping an aquatic/ community center addition to and partially remodeling, refurbishing and re-equipping the High School; partially remodeling, refurbishing and re-equipping the Intermediate/Middle School; relocating some athletic fields at the High School; purchasing buses; acquiring and installing educational technology in all school facilities; erecting, furnishing and equipping additions to and partially refurbishing the Holmes and Jeffers Elementary Schools; adding lockers at the High School; erecting, furnishing and equipping a concession/restroom facility and bleachers at the Grabinski Field; lighting the soccer field; erecting, furnishing and equipping an addition to and partially remodeling, refurbishing and re-equipping the Intermediate/Middle School; developing and improving sites; and paying the costs of issuing the Bonds)

<b>Issue dated June 28, 2006 in the amount of</b>	\$ 21,920,000
<b>Less:</b>	
Bonds paid in prior years	85,000
Bonds due and paid May 1, 2009	335,000
<b>Balance outstanding - June 30, 2009</b>	<b>\$ 21,500,000</b>

Due	Interest Rate	Bond Principal	Interest Due	Total
5/1/2010	4.00	\$ 750,000	\$ 997,819	\$ 1,747,819
5/1/2011	4.00	1,000,000	967,819	1,967,819
5/1/2012	4.00	1,275,000	927,819	2,202,819
5/1/2013	4.00	1,485,000	876,819	2,361,819
5/1/2014	5.00	1,615,000	817,419	2,432,419
5/1/2015	5.00	1,700,000	736,669	2,436,669
5/1/2016	5.00	1,700,000	651,669	2,351,669
5/1/2017	4.10	1,700,000	566,668	2,266,668
5/1/2018	5.00	1,700,000	496,969	2,196,969
5/1/2019	4.25/5.00	1,700,000	411,968	2,111,968
5/1/2020	5.00	1,700,000	332,969	2,032,969
5/1/2021	5.00	1,725,000	247,968	1,972,968
5/1/2022	5.00	1,725,000	161,719	1,886,719
5/1/2023	4.375	1,725,000	75,469	1,800,469
		\$ 21,500,000	\$ 8,269,763	\$ 29,769,763

**Date of issue:** June 28, 2006

**SPRING LAKE PUBLIC SCHOOLS**



**SINGLE AUDIT**

**FOR THE YEAR ENDED  
JUNE 30, 2009**

**SPRING LAKE PUBLIC SCHOOLS  
SINGLE AUDIT**

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

October 7, 2009

Board of Education  
Spring Lake Public Schools  
Spring Lake Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Spring Lake Public Schools as of and for the year ended June 30, 2009, and have issued our report thereon dated October 7, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered Spring Lake Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Spring Lake Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Spring Lake Public Schools' internal control over financial reporting.

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

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

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

***Compliance and Other Matters***

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

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

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.



**Rehmann Robson**

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

October 7, 2009

Board of Education  
Spring Lake Public Schools  
Spring Lake, Michigan

***Compliance***

We have audited the compliance of Spring Lake Public Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Spring Lake Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Spring Lake Public Schools' management. Our responsibility is to express an opinion on Spring Lake Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Spring Lake Public Schools' compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Spring Lake Public Schools' compliance with those requirements.

In our opinion, Spring Lake Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

### ***Internal Control Over Compliance***

The management of Spring Lake Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Spring Lake Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Spring Lake Public Schools' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

### ***Schedule of Expenditures of Federal Awards***

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Spring Lake Public Schools as of and for the year ended June 30, 2009, and have issued our report thereon dated October 7, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Spring Lake Public Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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



**Spring Lake Public Schools**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2009**

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2008	Current Year Cash Received	Expenditures		Accrued (Deferred) Revenue June 30, 2009
						(Memo Only) Prior Year(s)	Year Ended June 30, 2009	
<b>U.S. Department of Agriculture</b>								
Direct Programs:								
Entitlement Commodities - 2008/2009	10.555	-n/a-	\$ 41,972	\$ (25,325)	\$ 26,927	\$ -	\$ 36,244	\$ (16,008)
Bonus Commodities	10.555	-n/a-	4,732	-	4,732	-	4,732	-
				(25,325)	31,659	-	40,976	(16,008)
Passed through the Michigan Department of Education:								
Child Nutrition Cluster:								
National School Lunch - Breakfast	10.553	081970	1,904	-	1,904	-	1,904	-
National School Lunch - Breakfast	10.553	091970	17,949	-	17,949	-	17,949	-
				-	19,853	-	19,853	-
National S/L Section 4 All Lunches	10.555	081950	5,554	-	5,554	-	5,554	-
National S/L Section 4 All Lunches	10.555	091950	41,232	-	41,232	-	41,232	-
National S/L Section 11 Free & Reduced	10.555	081960	12,518	-	12,518	-	12,518	-
National S/L Section 11 Free & Reduced	10.555	091960	89,198	-	89,198	-	89,198	-
				-	148,502	-	148,502	-
Total Child Nutrition Cluster				-	168,355	-	168,355	-
<b>Total U.S. Department of Agriculture</b>				(25,325)	200,014	-	209,331	(16,008)
<b>U.S. Department of Education</b>								
Passed through Michigan Department of Education:								
Title I, Part A	84.010	081530-0708	131,001	25,964	25,964	131,001	-	-
Title I, Part A	84.010	091530-0809	120,276	-	105,336	-	120,276	14,940
				25,964	131,300	131,001	120,276	14,940
Title II, Part D	84.318	094290-0809	1,038	-	1,038	-	1,038	-
Title II, Part A	84.367	080520-0708	70,497	18,136	18,136	70,497	-	-
Title II, Part A	84.367	090520-0809	70,458	-	58,010	-	70,458	12,448
				18,136	76,146	70,497	70,458	12,448
ARRA Stabilization Fund	84.394	092525-0809	895,099	-	-	-	895,099	895,099
Passed through the Ottawa Area Intermediate School District:								
IDEA State Initiated Transition	84.027a	080450-0708	355,079	177,540	177,540	355,079	-	-
IDEA State Initiated Transition	84.027a	090450-0809	391,556	-	195,778	-	391,556	195,778
				177,540	373,318	355,079	391,556	195,778
Special Education - Preschool	84.173a	080460-0708	14,558	7,279	7,279	14,558	-	-
Special Education - Preschool	84.173a	090460-0809	13,826	-	6,913	-	13,826	6,913
				7,279	14,192	14,558	13,826	6,913
Safe and Drug Free Schools	84.186	092860-0809	4,292	-	4,292	-	4,292	-
<b>Total U.S. Department of Education</b>				228,919	600,286	571,135	1,496,545	1,125,178
<b>U.S. Department of Health and Human Services</b>								
Passed through the Ottawa Area Intermediate School District:								
Medical Assistance Program-Project 393	93.778	2008/2009	2,529	-	2,529	-	2,529	-
<b>Total Expenditures of Federal Awards</b>				<b>\$ 203,594</b>	<b>\$ 802,829</b>	<b>\$ 571,135</b>	<b>\$ 1,708,405</b>	<b>\$ 1,109,170</b>

**SPRING LAKE PUBLIC SCHOOLS**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2009**

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***Basis of Accounting***

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met.

***Reconciliation of Basic Financial Statements***

Revenues from federal sources per the June 30, 2009 basic financial statements agree with federal expenditures from the June 30, 2009 Schedule of Expenditures of Federal Awards.

Management has utilized the Grants Section Auditors Report (Form R7120) and Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

**SPRING LAKE PUBLIC SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

Type of auditors' report issued: *Unqualified*

Internal controls over financial reporting:

Material weakness(es) identified?	_____ yes	_____ <input checked="" type="checkbox"/> no
Significant deficiencies identified not considered to be material weaknesses?	_____ yes	_____ <input checked="" type="checkbox"/> none reported

Noncompliance material to financial statements noted?

	_____ yes	_____ <input checked="" type="checkbox"/> no
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***Federal Awards***

Internal Control over major programs:

Material weakness(es) identified?	_____ yes	_____ <input checked="" type="checkbox"/> no
Significant deficiencies identified not considered to be material weaknesses?	_____ yes	_____ <input checked="" type="checkbox"/> none reported

Type of auditors' report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?

	_____ yes	_____ <input checked="" type="checkbox"/> no
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***Identification of Major Programs***

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.394	ARRA Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?      yes                    no

**SPRING LAKE PUBLIC SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

None reported.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**SECTION IV - PRIOR YEAR FINDINGS**

None reported.



Rehmann Robson

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Muskegon, MI 49441

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**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE  
UNDER SAS NO. 114**

October 7, 2009

Board of Education  
Spring Lake Public Schools  
Spring Lake, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Spring Lake Public Schools* (the "District") as of and for the year ended June 30, 2009, and have issued our report thereon dated October 7, 2009. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133**

As stated in our engagement letter dated June 5, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the District's compliance with those requirements.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and our meeting about planning matters on June 22, 2009.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. Other than the prior period restatement described in Note 15 to the financial statements, there are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued severance pay for certain administrative employees is based on anticipated length of service with the District and in education.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

#### *Difficulties Encountered in Performing the Audit*

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

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial

statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the attached management representation letter dated October 7, 2009.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

This information is intended solely for the use of the governing body and management of the **Spring Lake Public Schools** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.

# Spring Lake



# Public Schools

345 Hammond Street  
Spring Lake, MI 49456-2096

Central Office: (616) 846-5500  
Superintendent: (616) 847-7919  
Fax: (616) 846-9830

Rehmann Robson  
3145 Henry St., Ste. 200  
Muskegon, MI 49441

We are providing this letter in connection with your audit of the financial statements of Spring Lake Public Schools as of June 30, 2009 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Spring Lake Public Schools and the respective changes in financial position in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of October 7, 2009, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We have made available to you all—
  - a. Financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
  - b. Minutes of the meetings of the Board of Education or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal awards.
5. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, you have proposed adjusting journal entries that have been posted. We are in agreement with those adjustments.

6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
  - a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
9. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective actions taken to address significant findings and recommendations.
10. The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
11. The following, if any, have been properly recorded or disclosed in the financial statements:
  - a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and affiliated governmental units that are not included in the financial statements as part of the reporting entity.
  - b. Guarantees, whether written or oral, under which the District is contingently liable.
  - c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances, consistently applied, and adequately disclosed.
12. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
13. There are no—
  - a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts

and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

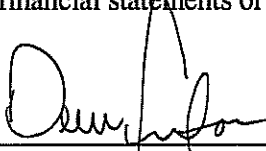
- b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with *Financial Accounting Standards Board (FASB) Statement No. 5, Accounting for Contingencies*.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.
  - d. Reservations or designation of fund equity that were not properly authorized and approved.
14. As part of your audit, you prepared the draft financial statements and related notes and schedule of expenditures of federal awards. We have designated a competent management-level individual to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.
  15. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
  16. The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
  17. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
  18. The financial statements properly classify all funds and activities.
  19. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
  20. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
  21. Provisions for uncollectible receivables have been properly identified and recorded.
  22. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
  23. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
  24. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

25. Deposits and investment securities are properly classified as to risk, and investments are properly valued.
26. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
27. Required supplementary information (RSI) is measured and presented within prescribed guidelines.
28. With respect to federal award programs:
  - a. We are responsible for complying and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
  - b. We have, in accordance with OMB Circular A-133, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
  - c. We are responsible for complying with, and have complied with in all material respects, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.
  - d. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in internal control over compliance or other factors to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to significant deficiencies (including material weaknesses) reported in the schedule of findings and questioned costs.
  - e. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to major federal programs.
  - f. We have received no requests from a federal agency to audit one or more specific programs as a major program.
  - g. We have complied, in all material respects, with the compliance requirements, including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts

questioned and any known noncompliance with the requirements of federal awards, including those resulting from other audits or program reviews.

- h. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- i. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- j. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- k. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- l. We have charged costs to federal awards in accordance with applicable cost principles.
- m. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- n. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- o. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133, and we are responsible for preparing and implementing a corrective action plan for each audit finding.


No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.



Dennis Furton, Superintendent

10-14-09

Date



Debra Miller, Business Manager

10-13-09

Date

Spring Lake Public Schools  
Schedule of Adjustments Passed (SOAP)  
For the June 30, 2009 Audit

In accordance with the provisions of SAS 89, *Audit Adjustments*, we have prepared the following schedule of proposed audit adjustments, which we believe are immaterial both individually and in the aggregate. Also in accordance with SAS 89, we are providing this schedule to both management and the audit committee to receive their assurance that they agree that the amounts listed below are not material to the financial statements, either individually or in the aggregate, and do not need to be recorded.

	Effect of Passed Adjustment - Over(Under)Statement				
	Assets	Liabilities	Beginning Fund Balance	Revenue	Expenses/ Expenditures
<b>General Fund</b>					
Accounts payable recorded for open purchase orders (goods and services not received prior to year-end)	-	62,061	-	-	62,061
<b>Capital Projects</b>					
Accounts payable recorded for open purchase orders (goods and services not received prior to year-end)	-	17,051	-	-	17,051
<b>Governmental Activities</b>					
Cumulative effect of items noted above	-	79,112	-	-	79,112