

**ST. LOUIS PUBLIC SCHOOL DISTRICT
St. Louis, Michigan**

**Financial Statements
With Supplemental Information
June 30, 2010**



Saint Louis Public School District
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June 30, 2010

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Independent Auditor's Report

St. Louis Public School District
St. Louis, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Louis Public School District (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants
October 6, 2010

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

ST. LOUIS PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
2009-2010

GENERAL INFORMATION

St. Louis Public Schools currently operates two elementary schools, one middle school, one high school, one alternative education school, and a Community Education Program. The school district's 2009-10 September enrollment was 1,210. St. Louis Public Schools employs a staff of 70 teachers, 10 administrators, and 52 support personnel.

The Board of Education consists of seven members who are elected at large for four-year overlapping terms. The Board annually elects a President, Vice-President, Treasurer and Secretary. The Board is responsible for the selection and appointment of the Superintendent of Schools. The Board meets as a single body to set or amend policy, develop long-range educational goals and act upon recommendations of the Superintendent of Schools. The Board is also responsible for adopting and periodically amending the operating budget and evaluating school programs in accordance with governing laws.

USING THIS ANNUAL REPORT

The discussion and analysis of St. Louis Public Schools' financial performance provides an overall review of the school district's financial activities for the fiscal year ended June 30, 2010. The intent of this report is to provide a look at the performance of the district as a whole, and includes financial statements, notes to the financial statements, and budgetary information. In addition, this analysis will show comparative data from the prior 2008-09 school year.

OVERVIEW OF THE FINANCIAL STATEMENTS

District-wide Financial Statements

The district-wide financial statements are full accrual basis statements and provide information about the district's overall financial status. They are used to help determine the condition of the district as the result of the year's activities. The *Statement of Net Assets* reports all of the district's assets and liabilities, both short-term and long-term, regardless of their availability. Capital assets and long-term obligations of the district are reported in this statement. 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. The two district-wide statements report the district's net assets and how they have changed. Net assets (the difference between the district's assets and liabilities) are one way to measure the district's financial condition. Over time, increases or decreases in the district's net assets are an indicator of whether its financial position

is improving or deteriorating, respectively. However, it is important to note that to assess the district's overall position, you need to consider additional non-financial factors such as changes in the district's property base, the quality of education provided, and the condition of the district's buildings.

In the district-wide statements, the district's activities are classified as *governmental activities*. This includes most of the district's basic services such as regular and special education, food service, athletics, transportation, and administration. These activities are financed mostly by state aid, federal aid, and property taxes.

Fund Financial Statements

The district's fund financial statements provide detailed information about the most significant funds, and are comparable to prior year financial statements. The fund level statements are reported on a modified accrual basis, which means that only those assets that are measurable and currently available are reported. Liabilities are recognized to the extent that they are expected to be paid with current financial resources. The fund statements are formatted to meet the requirements of the Michigan Department of Education's "Accounting Manual". Major instructional and instructional support activities are reported in the General Fund. Other activities are reported in their relevant funds including; Special Revenue Funds for Food Service and Athletics, Debt Service, Capital Projects, and Fiduciary Funds.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The net assets of the district at June 30, 2010 were \$2,513,965 and are shown in the following *Statement of Net Assets*. The largest portion of the District's net assets (71.8%) reflects investment in capital assets (land, buildings and improvements, and furniture and equipment), less any related debt used to acquire those assets that are still outstanding. The district uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the district's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the District's ability to use those net assets for day-to-day operations.

The results of this year's operations for the District as a whole are reported in the following *Statement of Activities*, which shows the changes in net assets for fiscal year 2010. The district experienced a decrease in net assets, due in part to a decrease in general revenues.

A substantial portion of the district's revenues is received from State sources. This means that the financial stability of the district rests primarily with the economic

health of the State of Michigan. In 2009-10 ARRA funds were provided to stabilize school funding in Michigan. This resulted in a larger than normal percentage of federal sources of revenue for this school year. Figure 1 depicts the breakdown of the sources of revenue for the district.

Figure 1

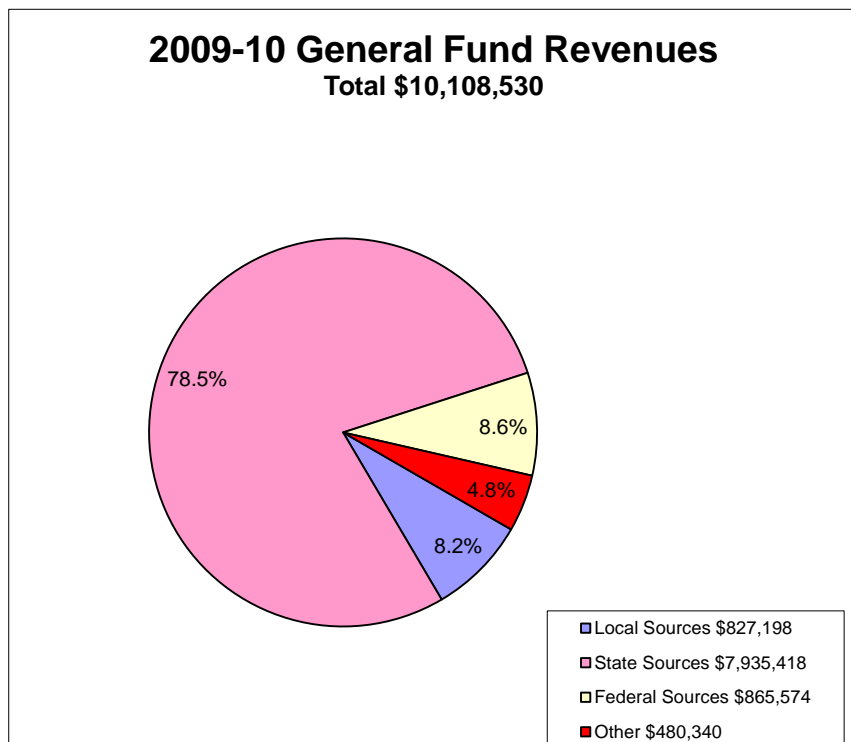
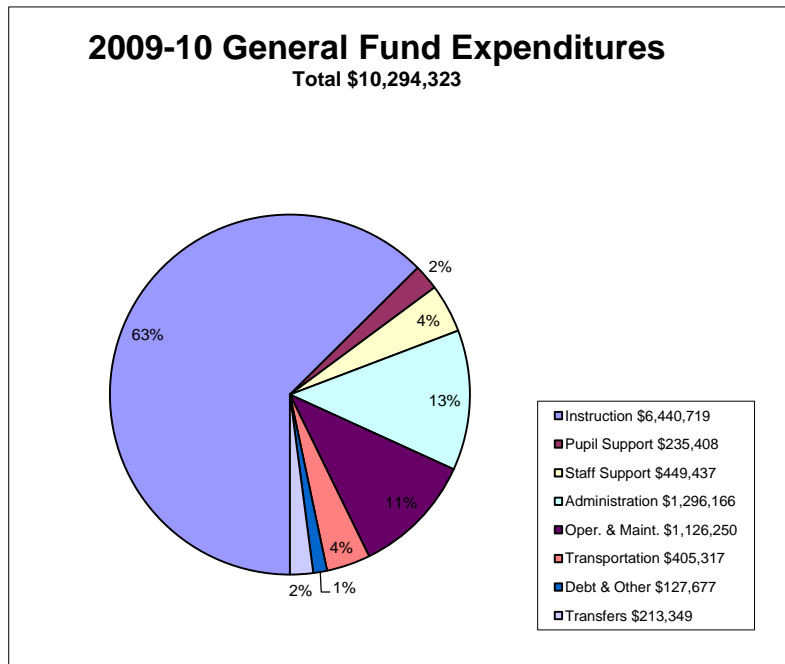


Figure 2 depicts how the district's resources are spent. Instructional services comprise most of the district's expenditures, while 13% went to administrative and business services, 11% was spent for operation and maintenance, including utilities and custodial services. The final 13% was spent on other support services.

Figure 2



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the district as a whole is reflected in its governmental funds as well. The combined governmental funds equity decreased by 23.5% during the 2009-10 school year. The primary reasons for this change are as follows:

General Fund

As a result of revenue reductions and cost increase, the district spent \$209,911, decreasing its fund equity by 30.7%.

Capital Projects

The district's Capital Projects Fund had a decrease of 0.1% due to an inspection and supplies.

Debt Service

The fund equity decreased by 10.2% due to the district making payments on the outstanding balance of the school bond loan fund.

Special Revenue

This year, the district used 14.5% of the school lunch fund equity due to decreased meal sales.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Uniform Budget Act of the State of Michigan requires that the local Board of Education adopt an original budget for the upcoming fiscal year by July 1st. As a matter of practice, the district amends its budget at least twice during the fiscal year. These revisions are made in order to deal with unexpected changes in revenues and expenditures. The following analysis describes the significant changes in the budget during the year.

Changes in Revenues

Local revenues were adjusted to reflect changes in non-homestead property tax values. State revenues were adjusted to reflect the decrease in state aide. Federal sources saw an increase due to the ARRA stimulus funding.

Changes in Expenditures

Expenditures were adjusted for an increase in teacher wages, health insurance premiums and substitute teacher costs. General and School Administration expenses were increased due to legal costs, and additional purchased services.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, St. Louis Public Schools had \$17,061,028 (net of depreciation) invested in a broad range of capital assets, including land, buildings and improvements, equipment, and vehicles.

Debt

At June 30, 2010, St. Louis Public Schools had \$15,383,357 in long-term debt. The debt consisted of the following:

Compensated Absences	\$ 129,545
2001 Bonds	\$7,000,000
2005 Refunding Bonds	\$5,380,000
School Bond Loan Fund	\$2,672,113
MMNET Admission Fee	\$ 15,000
MMNET Property	\$ 81,541
Durant Bonds	\$ 100,341
Instrument Lease	\$ 4,817
TOTAL	\$15,383,357

STATE ECONOMIC AND LOCAL FACTORS

One of the most significant factors facing St. Louis Public Schools is the economic condition of the State of Michigan. With state funding the primary source of revenue, the district monitors the state's periodic revenue-estimating conference in order to project revenue for the upcoming fiscal year's budget. In addition, local student enrollment is another revenue producing factor that the district monitors. The state foundation is based on a blended student count. This count is taken in September and February of each fiscal year. The blended count consists of 75% of September's count and 25% of the February count. In addition to the state required count days, the district conducts monthly enrollment updates in order to monitor this important revenue source. For budgeting purposes, an estimated student count is used, based on the district's enrollment history.

The budget prepared for the 2010-11 school year was based on a decrease in state funding, and a decline in student enrollment. Staff reductions were made in order to retain adequate fund equity.

REQUEST FOR INFORMATION

This financial report is designed to provide our stakeholders with a general overview of the district's finances and to show the district's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to:

St. Louis Public Schools
Central Office
113 E. Saginaw St.
St. Louis, MI 48880

**DISTRICT-WIDE
FINANCIAL STATEMENTS**

St. Louis Public School District
Statement of Net Assets - Governmental Activities
June 30, 2010

Assets	
Current assets	
Cash and investments	\$ 1,559,807
Accounts receivable, net	25,506
Due from other governmental units	1,641,568
Inventory	24,637
Prepays	<u>141,514</u>
Total current assets	<u>3,393,032</u>
Noncurrent assets	
Deferred Charges	
Bond issuance cost, net of amortization	81,171
Capital assets less accumulated depreciation	<u>17,061,028</u>
Total noncurrent assets	<u>17,142,199</u>
Total assets	20,535,231
Liabilities	
Current liabilities	
Accounts payable	65,834
Accrued expenses	240,591
Accrued interest on long-term debt	54,022
Accrued wages and other payroll liabilities	577,462
State aid note payable	1,700,000
Current portion of long-term obligations	<u>763,428</u>
Total current liabilities	<u>3,401,337</u>
Noncurrent liabilities	
Noncurrent portion of long-term obligations	11,818,271
Compensated absences	129,545
School bond loan fund and revolving fund payable	<u>2,672,113</u>
Total noncurrent liabilities	<u>14,619,929</u>
Net Assets	
Invested in capital assets, net of related debt	1,807,216
Restricted for:	
Debt service	306,249
Capital projects	9,674
Food service	18,687
Unrestricted	<u>372,139</u>
Total net assets	<u><u>\$ 2,513,965</u></u>

See accompanying notes to the financial statements.

St. Louis Public School District
Statement of Activities
For the Year Ended June 30, 2010

Functions / Programs	Expenses	Program Revenues		Total
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 6,421,192	\$ 19,215	\$ 1,910,505	\$ (4,491,472)
Support services	3,512,578	-	-	(3,512,578)
Food service	413,389	91,465	318,745	(3,179)
Athletics	275,058	61,709	-	(213,349)
Community services	24,552	30,001	-	5,449
Capital outlay	37	-	-	(37)
Interest and fees	740,402	-	14,787	(725,615)
Other	28,311	-	-	(28,311)
Depreciation - unallocated	730,460	-	-	(730,460)
Total governmental activities	<u>\$ 12,145,979</u>	<u>\$ 202,390</u>	<u>\$ 2,244,037</u>	<u>(9,699,552)</u>
General revenues:				
Property taxes				2,130,353
State aid not restricted to specific purposes				7,316,572
Unrestricted interest and investment earnings				2,317
Restricted interest and investment earnings				4,774
Miscellaneous				<u>72,362</u>
Total general revenues				<u>9,526,378</u>
Change in net assets				<u>(173,174)</u>
Net assets - beginning				<u>2,687,139</u>
Net assets - ending				<u>\$ 2,513,965</u>

FUND FINANCIAL STATEMENTS

St. Louis Public School District
Balance Sheet - Governmental Funds
June 30, 2010

	Major Funds					Total
	General	Food Service	Athletics	Debt Service	Capital Projects	
Assets						
Cash and investments	\$ 1,175,234	\$ 64,881	\$ -	\$ 309,981	\$ 9,711	\$ 1,559,807
Accounts receivable	25,191	315	-	-	-	25,506
Due from other funds	45,472	-	-	-	-	45,472
Due from other governmental units	1,641,568	-	-	-	-	1,641,568
Inventory	14,780	9,857	-	-	-	24,637
Prepays	141,514	-	-	-	-	141,514
Total assets	\$ 3,043,759	\$ 75,053	\$ -	\$ 309,981	\$ 9,711	\$ 3,438,504
Liabilities						
Accounts payable	\$ 51,171	\$ 14,663	\$ -	\$ -	\$ -	\$ 65,834
Accrued expenses	203,908	-	-	-	-	203,908
Accrued interest	36,683	-	-	-	-	36,683
Accrued wages	569,485	-	-	-	-	569,485
Payroll deductions and withholdings	7,977	-	-	-	-	7,977
Due to other funds	-	41,703	-	3,732	37	45,472
Short-term note payable	1,700,000	-	-	-	-	1,700,000
Total liabilities	2,569,224	56,366	-	3,732	37	2,629,359
Fund balance						
Reserved for:						
Debt service	-	-	-	306,249	-	306,249
Inventories and prepaids	156,294	9,857	-	-	-	166,151
Capital projects	-	-	-	-	9,674	9,674
Unreserved:						
Undesignated	318,241	8,830	-	-	-	327,071
Total fund balance	474,535	18,687	-	306,249	9,674	809,145
Total liabilities and fund balance	\$ 3,043,759	\$ 75,053	\$ -	\$ 309,981	\$ 9,711	\$ 3,438,504

St. Louis Public School District
 Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
 To Net Assets of Governmental Activities on the Statement of Net Assets
 For the Year Ended June 30, 2010

Total fund balance - governmental funds	\$	809,145
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Add: Cost of capital assets	\$ 31,969,762	
Deduct: Accumulated depreciation	<u>(14,908,734)</u>	17,061,028
<p>Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds. These liabilities consist of:</p>		
Long-term obligations		
Deduct: Bonds payable - Durant	(100,341)	
Deduct: Musical instrument lease	(4,817)	
Deduct: Bonds payable - 2001	(7,000,000)	
Deduct: Bonds payable - 2005	(5,380,000)	
Deduct: Purchase agreement - MMNET admission fee	(15,000)	
Deduct: Loan payable - MMNET property	<u>(81,541)</u>	(12,581,699)
Compensated absences		
Deduct: Compensated absences payable		(129,545)
School loan funds payable		
Deduct: School bond loan fund payable	(2,574,584)	
Deduct: School loan revolving fund payable	<u>(97,529)</u>	(2,672,113)
<p>Long-term liabilities (and corresponding deferrals) are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:</p>		
Add: Bonds payable - 2005 issuance cost (net of amortization)	81,171	
Deduct: Accrued interest on long-term liabilities	<u>(54,022)</u>	27,149
		<u>27,149</u>
Total net assets - governmental activities	\$	<u><u>2,513,965</u></u>

St. Louis Public School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	Major Funds					Total
	General	Food Service	Athletics	Debt Service	Capital Projects	
Revenues						
Local sources	\$ 827,198	\$ 91,465	\$ 61,709	\$ 1,377,545	\$ 24	\$ 2,357,941
State sources	7,935,418	28,788	-	14,787	-	7,978,993
Federal sources	865,574	281,655	-	-	-	1,147,229
Other sources	480,340	8,302	-	-	-	488,642
Total revenues	10,108,530	410,210	61,709	1,392,332	24	11,972,805
Expenditures						
Instruction						
Basic programs	4,842,594	-	-	-	-	4,842,594
Added needs	1,598,125	-	-	-	-	1,598,125
Total instruction	6,440,719	-	-	-	-	6,440,719
Support services						
Pupil	235,408	-	-	-	-	235,408
Instructional staff	435,596	-	-	-	-	435,596
General administration	317,274	-	-	-	-	317,274
School administration	703,205	-	-	-	-	703,205
Business services	275,687	-	-	-	-	275,687
Operation and maintenance	1,126,250	-	-	-	-	1,126,250
Pupil transportation	405,317	-	-	-	-	405,317
Central	13,841	-	-	-	-	13,841
Total support services	3,512,578	-	-	-	-	3,512,578
Food service	-	413,389	-	-	-	413,389
Athletics	-	-	275,058	-	-	275,058
Community services	24,552	-	-	-	-	24,552
Capital outlay	-	-	-	-	37	37
Debt service						
Principal payments	43,648	-	-	702,303	-	745,951
Interest, fees and other	58,155	-	-	722,059	-	780,214
Other	1,322	-	-	2,871	-	4,193
Total expenditures	10,080,974	413,389	275,058	1,427,233	37	12,196,691
Revenues over (under) expenditures	27,556	(3,179)	(213,349)	(34,901)	(13)	(223,886)
Other financing sources (uses)						
Operating transfers in	-	-	213,349	-	-	213,349
Operating transfers (out)	(213,349)	-	-	-	-	(213,349)
Transfer (out) to agency fund	(24,118)	-	-	-	-	(24,118)
Revenues and other sources over (under) expenditures and other uses	(209,911)	(3,179)	-	(34,901)	(13)	(248,004)
Fund balance - beginning	684,446	21,866	-	341,150	9,687	1,057,149
Fund balance - ending	\$ 474,535	\$ 18,687	\$ -	\$ 306,249	\$ 9,674	\$ 809,145

St. Louis Public School District
 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, 2010

Net change in fund balances - total governmental funds	\$	(248,004)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Deduct: Depreciation expense		(730,460)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.</p>		
Add: Decrease in accrued interest on long term debt		45,346
<p>Long term debt proceeds are reported as other financing sources in governmental funds, thereby increasing fund balances. In the statement of net assets, however, issuing long term debt increases liabilities and has no effect on net assets. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.</p>		
Add: Payment of principal on long-term obligations		735,924
Add: Decrease in accrual for compensated absences		19,527
Add: Change in school bond loan fund and revolving fund payable		10,027
<p>Other amounts reported in the statement of activities that do not require current financial resources consist of:</p>		
Deduct: Amortization of debt issuance cost		<u>(5,534)</u>
Change in net assets - governmental activities	\$	<u><u>(173,174)</u></u>

St. Louis Public School District
Statement of Net Assets
Fiduciary Funds
For the Year Ended June 30, 2010

Agency Fund

Assets

Cash and investments	<u>\$ 134,266</u>
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Total assets	<u><u>\$ 134,266</u></u>
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Liabilities

Due to student and other groups	<u>\$ 134,266</u>
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Total liabilities	<u><u>\$ 134,266</u></u>
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the St. Louis Public School District (the District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the District.

Reporting Entity

The District is governed by a seven member Board of Education which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state and federal government sources and must comply with all of the requirements of these funding source entities. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the District's reporting entity, and which organizations are legally separate, component units of the District. Based on the application of the criteria, the District does not contain any component units.

District-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to consumers who purchase, use or directly benefit from services provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items, including taxes and intergovernmental payments, not properly included among program revenues, are reported instead as general revenues.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

St. Louis Public School District
Notes to the Financial Statements
June 30, 2010

Fund Financial Statements - The 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 year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

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 District, except those required to be accounted for in another fund.

The debt service fund is used to record tax revenue, interest revenue, other revenue for payment of principal and other expenditures on the bond issues.

The capital projects fund accounts for financial resources used for the acquisition, construction, and improvement of major capital facilities other than those financed by proprietary funds. These resources are derived from contributions from the general fund.

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The school service funds are special revenue funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The District maintains full control of these funds. The school service funds maintained by the District are the athletic fund and food service fund.

Additionally, the District reports the following fund types:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent. Fiduciary fund net assets and results of operations are not included in the District-wide statements. Agency funds are custodial in nature (i.e. assets equal liabilities) and do not involve measurement of results of operations.

The District presently maintains a student activity fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

Comparative Data

Comparative total data for the prior year has been presented in order to provide an understanding of the changes in financial position and operations. Also, certain amounts presented in the prior year may have been reclassified in order to be consistent with the current year's presentation.

Budgetary Data

Budgets are adopted by the District for the general and special revenue funds. The budgets are adopted and prepared on the modified accrual basis of accounting. The budget is adopted at the function level and control is exercised at the activity level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits and certificates of deposit.

Michigan Compiled Laws, Section 129.91, authorizes the District to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The District's deposits are in accordance with statutory authority.

Receivables

Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts.

Due from other governmental entities consist primarily of amounts due from the State of Michigan.

Property Tax Revenue

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of July 1 and December 1, are due upon receipt of the billing by the taxpayer, and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and interest and penalties may be assessed by the collecting entity.

The taxable value for the District amounted to \$154,347,661 which includes homestead and non-homestead property. The District levied 17.7440 mills for school general operations on the non-homestead taxable value, which totaled \$757,557. The District also levied an additional 8.52 mills on all property in the District for the purpose of debt service, which totaled \$1,359,271.

State Aid Revenue

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 School 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.

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 valued at cost, on a first in, first out (FIFO) basis. Fund balance is reserved for the amount of inventories on hand as of June 30.

USDA donated commodities are recorded as a deferred revenue and inventory when received based on their fair market value as determined by the U.S. Department of Agriculture. Revenues and expenditures are then recognized when the commodities are used.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental column in the District-wide financial statements. Capital assets are defined by the District as individual assets with an initial cost equal to or 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 maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The District does not have infrastructure-type assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the District-wide financial statements.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land and Improvements	Not Depreciated
Buildings and Additions	20 – 50
Machinery and Equipment	5 – 20
Vehicles	5 – 10

Estimates

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

Compensated Absences

The school board's policy does not allow teachers to accumulate vacation days and carry the accumulation forward to future years. Support staff may carry ten days in a bank at any time with such benefits to be paid in full upon retirement, death, or permanent disability at their current rate of pay. The vacation pay liability as of June 30th is \$29,776.

Sick days can be accumulated up to thirty days (30) days for teachers and one hundred (120) days for other employees. Amounts accumulated are to be paid to employees and recognized as an expense when sick leave is taken.

After 15 years of continuous service to the District, a teacher, retirement, resignation, or termination, shall be paid for accumulated sick leave at a rate of \$60 per day to a maximum of \$1,500. Upon retirement, resignation, or death, sick leave is paid to support staff at a rate of \$26/day for the first 60 days and \$31/day for the next 60 days. The sick leave liability as of June 30th is \$99,769.

Deferred Revenue

Deferred revenues arise when resources are received by the District before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the fund financial statements and District-wide financial statements, and revenue is recognized.

Long-Term Obligations

In the District-wide financial statements, long-term debt and other long-term liabilities are reported as liabilities in the statement of net assets.

Net Assets and Fund Balances

Restricted net assets shown in the District-wide financial statements will generally be different from amounts reported as reserved/designated fund balances in the governmental funds financial statements. This occurs because of differences in the measurement focus and basis of accounting used in the District-wide and fund financial statements and because of the use of funds to imply that restrictions exist.

Fund Balances - Reserves and Designations

Fund balances in the governmental funds financial statements are reported as reserved when a portion of fund balance is either:

- Not available for appropriation for expenditure, or
- Legally segregated for a specific future use.

Fund balances in the governmental fund financial statements may be reported as designated to reflect management's self-imposed limitations on the use of otherwise available financial resources. Designations represent management's intended use of resources and should reflect actual plans approved by them.

Net Assets – Restrictions

Net assets in the District-wide financial statements are reported as restricted when constraints placed on net assets use is either:

- Externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or
- Imposed by law through constitutional provisions or enabling legislation.

Unemployment Compensation

The District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method the District must reimburse the Employment Commission for all benefits charged against the District for the year. No provision has been made for possible future claims.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess Of Expenditures Over Appropriations

Budgets are adopted at the functional level and on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Encumbrance accounting is not employed in governmental funds.

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

- The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
- Management is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
- The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2010. The District does not consider these amendments to be significant.

During the current year the District incurred expenditures in excess of the amounts budgeted as indicated in the budget comparison schedules as unfavorable variances.

NOTE 3 - CASH AND INVESTMENTS

At June 30th, the carrying amount of the District's cash, deposits and investments was as follows:

Cash and Investments	Amount
Petty Cash	\$ 1,094
Deposits With Financial Institutions: Interest Bearing Checking, Savings, Money Market Accounts	1,558,713
Total	\$ 1,559,807

At year-end, the bank balance was \$1,643,124. Of the bank balance, \$250,000 was covered by federal depository insurance and \$1,393,124 was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks.

The District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

As of June 30th, the District had \$9,711 of cash in the capital projects fund, which is restricted for future capital improvement expenditures.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

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

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. See above for amount of deposits held by the District that are exposed to custodial credit risk because it is uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, it 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 will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and prequalifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

St. Louis Public School District
Notes to the Financial Statements
June 30, 2010

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS

As of June 30th, due from other governmental units is comprised of the following amounts:

Due From	Amount
General Fund:	
State of Michigan – State Aid	\$ 1,456,745
State of Michigan – Title I	73,555
ARRA	111,268
Total	\$ 1,641,568

NOTE 5 - PREPAIDS

Prepaid expenses represent payments for the following expenses that will benefit future periods:

Prepaid	Amount
Insurance	\$ 98,875
Chartwells – Food Services	43,000
Other	1,639
Total	\$ 141,514

NOTE 6 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

Capital Assets	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 160,785	\$ -	\$ -	\$ 160,785
Buildings and Additions	29,372,321	-	-	29,372,321
Equipment	1,247,207	-	-	1,247,207
Vehicles	1,189,449	-	-	1,189,449
Total Capital Assets	31,969,762	-	-	31,969,762
Accumulated Depreciation				
Buildings and Additions	(12,215,514)	(666,123)	-	(12,881,635)
Equipment	(928,857)	(39,304)	-	(968,162)
Vehicles	(1,033,905)	(25,033)	-	(1,058,937)
Total Accumulated Depreciation	(14,187,274)	(730,460)	-	(14,908,734)
Net Capital Assets	\$ 17,791,488	\$ (730,460)	\$ -	\$ 17,061,028

Depreciation for the year ended June 30, 2010 totaled \$730,460. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 7 - DUE TO OTHER GOVERNMENTAL UNITS

As of June 30th, the District was not indebted to other governmental units.

NOTE 8 - ACCRUED EXPENSES

Accrued expenses as of June 30th are as follows:

Accrued Expenses	Amount
Retirement	\$ 96,470
FICA	43,566
Health Insurance	63,872
Accrued interest on short-term debt	36,683
Total	\$ 240,591

NOTE 9 - ACCRUED WAGES AND OTHER PAYROLL LIABILITIES

Wages payable as of June 30th represents the remaining balance owed on teacher contracts to be paid during the summer months and wages earned for non-teacher employees but unpaid as of the end of the fiscal year. Also included are payroll taxes due for accrued wages as of June 30th.

NOTE 10 - SHORT-TERM NOTE PAYABLE

On July 7, 2009 the District borrowed \$1,700,000 in the form of a State Aid Note for the purpose of providing funds for school operations. The interest rate is stated at 2.20% and the maturity date is July 7, 2010.

On July 6, 2010 the District borrowed \$2,000,000 in the form of a State Aid Note for the purpose of providing funds for school operations. The interest rate is stated at 2.49% and the maturity date is July 6, 2011.

NOTE 11 - 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 obligations bonds and refunding bonds are direct obligations and pledge the full faith and credit of the District. Other long-term obligations include compensated absences.

2005 Bonds

During the fiscal year ended June 30, 2005, the District issued \$7,190,000 of general obligation bonds for the purpose of a current refunding of \$7,090,000 of the 1995 bonds outstanding.

As a result, the 1995 bonds have been refunded and the liability has been removed from the governmental activities column of the statement of net assets. This current refunding was undertaken to reduce total debt service payments over the next 20 years by \$735,074 and resulted in an economic gain of approximately \$642,000.

See bond payment schedule included in the report.

School Bond Loan Fund and School Loan Revolving Fund

The District has periodically approved the borrowing from the State Of Michigan's School Bond Loan Fund and the School Loan Revolving Fund for the purpose of paying debt service. The interest rates are variable. Repayment of the loan will begin when excess funds are available from the taxes collected for payment of the bond issue.

See bond payment schedules included in this report.

1998 School Improvement Bonds

As a result of the Durant Settlement, the District is expected to receive approximately \$421,142. One-half of the settlement (\$210,571) will be paid to the District in ten equal payments beginning in November 1998. These payments are recorded as revenue in the General fund when received.

The District elected to receive the balance of the settlement by participating in the bonding program. Consequently, the District borrowed \$210,571 from the School Loan Bond Fund and will make the annual principal and interest payments from the annual appropriation from the State of Michigan. The bonds are the obligation of the District and are recorded in the District-wide financial statements. The State of Michigan is the only revenue source for making the annual debt service payments on the bonds. However, if the legislature fails to appropriate the funds, the District is under no obligation for payment. Restrictions on the use of these funds are stated in the Revised School Code Part 17, Sections 1351 and include the following: school buses, electronic instructional material and software, textbooks, technology, infrastructure or infrastructure improvement, school security, training for technology, or to reduce or eliminate certain voter-approved debt.

See the bond payment schedules included in this report.

2001 Bond Issue

On September 25, 2001 the voters of the District approved a bond issue dated November 14, 2001 in the amount of \$8,800,000, payable from 2002 to 2024, inclusive. Interest payments are due semiannually on May 1st and November 1st of each year. The bonds will pledge the full faith, credit and resources of the District for payment of principal and interest thereon, and will be payable from ad valorem taxes, which may be levied without limitations as to rate or amount as provided by law.

The bonds of this issue maturing in the years 2002 through 2011, inclusive, shall not be subject to redemption prior to maturity. Bonds or portions of bonds in multiples of \$5,000 of this issue maturing in the years 2012 through 2024, inclusive, shall be subject to redemption prior to maturity, at the option of the issuer, in such order as the issuer may determine and by lot within any maturity, on any interest payment date on or after May 1, 2011, at par and accrued interest to the date fixed for redemption, plus a premium expressed as a percentage of par.

The bonds were authorized for the purpose of erecting, furnishing and equipping new school facilities, and additions to and/or remodeling, refurbishing and re-equipping existing school facilities.

See bond payment schedule included in the back of this report.

St. Louis Public School District
Notes to the Financial Statements
June 30, 2010

MMNET

During the year ended June 30, 2001 the District elected to join the Middle Michigan Network for Educational Telecommunications (MMNET). See additional disclosures regarding MMNET in these notes. The total cost of participating in MMNET is \$450,000 and is financed as follows: 1) an agreement with MMNET in the amount of \$181,158, and 2) a loan with a local bank in the amount of \$268,842.

Purchase Agreement - MMNET Admission Fee

As a member of MMNET, the District was required to purchase an interest in various communication equipment and services. The agreement entered into with MMNET, dated October 30, 2000, calls for annual payments of \$15,000 plus interest payable over 10 years. The interest rate is stated at 5.68%.

Loan Payable – MMNET Property

On November 21, 2000, the District borrowed \$268,842 from a local bank to purchase telecommunications equipment, including engineering and installation, in order to participate in the MMNET Consortium. The terms of the loan call for semi-annual payments of \$14,898 due May 15th and November 15th of each year. The interest rate is stated at 5.380% and the maturity date is May 15, 2013.

Changes to Long-Term Debt

The changes in long-term debt during the year ended June 30, 2010 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Less: Current Portion	Total due after one year
Comp. Absences	\$ 149,072	\$ -	\$ (19,527)	\$ 129,545	\$ -	\$ 129,545
MMNET Loan Payable	105,959	-	(24,418)	81,541	25,750	55,791
MMNET Purchase Agmt	30,000	-	(15,000)	15,000	15,000	-
School Bond Loan Fund	2,436,597	137,987	-	2,574,584	-	2,574,584
School Bond Revolving	245,543	11,985	(159,999)	97,529	-	97,529
2001 Bonds	7,225,000	-	(225,000)	7,000,000	275,000	6,725,000
2005 Bonds	5,835,000	-	(455,000)	5,380,000	430,000	4,950,000
Durant Bonds	112,617	-	(12,276)	100,341	12,861	87,480
Musical Instruments	9,047	-	(4,230)	4,817	4,817	-
Total	\$16,148,835	\$ 149,972	\$ (915,450)	\$ 15,383,357	\$ 763,428	\$14,619,929

The annual requirements to pay principal and interest on the outstanding obligations on June 30, 2010 is shown in the *Schedule of Long-Term Debt* at the back of this report.

NOTE 12 - OPERATING LEASES

The School District is currently leasing seven copy machines from Xerox Corporation. Monthly payments range from \$82 to \$1,185, all payable over 60 months.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEM

Plan Description

The District contributes to the statewide Michigan Public School Employees' Retirement System (MPSERS), a multiple-employer, cost-sharing, defined benefit pension plan administered by the nine-member board of the MPSERS. The MPSERS provides retirement benefits and postretirement benefits for health, dental, and vision. The MPSERS was established by Public Act 136 of 1945 and operates under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS.

A copy of this report can be requested by calling (989) 322-6000 or by writing to:

Michigan Public School Employees' Retirement System
P.O. Box 30171
Lansing, MI 48909-7671

Funding Policy

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic plan members make no contributions. For a limited period ending December 31, 1992, an active Basic plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

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 benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2010 were 16.54% of payroll. The contribution requirements of plan members and the District are established, and may be amended by, the MPSERS Board of Trustees. The District's contributions to MPSERS for the years ended June 30, 2010, 2009, and 2008, were \$985,770, \$972,125, and \$959,396, respectively, which is equal to the required contribution for each year.

The District is not responsible for the payment of retirement benefits; it is the responsibility of the State of Michigan.

Other Post Employment Benefits

Under the MPSERS' Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these overages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage. Required contributions for post employment health care benefits are included as part of the District's total contribution to the MPSERS plan discussed above.

NOTE 14 - RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The District participates in the SET/SEG risk pool for employee injuries (worker's compensation) and has purchased commercial insurance for claims relating to property loss, torts, errors and omissions, and for medical claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

NOTE 15 - TRANSFERS

During the 2010 fiscal year, the general fund transferred \$213,349 to the athletic fund for general operating expenditures. The general fund also transferred \$24,118 to the agency fund.

NOTE 16 - JOINT VENTURE

During the year ended June 30, 2001 the District elected to join the Middle Michigan Network for Educational Telecommunications (MMNET). As a member of MMNET, the District was required to purchase an interest in various communication equipment and services as well as pay for annual administrative cost incurred by Gratiot-Isabella RESD, the administrative agent. Information regarding the purchase of equipment and services is shown in the above notes.

The MMNET Consortium was established by a previously approved inter local Consortium Agreement. The purpose of MMNET is to provide for interactive voice/video/data interconnections and services required for, or useful in, the instruction and training of students and other persons utilizing the participants services, the conducting of research, or the administrative operations of the participants; and to enable the participants to cooperatively share their resources for the ownership, financing, installation, administration and operation of MMNET.

Additional information on MMNET, including separate financial statements, is available by contacting the fiscal agent at:

Gratiot-Isabella Regional Education Service District
1131 East Center Street
Ithaca, Michigan 48847
Phone: 989-875-5101

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

St. Louis Public School District
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Local sources	\$ 793,986	\$ 821,394	\$ 827,198	\$ 5,804
State sources	8,523,833	8,203,722	7,935,418	(268,304)
Federal sources	448,394	525,462	865,574	340,112
Other sources	390,415	462,484	480,340	17,856
Total revenues	10,156,628	10,013,062	10,108,530	95,468
Expenditures				
Instruction				
Basic programs	4,851,665	4,842,208	4,842,594	(386)
Added needs	1,489,678	1,634,858	1,598,125	36,733
Total instruction	6,341,343	6,477,066	6,440,719	36,347
Support services				
Pupil	231,483	236,993	235,408	1,585
Instructional staff	501,642	424,379	435,596	(11,217)
General administration	309,025	310,321	317,274	(6,953)
School administration	670,517	709,992	703,205	6,787
Business services	229,203	272,751	275,687	(2,936)
Operation and maintenance	1,119,410	1,118,588	1,126,250	(7,662)
Pupil transportation	403,564	405,900	405,317	583
Central	15,430	14,100	13,841	259
Total support services	3,480,274	3,493,024	3,512,578	(19,554)
Community services	33,610	24,875	24,552	323
Debt service	80,901	71,986	101,803	(29,817)
Other	500	1,325	1,322	3
Total expenditures	9,936,628	10,068,276	10,080,974	(12,698)
Revenues over (under) expenditures	220,000	(55,214)	27,556	82,770
Other financing sources (uses)				
Operating transfers out	(267,460)	(251,415)	(237,467)	13,948
Revenues and other sources over (under) expenditures and other uses	(47,460)	(306,629)	(209,911)	96,718
Fund balance - beginning	684,446	684,446	684,446	-
Fund balance - ending	\$ 636,986	\$ 377,817	\$ 474,535	\$ 96,718

St. Louis Public School District
 Budgetary Comparison Schedule for the Food Service Fund
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Local sources	\$ 126,500	\$ 126,500	\$ 91,465	\$ (35,035)
State sources	31,650	31,650	28,788	-
Federal sources	250,000	250,000	281,655	31,655
Other sources	-	-	8,302	8,302
Total revenues	408,150	408,150	410,210	4,922
Expenditures				
Food service	404,550	404,550	413,389	(8,839)
Revenues over (under) expenditures	3,600	3,600	(3,179)	(6,779)
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Revenues and other sources over (under) expenditures and other uses	3,600	3,600	(3,179)	(6,779)
Fund balance - beginning	21,866	21,866	21,866	-
Fund balance - ending	\$ 25,466	\$ 25,466	\$ 18,687	\$ (6,779)

St. Louis Public School District
 Budgetary Comparison Schedule for the Athletic Fund
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Local sources	\$ 41,445	\$ 41,445	\$ 61,709	\$ 20,264
Total revenues	41,445	41,445	61,709	20,264
Expenditures				
Athletics	308,905	308,905	275,058	33,847
Revenues over (under) expenditures	(267,460)	(267,460)	(213,349)	54,111
Other financing sources (uses)				
Operating transfers in	267,460	267,460	213,349	(54,111)
Revenues and other sources over (under) expenditures and other uses	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

OTHER SUPPLEMENTAL INFORMATION

St. Louis Public School District
General Fund
Balance Sheet
June 30, 2010

Assets

Cash and investments	\$ 1,175,234
Accounts receivable	25,191
Due from other funds	45,472
Due from other governmental units	1,641,568
Inventory	14,780
Prepays	<u>141,514</u>
 Total assets	 <u>\$ 3,043,759</u>

Liabilities

Accounts payable	\$ 51,171
Accrued expenses	203,908
Accrued interest	36,683
Accrued wages	569,485
Payroll deductions and withholdings	7,977
Short-term note payable	<u>1,700,000</u>
 Total liabilities	 2,569,224

Fund balance

Reserved for inventory	14,780
Reserved for prepays	141,514
Unreserved	<u>318,241</u>
 Total fund balance	 <u>474,535</u>
 Total liabilities and fund balance	 <u>\$ 3,043,759</u>

St. Louis Public School District
 General Fund
 Statement of Revenues
 For the Years Ended June 30, 2010

Local sources	
Property taxes	\$ 757,558
Interest	2,317
Rental fees	30,001
Recreation fees	6,543
Drivers education fees	16,952
Other local revenues	<u>13,827</u>
Total local sources	<u>827,198</u>
 State sources	
General state aid	7,316,572
Categorical:	
Special education	262,281
At risk	276,900
School readiness	54,395
Vocational education	<u>25,270</u>
Total state sources	<u>7,935,418</u>
 Federal sources	
Title I	443,471
Education Stabilization Funds	341,262
Safe & drug free schools and communities	5,328
Medicaid	30,947
Title II - Improving teacher quality	37,780
Title II D - Technology	<u>6,786</u>
Total federal sources	<u>865,574</u>
 Other sources	
Other governmental units	
County special education tax	426,085
Vocational education transportation	19,215
Other	<u>35,040</u>
Total other sources	<u>480,340</u>
Total general fund revenues	<u><u>\$ 10,108,530</u></u>

St. Louis Public School District
 General Fund
 Statement of Expenditures
 For the Years Ended June 30, 2010

Instruction	
Basic programs	
Elementary	
Salaries	\$ 1,440,208
Employee benefits	649,014
Purchased services	24,393
Supplies, materials and other	17,072
	<u>2,130,687</u>
Total elementary	<u>2,130,687</u>
Middle/junior high	
Salaries	752,936
Employee benefits	405,870
Purchased services	18,607
Supplies, materials and other	6,418
	<u>1,183,831</u>
Total middle school	<u>1,183,831</u>
High school	
Salaries	975,076
Employee benefits	423,245
Purchased services	29,973
Supplies, materials and other	50,117
	<u>1,478,411</u>
Total high school	<u>1,478,411</u>
Readiness program	
Salaries	33,448
Employee benefits	15,653
Purchased services	9
Supplies, materials and other	555
	<u>49,665</u>
Total readiness program	<u>49,665</u>
Total basic programs	<u>4,842,594</u>
Added needs	
Special education	
Salaries	469,126
Employee benefits	190,372
Purchased services	7,087
Supplies, materials and other	2,278
	<u>668,863</u>
Total special education	<u>668,863</u>

St. Louis Public School District
 General Fund
 Statement of Expenditures
 For the Years Ended June 30, 2010

Instruction (continued)

Added needs (continued)	
Compensatory education	
Title I	
Salaries	\$ 244,324
Employee benefits	90,191
Purchased services	6,481
Supplies, materials and other	<u>1,291</u>
Total title I	<u>342,287</u>
At risk	
Salaries	126,070
Employee benefits	55,271
Purchased services	1,579
Supplies, materials and other	2,596
Capital outlay	<u>64,928</u>
Total at risk	<u>250,444</u>
American recovery and reinvestment act	
Salaries	41,892
Employee benefits	25,309
Purchased services	2,182
Supplies, materials and other	6,103
Capital outlay	<u>8,072</u>
Total ARRA	83,558
Bilingual	
Purchased services	3,893
Total compensatory education	<u>680,182</u>
Career and technical education	
Salaries	158,360
Employee benefits	83,042
Purchased services	3,278
Supplies, materials and other	<u>4,400</u>
Total career and technical education	<u>249,080</u>
Total added needs	<u>1,598,125</u>
Total instruction	<u>6,440,719</u>

St. Louis Public School District
 General Fund
 Statement of Expenditures
 For the Years Ended June 30, 2010

Supporting services

Pupil services

Guidance services

Salaries	\$ 76,188
Employee benefits	40,259
Supplies, materials and other	891

Total guidance services	<u>117,338</u>
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Speech

Salaries	41,799
Employee benefits	25,150
Supplies, materials and other	678

Total speech	<u>67,627</u>
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Other pupil services

Salaries	37,115
Employee benefits	9,059
Supplies, materials and other	4,269

Total other pupil services	<u>50,443</u>
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Total pupil services	<u>235,408</u>
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Instructional staff

Improvement of instruction

Salaries	1,645
Employee benefits	405
Purchased services	50,514
Supplies, materials and other	806

Total improvement of instruction	<u>53,370</u>
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Library

Salaries	70,744
Employee benefits	19,630
Purchased services	18
Supplies, materials and other	11,872

Total library	<u>102,264</u>
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St. Louis Public School District
General Fund
Statement of Expenditures
For the Years Ended June 30, 2010

Support services (continued)

Instructional staff		
Technology assisted instruction		
Purchased services	\$	100,427
Supplies, materials and other		26,031
Capital outlay		<u>14,738</u>
Total Instructional staff		<u>141,196</u>
Supervision and direction of instructional staff		
Salaries		94,626
Employee benefits		<u>44,140</u>
Total supervision and direction of instructional staff		<u>138,766</u>
Total instructional staff		<u>435,596</u>
General administration		
Board of education		
Purchased services		53,846
Supplies, materials and other		<u>8,605</u>
Total board of education		<u>62,451</u>
Executive administration		
Salaries		162,347
Employee benefits		79,214
Purchased services		6,423
Supplies, materials and other		<u>6,839</u>
Total executive administration		<u>254,823</u>
Total general administration		<u>317,274</u>

St. Louis Public School District
 General Fund
 Statement of Expenditures
 For the Years Ended June 30, 2010

Support services (continued)	
School administration	
Offices of the principals	
Salaries	\$ 436,208
Employee benefits	239,224
Purchased services	7,189
Supplies, materials and other	<u>20,584</u>
Total offices of the principals	<u>703,205</u>
Business services	
Fiscal services	
Salaries	76,167
Employee benefits	36,087
Purchased services	8,941
Supplies, materials and other	<u>2,919</u>
Total fiscal services	<u>124,114</u>
Internal services	
Supplies, materials and other	33,561
Other business services	
Insurances	53,823
Interest	37,516
Taxes refunded and abated	10,904
Dues and fees	7,886
Other	<u>7,883</u>
Total other business services	<u>118,012</u>
Total business services	<u>275,687</u>
Operation and maintenance	
Salaries	429,919
Employee benefits	289,540
Purchased services	131,998
Supplies, materials and other	273,962
Capital outlay	<u>831</u>
Total operation and maintenance	<u>1,126,250</u>

St. Louis Public School District
General Fund
Statement of Expenditures
For the Years Ended June 30, 2010

Support services (continued)	
Pupil transportation	
Salaries	\$ 224,549
Employee benefits	70,341
Purchased services	35,222
Supplies, materials and other	<u>75,205</u>
Total pupil transportation	<u>405,317</u>
Central	
Communication services	
Purchased services	2,265
Support services technology	
Purchased services	<u>11,576</u>
Total central	<u>13,841</u>
Total support services	<u>3,512,578</u>
Community services	
Recreation	
Salaries	14,134
Employee benefits	7,625
Purchased services	1,548
Supplies, materials and other	<u>1,245</u>
Total recreation	<u>24,552</u>

St. Louis Public School District
General Fund
Statement of Expenditures
For the Years Ended June 30, 2010

Outgoing transfers and other transactions

Transfers to other funds	
Athletics	\$ 213,349
Agency fund	24,118
Debt service - MMNET loan	
Principal	39,418
Membership fee	15,000
Interest	8,785
Musical instrument lease/purchase	
Principal	4,230
Interest	1,256
Xerox payment	33,114
Other	1,322
	<hr/>
Total other transactions	103,125
	<hr/>
Total outgoing transfers and other transactions	316,474
	<hr/>
Total general fund expenditures	\$ 10,294,323
	<hr/> <hr/>

St. Louis Public School District
Debt Service Funds
Combining Balance Sheet
June 30, 2010

	Durrant	2001 Debt	2005 Debt	Total
Assets				
Cash and investments	\$ -	\$ 179,365	\$ 130,616	\$ 309,981
Total assets	<u>\$ -</u>	<u>\$ 179,365</u>	<u>\$ 130,616</u>	<u>\$ 309,981</u>
Liabilities				
Due to other funds	\$ -	\$ -	\$ 3,732	\$ 3,732
Fund Balance				
Reserved for debt service	-	179,365	126,884	306,249
Total fund balance	<u>\$ -</u>	<u>\$ 179,365</u>	<u>\$ 130,616</u>	<u>\$ 309,981</u>

St. Louis Public School District
Debt Service Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Years Ended June 30, 2010

	Durant	2001 Debt	2005 Debt	Total
Revenues				
Local sources				
Property tax	\$ -	\$ 628,946	\$ 743,849	\$ 1,372,795
Interest on investments	-	-	4,750	4,750
State sources				
Durant	14,787	-	-	14,787
Total revenues	14,787	628,946	748,599	1,392,332
Expenditures				
Principal repayments	12,276	225,000	455,000	692,276
School Bond Loan Fund	-	-	10,027	10,027
Interest and other charges	2,511	330,675	388,873	722,059
Other	-	-	2,871	2,871
Total expenditures	14,787	555,675	856,771	1,427,233
Revenues over (under) expenditures	-	73,271	(108,172)	(34,901)
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Proceeds from school bond loan fund	-	-	-	-
Revenues and other sources over (under) expenditures and other uses	-	73,271	(108,172)	(34,901)
Fund balance - beginning	-	106,094	235,056	341,150
Fund balance - ending	\$ -	\$ 179,365	\$ 126,884	\$ 306,249

St. Louis Public School District
Capital Projects Fund
Balance Sheet
June 30, 2010

Public Improvement Fund

Assets

Cash and investments \$ 9,711

Total assets \$ 9,711

Liabilities

Due to other funds \$ 37

Fund balance

Reserved for future capital outlay 9,674

Total fund balance \$ 9,711

St. Louis Public School District
Capital Projects Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2010

Public Improvement Fund

Revenues

Local sources	
Interest Income	<u>\$ 24</u>
Total revenues	24

Expenditures

Supplies, materials and other	<u> 37</u>
Total expenditures	<u> 37</u>

Revenues over (under) expenditures (13)

Fund balance - beginning 9,687

Fund balance - ending \$ 9,674

St. Louis Public School District
Schedule of Long-Term Debt
For the Year Ended June 30, 2010

Maturity Date	Interest Rate (%)	Annual Principal Due	Interest Due		Total
			July	May	
Durant Issue - \$210,571					
<u>Due May 15,</u>					
2011	4.76	\$ 12,861	\$ -	\$ 1,926	\$ 14,787
2012	4.76	73,364	-	25,987	99,351
2013	4.76	14,116	-	672	14,788
Total		<u>\$ 100,341</u>	<u>\$ -</u>	<u>\$ 28,585</u>	<u>\$ 128,926</u>

The State School Aid Act, as amended by Public Act 142 of 1997 provided appropriations as part of a settlement to school districts involved in the Durant litigation as well as schools not involved in the litigation. The Michigan Municipal Bond Authority (MMBA) issued bonds for those districts that elected to receive a lump sum amount from the MMBA rather than receive part of the settlement in fifteen annual payments.

As part of the Executive Budget Recommendation for FY 2004, the bonds were "refunded". To accomplish that, the debt service payment schedules for applicable districts, including St. Louis Public School District, have changed. However, the refunding did not change the total payments for any of the districts.

The above schedule reflects these changes.

Musical Instrument Lease - \$21,100

<u>Due July 1,</u>					
2010	13.88	\$ 4,817	\$ 669	\$ -	\$ 5,486
Total		<u>\$ 4,817</u>	<u>\$ 669</u>	<u>\$ -</u>	<u>\$ 5,486</u>

St. Louis Public School District
Schedule of Long-Term Debt
For the Year Ended June 30, 2010

Maturity Date	Interest Rate (%)	Annual Principal Due	Interest Due		Total
			November	May	
2001 Bond Issue - \$8,800,800					
<u>Due May 1,</u>					
2011	4.50	\$ 275,000	\$ 160,275	\$ 160,275	\$ 595,550
2012	4.50	300,000	154,088	154,088	608,175
2013	4.50	350,000	147,338	147,338	644,675
2014	4.50	375,000	139,463	139,463	653,925
2015	4.50	425,000	131,026	131,026	687,052
2016	4.50	475,000	121,463	121,463	717,925
2017	4.50	525,000	110,775	110,775	746,550
2018	4.60	575,000	98,963	98,963	772,925
2019	4.60	600,000	85,738	85,738	771,475
2020	4.60	600,000	71,938	71,938	743,875
2021	4.60	600,000	58,138	58,138	716,275
2022	4.60	625,000	44,338	44,338	713,675
2023	4.70	625,000	29,963	29,963	684,925
2024	4.70	650,000	15,275	15,275	680,550
Total		<u>\$ 7,000,000</u>	<u>\$ 1,368,776</u>	<u>\$ 1,368,776</u>	<u>\$ 9,737,552</u>
2005 Bond Issue - \$7,190,000					
<u>Due May 1</u>					
2011	3.25	\$ 430,000	\$ 112,625	\$ 112,625	\$ 655,250
2012	3.50	430,000	105,638	105,638	641,275
2013	3.75	410,000	98,113	98,113	606,225
2014	3.75	415,000	90,425	90,425	595,850
2015	4.00	400,000	82,644	82,644	565,288
2016	5.00	390,000	74,644	74,644	539,288
2017	5.00	380,000	64,894	64,894	509,788
2018	5.00	375,000	55,394	55,394	485,788
2019	4.10	370,000	46,019	46,019	462,038
2020	4.20	365,000	38,434	38,434	441,868
2021	4.20	365,000	30,769	30,769	426,538
2022	4.38	355,000	23,013	23,013	401,025
2023	4.38	345,000	15,247	15,247	375,494
2024	4.40	350,000	7,700	7,700	365,400
Total		<u>\$ 5,380,000</u>	<u>\$ 845,556</u>	<u>\$ 845,556</u>	<u>\$ 7,071,111</u>

St. Louis Public School District
Schedule of Long-Term Debt
For the Year Ended June 30, 2010

Maturity Date	Interest Rate (%)	Annual Principal Due	Interest Due		Total
			November	May	
Purchase Agreement - MMNET - \$181,158					
<u>Due November 15,</u> 2010	5.68	\$ 15,000	\$ 852	\$ -	\$ 15,852
Total		<u>\$ 15,000</u>	<u>\$ 852</u>	<u>\$ -</u>	<u>\$ 15,852</u>
Loan Payable - MMNET Property - \$268,842					
<u>Due November 15 and May 15,</u> 2011	5.38	\$ 25,750	\$ 2,193	\$ 1,852	\$ 29,795
2012	5.38	27,154	1,501	1,140	29,795
2013	5.38	28,637	770	391	29,798
Total		<u>\$ 81,541</u>	<u>\$ 4,464</u>	<u>\$ 3,383</u>	<u>\$ 89,388</u>

St. Louis Public School District
Schedule of Long-Term Debt
For the Year Ended June 30, 2010

Year	Loan Proceeds	Accrued Interest	Balance Due
School Bond Loan Fund			
1996	\$ 628,964	\$ 25,889	\$ 654,853
1997	185,564	42,878	883,295
1998	-	48,004	931,299
1999	-	47,704	979,003
2000	-	49,979	1,028,982
2001	-	50,719	1,079,701
2002	-	45,453	1,125,154
2003	242,871	43,756	1,411,781
2004	282,182	45,345	1,739,308
2005	246,219	56,818	2,042,345
2006	-	83,377	2,125,722
2007	-	100,898	2,226,620
2008	-	100,070	2,326,690
2009	-	109,907	2,436,597
2010	-	137,987	2,574,584
Total	\$ 1,585,800	\$ 988,784	

As of June 30, 2010, the interest rate was 5.750%.

School Loan Revolving Fund

2006	\$ 171,103	\$ 5,351	\$ 176,454
2007	100,533	12,064	289,051
2008	11,325	13,684	314,060
2009	-	14,539	328,599
2009 Repayment	(39,750)	(43,305)	245,544
2010	-	11,985	257,529
2010 Repayment	(146,082)	(13,918)	97,529
Total	\$ 97,129	\$ 400	

As of June 30, 2010, the interest rate was 5.768%.

St. Louis Public School District
Schedule of Long-Term Debt
For the Year Ended June 30, 2010

Year	Annual Principal Due	Annual Interest Due	Total
Summary by Year (excluding School Bond & Loan Revolving Funds)			
2011	\$ 763,428	\$ 553,292	\$ 1,316,720
2012	830,518	548,078	1,378,596
2013	802,753	492,733	1,295,486
2014	790,000	459,775	1,249,775
2015	825,000	427,340	1,252,340
2016	865,000	392,213	1,257,213
2017	905,000	351,338	1,256,338
2018	950,000	308,713	1,258,713
2019	970,000	263,513	1,233,513
2020	965,000	220,743	1,185,743
2021	965,000	177,813	1,142,813
2022	980,000	134,700	1,114,700
2023	970,000	90,419	1,060,419
2024	1,000,000	45,950	1,045,950
Totals	<u>\$ 12,581,699</u>	<u>\$ 4,466,616</u>	<u>\$ 17,048,315</u>



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

St. Louis Public Schools
St Louis, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Louis Public Schools as of and for the year ended June 30, 2010, which collectively comprise St. Louis Public Schools' basic financial statements and have issued our report thereon dated October 6, 2010. 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 St. Louis Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as items 2010-1, 2010-2, and 2010-3, that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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 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*.

We noted certain matters that we reported to management of St. Louis Public Schools, in a separate letter dated October 6, 2010.

St. Louis Public Schools' response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit St. Louis Public Schools' responses and, accordingly, we express no opinion on it.

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

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

October 6, 2010

Finding 2010-1

Finding considered a significant deficiency

Effective for the year ended June 30, 2010, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (Issued May 2006) requires us to communicate in writing when a client requires assistance to prepare the financial statements and related footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

The annual financial statements for the year ended June 30, 2010 required numerous audit adjustments, most of which the staff was aware needed to be recorded. The staff of the District does understand all information included in the annual financial statements; however, we assist in preparing the financial statements and related footnotes.

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

Client Response

We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We expect this situation to be ongoing in future years.

Finding 2010-2

Finding considered a significant deficiency

During our audit we became aware of deficiencies in the internal controls over student accounts (Agency Fund). Specifically there was a lack of segregation of duties, proper authorization of disbursements, and management oversight.

We recommend that management review the internal controls over the processing of transactions in the student accounts, including the segregation accounting duties, and implement the necessary changes to assure the safeguarding of assets, the authorization of transactions, and proper recording of the activity in the financial records.

Client Response

Management is in agreement with the above recommendations and has implemented the necessary changes to assure the safeguarding of assets, the authorization of transactions, and proper recording of the activity in the financial records.

Finding 2010-3

Finding considered a significant deficiency

The District has adopted the credit card policy required by the State of Michigan. However, during our audit we became aware of deficiencies in the internal controls over the use of credit cards that included a lack of segregation of duties, proper authorization of disbursements, and management oversight.

We recommend that management review the internal controls over the use of credit cards and implement necessary changes to assure the safeguarding of assets, the authorization of transactions, and proper recording of the activity in the financial records.

Client Response

Management is in agreement with the above recommendations and has implemented the necessary changes to assure the safeguarding of assets, the authorization of transactions, and proper recording of the credit card activity in the financial records.



MANAGEMENT LETTER

St. Louis Public School District
St. Louis, Michigan

In planning and performing our audit of the financial statements for St. Louis Public School District (the District) for the fiscal year ended June 30, 2010, we considered the District's internal control in determining our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for the District to strengthen internal controls and operating efficiency. The following pages that accompany this letter summarize our comments and recommendations regarding those matters. This letter does not affect our audit report dated October 6, 2010 on the financial statements of St. Louis Public School District.

We will review the status of these comments during our next audit engagement. We have discussed these comments and recommendations with management, and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of St. Louis Public School District, management, and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Sincerely,

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

October 6, 2010

Status of Prior Year Comments and Recommendations

We were pleased to see that management has implemented the recommendations we included in our previously issued Management Letter.

Current Year Comments and Recommendations

Internal Controls over Cash Receipts

We recommend that the District improve its internal controls over cash & checks received by the District. Since cash is so readily subject to error and mishandling, effective control of checks, currency, and other cash items should begin at the time of receipt and continue through deposit, custody, and disbursement. The person who opens incoming mail should prepare a list of cash items received daily, at the time of opening the mail and before the cash items are routed to the person responsible for depositing funds. Such lists should include the customers' names, amounts, and invoices being paid, and be used daily or at other reasonable intervals for comparison of the total with deposit slip totals, to determine that all cash has been promptly deposited intact in the company's bank accounts. All cash receipts should be deposited intact daily.

We have discussed this recommendation with management and management has begun implementing the recommended improvements to internal controls.

Testing of Payroll

At the time of testing, the District was not able to provide signed contracts for two out of the eleven contracted employees selected. We recommend that the District review its document retention policy.

New Reporting Requirement

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and to clarify the existing governmental fund type definitions.

The requirements of this statement are effective for financial statements covering fiscal years beginning after June 15, 2010, but early implementation is encouraged. A fact sheet regarding this new reporting requirement has been provided to the management of the District in order to increase awareness of the change and to assist the District in implementing reporting changes that may be needed for the next audit year.