

# Comprehensive Annual Financial Report



Year Ended  
June 30, 2014

# **L'Anse Creuse Public Schools**

---

**Financial Report  
with Supplemental Information  
June 30, 2014**

DRAFT

# **Comprehensive Annual Financial Report**

## **L'Anse Creuse Public Schools**

**24076 F. V. Pankow Blvd**

**Clinton Township, MI 48036**

**For the Fiscal Year Ended  
June 30, 2014**

---

### **Board of Education**

President  
Vice President  
Secretary  
Treasurer  
Trustee  
Trustee  
Trustee

Linda J. McLatcher  
Donald R. Hubler  
Charles W. Eslinger  
Pamela L. Hornberger  
Mary L. Hilton  
Kenneth N. Hoover  
Sharon L. Ross

### **Superintendent of Schools**

Jacqueline Johnston

### **Cabinet Members**

Superintendent  
Deputy Superintendent for Curriculum  
Chief Financial Officer  
Assistant Superintendent for Human Resources  
Director for Public and Community Services

Jacqueline Johnston  
Edward Okuniewski  
Rochelle Gauthier  
Michael Reeber  
Kelly Allen

### **Report Prepared by Finance Division**

Rochelle Gauthier, Chief Financial Officer  
Robert Lenhardt, Director for Finance  
Paula Sorgeloos, Accounting Supervisor  
Beth Disbrow, Grant Accountant  
Martha Luks, Accountant  
Catherine Natzke, Accountant

# L'Anse Creuse Public Schools

## Contents

### Introductory Section

<b>Letter of Transmittal</b>	i-x
<b>Administrative Organizational Chart</b>	xi
<b>ASBO Certificate of Excellence in Financial Reporting</b>	xii

### Financial Section

<b>Independent Auditor's Report</b>	1-3
<b>Management's Discussion and Analysis</b>	4-14

### **Basic Financial Statements**

Government-wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	17-18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	19
Statement of Revenue, Expenditures, and Changes in Fund Balances	20-21
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Proprietary Funds - Internal Service Funds:	
Combined Statement of Net Position	23
Combined Statement of Revenue, Expenses, and Changes in Net Position	24
Combined Statement of Cash Flows	25
Fiduciary Funds:	
Statement of Net Position	26
Statement of Changes in Net Position	27
Notes to Financial Statements	28-49

<b>Required Supplemental Information</b>	50
Budgetary Comparison Schedule - General Fund	51
Note to Required Supplemental Information	52

# L'Anse Creuse Public Schools

## Contents (Continued)

<b>Other Supplemental Information</b>	53
Nonmajor Governmental Funds:	
Combining Balance Sheet	54-55
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	56-57
Special Revenue - Food and Nutrition Fund - Budgetary Comparison Schedule	58
Special Revenue - Kensington Fund - Budgetary Comparison Schedule	59
Special Revenue - International Fund - Budgetary Comparison Schedule	60
Proprietary Funds - Internal Service Funds:	
Combining Statement of Net Position	61
Combining Statement of Revenue, Expenses, and Changes in Net Position	62
Combining Statement of Cash Flows	63
Agency Fund - Student Activities Fund Changes in Assets and Liabilities	64
Schedule of Bonded Indebtedness	65-66
<b>Statistical Section and Other Information (Unaudited)</b>	67
<b>Description of Statistical Section</b>	68
<b>Financial Trend Information</b>	
Net Position by Component - Governmental Activities	69-70
Changes in Governmental Net Position	71-72
Fund Balances - Governmental Funds	73-74
Changes in Fund Balances - Governmental Funds	75-76
<b>Revenue Capacity Information</b>	
Assessed Value and Actual Value of Taxable Property	77-78
Direct and Overlapping Property Tax Rates	79-80
Principal Property Taxpayers	81
Property Tax Levies and Collections	82
<b>Debt Capacity Information</b>	
Ratios of Outstanding Debt	83-84
Direct and Overlapping Governmental Activities Debt	85
Legal Debt Margin	86-87
<b>Demographic and Economic Information</b>	
Demographic and Economic Statistics	88
Principal Employers	89

# **L'Anse Creuse Public Schools**

---

## **Contents (Continued)**

### **Statistical Section and Other Information (Unaudited) (Continued)**

#### **Operating Information**

Full-time Equivalent School District Employees	90
Operating Indicators	91
Capital Asset Information	92-93

### **Federal Awards Supplemental Information**

Issued Under  
Separate  
Cover

DRAFT

**Jacqueline Johnston**  
SUPERINTENDENT

**BUSINESS OFFICE**

**Rochelle M. Gauthier**  
CHIEF FINANCIAL OFFICER

**Robert J. Lenhardt**  
DIRECTOR FOR FINANCE

24076 F.V. PANKOW BLVD.  
CLINTON Twp., MI 48036-1304  
586.783.6300  
586.783.6312 FAX  
[WWW.LC-PS.ORG](http://WWW.LC-PS.ORG)

October 8, 2014

To the Citizens and Board Members:

This introductory section of L'Anse Creuse Public Schools' (the "School District") annual financial report presents an overview of the School District, major initiatives, and program highlights.

### **Report Organization**

This report is organized into three sections. The introductory section presents the organizational chart for the School District, as well as the Certificate of Excellence in Financial Reporting (CAFR) award received for the fiscal year ended June 30, 2013. The Association of School Business Officials International (ASBO) awards the CAFR certificate to districts that meet or exceed the reporting principles and standards set by ASBO.

The financial section contains the auditor's opinion letter and the management's discussion and analysis report. The management's discussion and analysis report provides a more detailed analysis of the financial condition of the School District. The School District's basic financial statements, fund financial statements, and required supplemental information are also contained in this section. The statistical section presents selected financial and demographic information on a multi-year basis when appropriate.

### **Management's Discussion and Analysis**

Generally accepted accounting principles under GASB Statement No. 34 require that management provide financial report users with a simple narrative introduction, overview, and analysis of the basic financial statements in the form of a management's discussion and analysis (MD&A), which is required supplemental information. This letter of transmittal is meant to complement the MD&A and should be read in connection with it. The MD&A can be found immediately following the independent auditor's report in the financial section of this report.

### **School District Background**

L'Anse Creuse Public Schools is a public school district operating under the laws of the State of Michigan to offer a free public education to all students within its boundaries. L'Anse Creuse Public Schools is located in the County of Macomb. The School District has an area of 35.4 square miles and includes all of Harrison Township, parts of Chesterfield, Clinton, and Macomb Townships, and small portions of the cities of Mount Clemens and St. Clair Shores. The School District is governed by a Board of Education consisting of seven publicly elected members.

**NOTICE OF NONDISCRIMINATION.** It is the policy of L'Anse Creuse Public Schools not to discriminate on the basis of race, color, religion, national origin or ancestry, gender, age, disability, height, weight or marital status in its programs, services, activities, or employment. Inquiries related to nondiscrimination policies should be directed to: Civil Rights Coordinator, Assistant Superintendent for Human Resources, L'Anse Creuse Public Schools, Harry L. Wheeler Community Center and Administrative Offices, 24076 F. V. Pankow Blvd., Clinton Twp., MI 48036, and (586) 783-6300. Nondiscrimination inquiries related to disability should be directed to: Section 504 Coordinator, Director for Special Education, (586) 783-6300.

**BOARD OF EDUCATION**

**Linda J. McLatcher**  
PRESIDENT

**Donald R. Hubler**  
VICE PRESIDENT

**Charles W. Eslinger**  
SECRETARY

**Pamela L. Hornberger**  
TREASURER

**Mary L. Hilton**  
TRUSTEE

**Kenneth N. Hoover**  
TRUSTEE

**Sharon L. Ross**  
TRUSTEE

The present School District resulted from the consolidation of five elementary school districts in 1954. Enrollment was then 1,600 students. Today approximately 600 teachers, providing for an approximate 19 to 1 teacher/student ratio, teach approximately 11,275 students. The School District is comprised of 10 elementary schools, four middle schools, and three traditional high schools, including the Frederick V. Pankow Center for Career Education, which offers comprehensive career and job training in business, health service, human service, trade, and industry. Riverside Academy is an NCA accredited, non-traditional high school that provides an alternative approach to the high school experience. Located at the DiAnne M. Pellerin Center, Riverside Academy students engage in academic activities that lead to a L'Anse Creuse diploma. In addition, L'Anse Creuse Public Schools provides educational services to the Macomb County Juvenile Justice Center and adult education to the Macomb County Jail year-round.

The Comprehensive Annual Financial Report of L'Anse Creuse Public Schools for the fiscal year ended June 30, 2014 is submitted herewith. This report was prepared by the finance department and contains all activities under the control of the Board of Education. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the School District. We believe that the data, as presented, is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the School District as measured by the financial activity of its various funds, with all disclosures necessary to enable the reader to gain the maximum understanding of the School District's financial affairs. In accordance with the Board of Education's commitment to communication, detailed financial information related to the fiscal operations of the School District has been presented for public review on a timely basis throughout the year at monthly Board of Education meetings.

### **Economic Condition and Outlook**

L'Anse Creuse Public Schools is maintained by the taxpayers of four townships (Harrison, Clinton, Chesterfield, and Macomb Townships) and small portions of the cities of Mount Clemens and St. Clair Shores. The taxable assessed valuations (TAVs) of these properties increased an average of 1.4 percent from the prior year. This increase in TAVs has a direct effect on the amount of revenue the School District will receive in state aid from the Michigan Department of Education. As the townships' TAVs continue to increase, the local portion of revenue increases, and the Michigan Department of Education's portion of the foundation allowance decreases.

On March 15, 1994, Michigan voters went to the polls to vote on school funding reform. The ballot proposal passed, amending the State of Michigan Constitution. State Aid Act 5123, Sec. 20, (1) provides basic foundation allowance and a formula for a supplemental allowance for 1994-1995. Sec. 20, (2) is the language for the base allowance for 2013-2014. Sec. 147, (2) mandates the shifting of the employer's share for employee Social Security and state retirement costs previously paid by the State to the local district. The Michigan Public School Employees' Retirement System (MPERS) underwent massive reform during the 2013 fiscal year. As a result of the reform, employees have options in which to choose for retirement. Based on an employee's retirement choice, the MPERS contribution rate can range from 24.79% to 26.96%.

L'Anse Creuse Public Schools is primarily made up of residential communities. The major industries are industrial and retail. Three of the four communities within the district boundaries experienced growth in the issuance of single family building permits. The townships of Chesterfield and Clinton saw an increase in the number of single family building permits issued in 2013 over 2012 of 11 and 17, respectively. Harrison Township's total permits decreased from 2012 to 2013 by 75 percent. Macomb Township continued to show growth in the number of single family building permits over the previous year and issued 569 in 2013.

L'Anse Creuse Public Schools owns and maintains 23 buildings, of which two are used for administrative and support services. Buildings were constructed between 1954 and 2013. In addition, improvements to buildings totaling \$183,000,000 have been made in the past 10 years.

### **Major Initiatives**

The L'Anse Creuse Board of Education adopted a strategic plan for the School District during 2013-2014. The committee consisted of several board members, School District administrators, teachers, support staff, students, and parents. They met several times in the spring to collaborate on the School District's goals. The plan was presented and approved by the Board of Education in June 2014.

The mission statement answers our reason for being. It is: "To create a challenging collaborative learning community which prepares all students for success in global society". The goals of the strategic plan are as follows:

1. Engage students in real-world experiences that develop life-long learners to be successful in a technological and dynamic global society
2. Provide all students within our community with opportunities and experiences that encourage and challenge them to reach their personal best.
3. Ensure financial stability while maintaining high quality educational programs and services for all.
4. Strengthen our evolving identity where all community members celebrate successes, promote community pride and believe and support L'Anse Creuse is the home of the best students, parents and educators.

In addition to the mission, we have seven beliefs:

1. High academic and behavioral expectations for all learners
2. A safe and nurturing learning environment
3. Instruction that prepares students for a global society
4. Fiscal responsibility
5. Respect for all individuals
6. Collaborative partnerships with community members, parents and teachers

## 7. The importance of district tradition and history

We believe that a strategic plan results in a common purpose, common sense of direction, priorities for change, protection against overextending, goal-orientation, and longer-term effort.

**For the Year** - L'Anse Creuse Public Schools believes that an alcohol- and drug-free school system is essential for a healthy community. The challenge of meeting this belief is aided by the activities of the L'Anse Creuse Community Action Coalition (CAC).

The CAC is composed of school staff, business leaders, law enforcement officials, and health and service professionals who work as a team to promote, enhance, and maintain a zero tolerance policy regarding alcohol, tobacco, and other drugs. In the 2013-2014 school year, the CAC also sponsored its 13th annual "Dialogue Day," which assembled over 200 students, educators, and community leaders together to discuss openly the issues teens face today. In addition, the group hosted a Call to Conversation to educate the community on the impact of today's marijuana on youth.

Because we want our students to be safe and drug-free, fifth grade students receive lessons during physical education classes about being safe and drug free. Our students discover the ramifications of gang and youth violence through structured experiences and interactive approaches. They learn about the hazard of drugs and the destruction that drug use causes, not just for them and their family but also the impact on the community.

L'Anse Creuse Public Schools has developed a strong partnership with Michigan Works! to decrease barriers for economically disadvantaged students in its In School and Out of School Youth programs. These combined programs are staffed by highly trained individuals to provide extra support and career planning for over 25 students annually. In addition, many of these students have been placed in paid field experiences during the summer to increase their likelihood of graduating and obtaining employment.

L'Anse Creuse Public Schools voluntarily participates in NCA accreditation at the high school level. All high schools are presently accredited by NCA.

L'Anse Creuse attendance rates average more than 93 percent daily. Scholarship monies offered to L'Anse Creuse seniors total approximately \$7 million. ACT scores were comparable to the state average and met country average. All L'Anse Creuse students take the ACT Explore and PLAN test. L'Anse Creuse students may take the PSAT and the SAT at their discretion.

Many L'Anse Creuse students and staff continue to be recognized for excellence through state and national awards. They received honors in writing, speech, music, athletics, co-teaching, art, technology, science, reading, journalism, and more. To enhance effective aspects of the educational process, both high schools instituted a community service requirement. L'Anse Creuse's class of 2014 contributed over 77,400 hours of service. This is viewed as a model throughout the state for the students and staff of other districts.

The L'Anse Creuse Foundation is an independent, nonprofit organization formed in 1989 by community business members and L'Anse Creuse Public Schools. The Foundation is dedicated to obtaining additional financial resources for students within the School District to enhance educational opportunities and provide scholarships. To date, the Foundation has been able to award over \$462,000 in grants and scholarships. This past year, it awarded over \$18,000 in grants to teachers and \$10,000 in scholarships for high school and adult education students.

The L'Anse Creuse Alumni Association was formed in 1996 to continue to serve the alumni of both L'Anse Creuse High School and L'Anse Creuse High School - North. They hope to provide an opportunity for L'Anse Creuse graduates to continue communication with fellow graduates through its collection and distribution of alumni information. An interactive website <<http://www.lc-ps.org/alumnidb>> keeps alumni updated on upcoming reunions and social events.

In June 2010, the Boards of Education for L'Anse Creuse Public Schools and New Haven Community Schools entered into a shared service agreement. The first agreement went into effect for the 2011 fiscal year and was renewed through 2013. In April 2014, the Board elected to continue the agreement through the 2016 fiscal year. Under this agreement, L'Anse Creuse Public Schools shall provide certain business office and transportation services for New Haven Community Schools.

**For the Future** - Michigan Public Acts 25 and 335 (P.A. 25 and P.A. 335) of 1990 made changes in the School Code of Michigan. P.A. 335 further expanded P.A. 25. P.A. 25 requires annual reporting on at least the following seven areas:

- School improvement
- Core curriculum
- Accreditation
- Student achievement
- Parent participation
- Retention rates
- Specialized schools

P.A. 335 requires grade level indicators be developed and distributed to parents, students, and the community. A team of educators from grades K-8 has developed the essential content for each grade level in each academic area.

Every year, written annual reports are posted on each school's web page, as well as the School District's website. Written copies are available through the Office of Community Relations.

Implementation of essential curriculum is crucial to our mission of teaching all students. We are constantly working on revising and aligning our curriculum. We continue to fully implement the Common Core State Standards, as required by the Michigan Department of Education. We will continue to monitor curriculum and student achievement in English, mathematics, science, and social studies. Instructional strategies, assessments, and class offerings are monitored and adjusted regularly. L'Anse Creuse Public Schools continues a commitment to building a strong academic program through quality curriculum alignment and professional development.

**Department Focus** - L'Anse Creuse Public Schools employs one teacher for every 19 students. We are very proud of the accomplishments of our dedicated, hard-working staff over the past year. Some of the more significant department accomplishments are as follows:

- Students certified by the L'Anse Creuse special education department receive vocational programming beginning at the elementary school level that continues through the middle school program. The first two years of high school continue to emphasize the vocational application of the skills learned in the subjects taken by the students. Beginning in their junior year, the students have a variety of vocational training and work placement opportunities available to them. The special education department participates in the Michigan Business Partnership School Adoption Program, Community-based Vocational Programs, MDE Cash Match Program, Targeted Job Tax Credit Program through the Michigan Employment Security Agency (MESA), and our own work study program. Each of the programs provides opportunities for students receiving special education services.
- Co-teaching at the elementary and secondary levels continues to prove very effective at improving the social and educational skills of the students involved. This is achieved through a partnership between special education and general education teachers who work together to take an active role in the teaching responsibilities of students receiving special education services. Overall, this is an excellent program undergoing continuous and positive changes. In 2013-2014, co-teaching continued to be very successful in all the elementary and secondary buildings.
- L'Anse Creuse conducts a preschool screening program for all four-year-old children in the School District. This past year, approximately 240 children participated in the screening process. This process provides the parent with information concerning the pre-kindergarten readiness skills of their children.
- In addition to preschool screening, L'Anse Creuse Public Schools operates five Early Childhood Special Education programs for the preschool-age student. These programs provide the children with a rich language development-based curriculum that maximizes each child's ability to grow socially and increases his or her readiness skills. This year, approximately 120 children were involved in this preschool experience.
- L'Anse Creuse Public Schools offers a number of excellent pre-kindergarten programs. The L'Anse Creuse Early Childhood Program offers tuition-based preschool, The Great Start Readiness Program, parent/child interactive and early learning programs, before and after school care, full-day childcare, and summer mini-camps. Recognizing the need for infant/toddler care, the School District has moved forward and provides care for these children in the childcare addition to the Marie C. Graham Elementary School. This center opened in the fall of 2011. The main goal is the healthy development of children in a loving and caring environment with the focus on child-centered activities and the development of the whole child.
- The L'Anse Creuse/Mt. Clemens Center for Lifelong Learning houses a variety of programs, catering to the unique educational needs of individuals ages 17 and older in the areas of high school completion, GED preparation, literacy development, career retraining programming, and testing/assessment opportunities.

- Riverside Academy, located in the DiAnne M. Pellerin Center, provides alternative educational programming for local students ages 14-19 in core academic content areas and elective programming such as art, technology, and vocational education. A cornerstone to the program is a highly effective, required, counseling component that assists students to deal with social, behavioral, and emotional issues that may have previously contributed to lower academic achievement in the student. Riverside Academy students engage in interactive learning activities in a small environment, which also provides growth in student organizations, activities, and events. Riverside Academy has been accredited by NCA-CASI.

Riverside Academy has a program designed to meet the individual needs of students who attend. Riverside Academy focuses on each student's individual learning needs and curricular concerns. Students work on self-paced curriculum with extensive tutoring support. Students can expedite their progress in higher-level learning curriculums.

- The Macomb County Juvenile Justice Center School is a unique public school program operated by L'Anse Creuse Public Schools Department of Special Education in conjunction with the Macomb County Juvenile Court. Two major goals of the program are to provide a positive learning environment and to improve student competency for delinquent, neglected, and/or abused children who reside in the Juvenile Justice Center. The Macomb County Juvenile Justice Center School had 540 enrollments in 2013-2014 (August-June). The summer school program (June 2013 - August 2014) had a total enrollment of 92 students. The facility includes 140 beds and is accredited through the Correctional Education Association as meeting specific national standards.
- Correctional education provides a comprehensive curriculum for incarcerated adults housed in the Macomb County Jail. The curriculum for this department of adult education is broad-based and encompasses academic classes, General Equivalency Degree (GED) preparation, career counseling, employability skills, and transition services. Two completion ceremonies recognize outstanding students.
- The L'Anse Creuse Community Education Program is a full-service program that provides educational, enrichment, and recreational activities for students of all ages. In 2013-2014, the Community Education Program served in excess of 6,000 residents of the community. The Trips and Tours program offered 61 fun-filled trips while the Swim Program served over 1,800 students and community members. The Summer Athletic Camps served over 650 students offering a sports camp experience to children. The program also offers senior citizens a varied schedule of classes and activities that help to meet the educational, recreational, and social needs of the senior citizen community.
- The School Age Child Care Program offers before- and after-school child care services in all 10 elementary buildings when school is in session. The program is staffed by licensed and certified child care workers. In the 2013-2014 school year, the program serviced 1,270 students, ages 5-12.
- Summer day camp is provided in two locations within the School District for summer child care services. The all-day program features field trips, fitness, and recreation opportunities for children ages 5-12 years. In 2013-2014, we served approximately 216 students.

- The School District has a unique program to help its students. Recognizing that for some students the only meal of the day comes from the federally funded National School Lunch free or reduced breakfast and lunch program, the School District partnered with Gleaners Food Bank and started the Food for Kids Program. The monthly program provides non-perishable food as well as fresh fruit, vegetables, and large packages of beef or chicken. The program served approximately 240 students each month. The School District, recognizing that there is still a need during the summer months, continued the program during the summer. In summer 2014, over 134 were enrolled in the program.
- In June, the School District, through the National School Lunch Program, offered a summer lunch program to the School Districts' students. While in the past we had a summer food program, this year's program was structured differently. The program was called Meet Up, Eat Up and Read Up. We had two mobile sites and a site at one of our elementary schools. We served 2,920 free lunches to local children. The books were provided through a partnership with the Michigan Department of Education and First Book, an organization that provides access to free and low-cost books for schools and programs serving children in need.

### **Internal Accounting Controls**

An internal control system has been designed to ensure that the assets of L'Anse Creuse Public Schools are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurances recognizes that (1) the cost of the control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. As a recipient of federal and state financial assistance, L'Anse Creuse Public Schools is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. The internal control system is subject to periodic review by management.

As part of the L'Anse Creuse Public Schools single audit, internal controls over financial reporting were considered in the planning and performance of the audit, and tests of compliance with certain provisions of laws, regulations, contracts, and grants were performed. The results of L'Anse Creuse Public Schools' single audit for the fiscal year ended June 30, 2014 provided no instances of material weaknesses in the internal control system or violations of applicable laws and regulations.

### **Budgetary Control**

The level of budgetary control (that is, the level at which expenditures cannot legally exceed appropriated amounts) is established in accordance with a resolution of the L'Anse Creuse Public Schools Board of Education. Budgets are legally adopted for the General Fund and the special revenue funds.

The School District's budgetary control and system of internal accounting were designed to adequately safeguard assets and provide reasonable assurances of proper recording of financial transactions. A budget oversight and development process is in place that is focused on achievement of the School District's strategic plan. Ultimate budget oversight for the entire School District rests with the superintendent and the chief financial officer. Budget variances are discussed in the management's discussion and analysis and detailed in Note 2 to the financial section.

The report of L'Anse Creuse Public Schools' independent certified public accountants, Plante & Moran, PLLC, appears on pages 1-3 of this report. Their audit of the basic financial statements was performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* and, accordingly, included consideration of the Board of Education's system of budgetary and accounting controls.

### **Cash Management**

Board policy establishes district cash management guidelines. It is the intent of L'Anse Creuse Public Schools' cash management guidelines to maximize its interest on available cash balances. Interest-bearing cash management accounts and certificates of deposit in state or national banks were utilized for investment of available funds. The School District has not realized any losses from such balances in the past and believes that these balances are with financial institutions that do not subject the School District to any significant risk of losses during the next fiscal year. Further detail on the cash management of the School District can be found in Note 3 to the financial statements.

### **Risk Management**

Risk management is taken very seriously by L'Anse Creuse Public Schools. Each year, a representative of the School District's insurance company performs a review of facilities and provides a listing of key risk areas.

L'Anse Creuse's manager of facilities is responsible for violations of federal, state, and local laws, codes, regulations, and ordinances. No significant risk items were noted during this year's review. Ultimate responsibility for risk management is listed in the job description of the chief financial officer.

### **Independent Audit**

State of Michigan statutes require that each school district have an annual audit conducted by independent certified public accountants. The L'Anse Creuse Public Schools Board of Education appointed the accounting firm of Plante & Moran, PLLC to perform this service for the 2013-2014 fiscal year. In addition, OMB Circular A-133 requires that all governmental recipients of federal assistance have organizational-wide financial and compliance audits on an annual basis.

Both of these requirements have been met. The auditor's report on the basic financial statements is included herein, with an unqualified opinion, containing no scope limitations.

## Awards

The Association of School Business Officials International (ASBO) has awarded a Certificate of Excellence in Financial Reporting to the School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013.

In order to be awarded a Certificate of Excellence, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

While a Certificate of Excellence is valid for a period of one year only, the School District believes our current report continues to conform to program standards and we are submitting our report to ASBO to determine its eligibility for another certificate.

## Acknowledgements

The preparation of this report on a timely basis could not have been accomplished without the effort and dedicated services of the entire staff of the financial department. We would like to express our appreciation to all the members of this office who assisted in the timely closing of the School District's financial records and the preparation of this report.

We would also like to express our appreciation to other departments and individuals who assisted in the preparation of this report.

Sincerely,



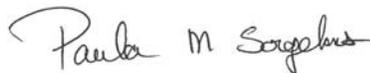
Jacqueline Johnston  
Superintendent of Schools



Rochelle M. Gauthier  
Chief Financial Officer



Robert J. Lenhardt  
Director for Finance



Paula M. Sorgeloos  
Accounting Supervisor



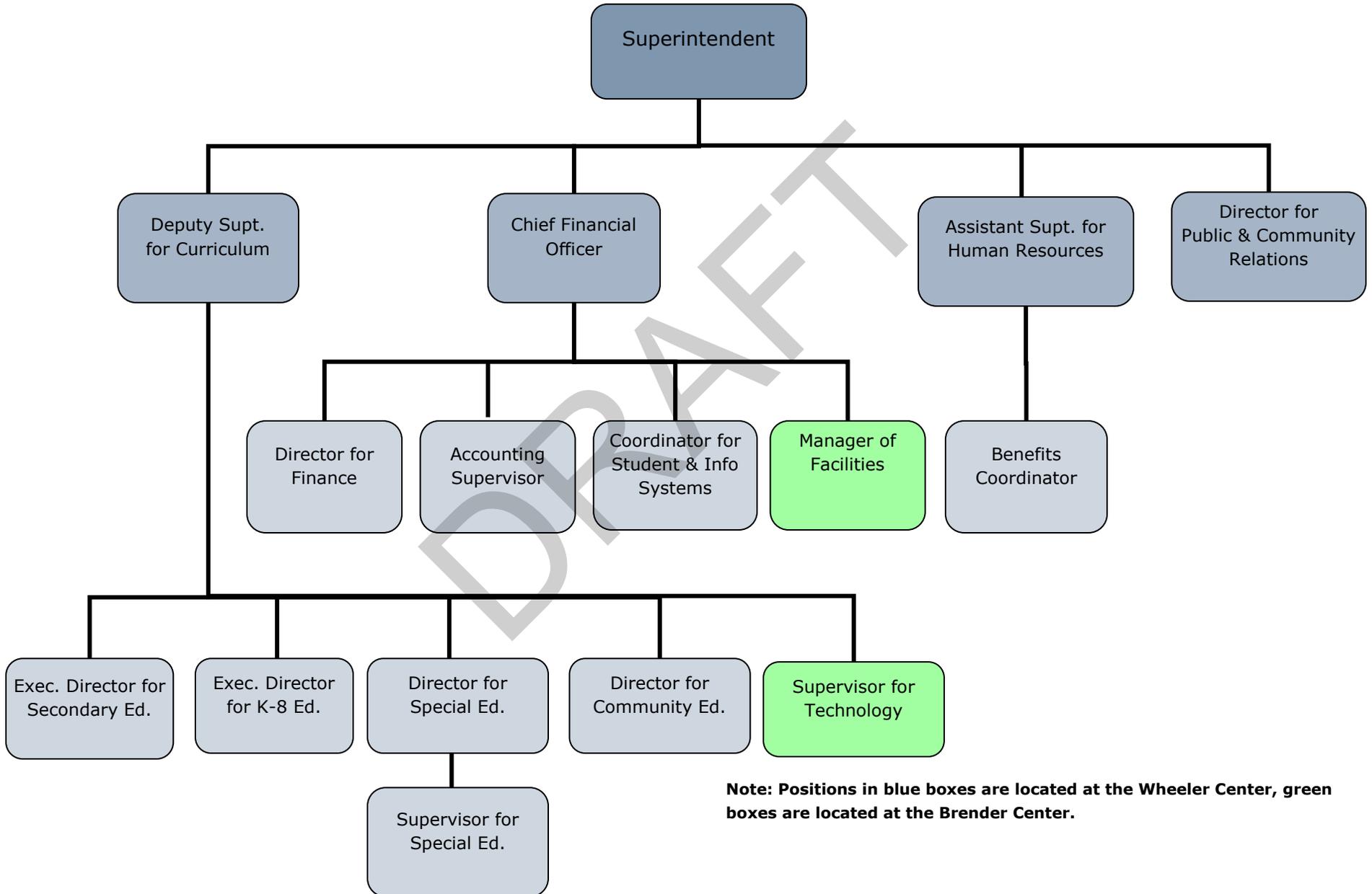
Catherine A. Natzke  
Accountant



Martha Luks  
Accountant

# Harry L. Wheeler Community Center and Administrative Offices and Larry F. Brender Support Services Center

## Central Administration 2013-2014



# Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award  
is presented to*

**L'Anse Creuse Public Schools**

*For Its Comprehensive Annual Financial Report (CAFR)  
For the Fiscal Year Ended June 30, 2013*

The CAFR has been reviewed and met or exceeded  
ASBO International's Certificate of Excellence standards



A handwritten signature in black ink, reading 'Terrie S. Simmons', written over a horizontal line.

Terrie S. Simmons, RSBA, CSBO  
President

A handwritten signature in black ink, reading 'John D. Musso', written over a horizontal line.

John D. Musso, CAE, RSBA  
Executive Director

## Independent Auditor's Report

To the Board of Education  
L'Anse Creuse Public Schools

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of L'Anse Creuse Public Schools (the "School District") as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise L'Anse Creuse Public Schools' basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Board of Education  
L'Anse Creuse Public Schools

### ***Opinion***

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 L'Anse Creuse Public Schools as of June 30, 2014 and the respective changes in its financial position, and, where applicable, cash flows, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Required Supplemental Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise L'Anse Creuse Public Schools' basic financial statements. The other supplemental information, introductory section, and statistical tables, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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

The introductory section and statistical tables, as identified in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

To the Board of Education  
L'Anse Creuse Public Schools

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2014 on our consideration of L'Anse Creuse Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering L'Anse Creuse Public Schools' internal control over financial reporting and compliance.

October 8, 2014

DRAFT

# L'Anse Creuse Public Schools

## Management's Discussion and Analysis

This section of L'Anse Creuse Public Schools' (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2014. 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 L'Anse Creuse Public Schools 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 most significant funds - the General Fund and the 2008, 2010A, and 2010B Capital Projects Funds, with all other funds presented in one column as nonmajor funds. Three of the remaining statements, the statement of fiduciary net position, the statement of changes in fiduciary net position, and the statement of changes in assets and liabilities, present financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The other remaining statements relate to the School District's Proprietary Funds (Internal Service Funds).

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

### Basic Financial Statements

Government-wide Financial Statements      Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary Information for Major Funds

Other Supplemental Information

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

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

# L'Anse Creuse Public Schools

## Management's Discussion and Analysis (Continued)

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

The statement of net position and the 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, child care, and food services. 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 and Nutrition Fund is an example) or to show that it is 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 modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides.

Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in reconciliations.

**Proprietary Funds** - Proprietary fund reporting focuses on economic resources measurement and full accrual accounting. The proprietary fund statements present a long-term view of operations and the services it provides to other funds. Revenue and expenditures are recorded when earned or obligated, regardless of when the cash is actually paid.

# L'Anse Creuse Public Schools

## Management's Discussion and Analysis (Continued)

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

The School District is the trustee, or fiduciary, for two fiduciary funds. The student activity funds represent the activities of the student and parent groups for school and school-related purposes and are considered an Agency Fund. The scholarship fund is considered a private purpose trust which includes contributions received by the School District to be awarded in the form of scholarships. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net position. 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.

### The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table I provides a comparative summary of the School District's net position as of June 30:

Table I

	Governmental Activities	
	June 30	
	2014	2013
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 52.3	\$ 66.4
Capital assets	<u>267.0</u>	<u>265.8</u>
Total assets	319.3	332.2
<b>Deferred Outflows of Resources</b>	<u>8.1</u>	<u>7.9</u>
Total assets and deferred outflows of resources	327.4	340.1
<b>Liabilities</b>		
Current liabilities	17.4	19.3
Long-term liabilities	<u>323.8</u>	<u>326.3</u>
Total liabilities	<u>341.2</u>	<u>345.6</u>
<b>Net Position</b>		
Net investment in capital assets	(27.3)	(28.6)
Restricted	6.3	7.0
Unrestricted	<u>7.2</u>	<u>16.1</u>
Total net position	<u>\$ (13.8)</u>	<u>\$ (5.5)</u>

# L'Anse Creuse Public Schools

## Management's Discussion and Analysis (Continued)

The above analysis focuses on the net position (see Table 1). The change in net position of the School District's governmental activities is discussed below (see Table 2). The School District's net position reflected a negative balance of \$13.8 million at June 30, 2014. The net investment in capital assets reflected a negative balance of \$27.3 million. This figure compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position totaling \$6.3 million is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position, \$7.2 million, was unrestricted.

The \$7.2 million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities, which shows the changes in net position for fiscal years 2014 and 2013 (see Table 2).

Table 2

	Governmental Activities	
	Year Ended June 30	
	2014	2013
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 4.4	\$ 4.3
Operating grants	22.9	22.6
General revenue:		
Property taxes	29.1	29.5
State foundation allowance	69.4	70.6
Other	0.8	0.8
Total revenue	126.6	127.8

# L'Anse Creuse Public Schools

## Management's Discussion and Analysis (Continued)

Table 2 (Continued)

	Governmental Activities	
	Year Ended June 30	
	2014	2013
	(in millions)	
<b>Functions/Program Expenses</b>		
Instruction	\$ 68.7	\$ 68.5
Support services	35.5	40.8
Athletics	1.1	1.2
Food services	3.4	3.5
Community services	1.8	2.1
Payments to other public schools	0.1	0.1
Interest and other expenses on long-term debt	14.4	14.3
Depreciation (unallocated)	9.8	9.5
Total functions/program expenses	134.8	140.0
<b>Decrease in Net Position</b>	(8.2)	(12.2)
<b>Net Position</b> - Beginning of year	(5.5)	6.7
<b>Net Position</b> - End of year	<b>\$ (13.8)</b>	<b>\$ (5.5)</b>

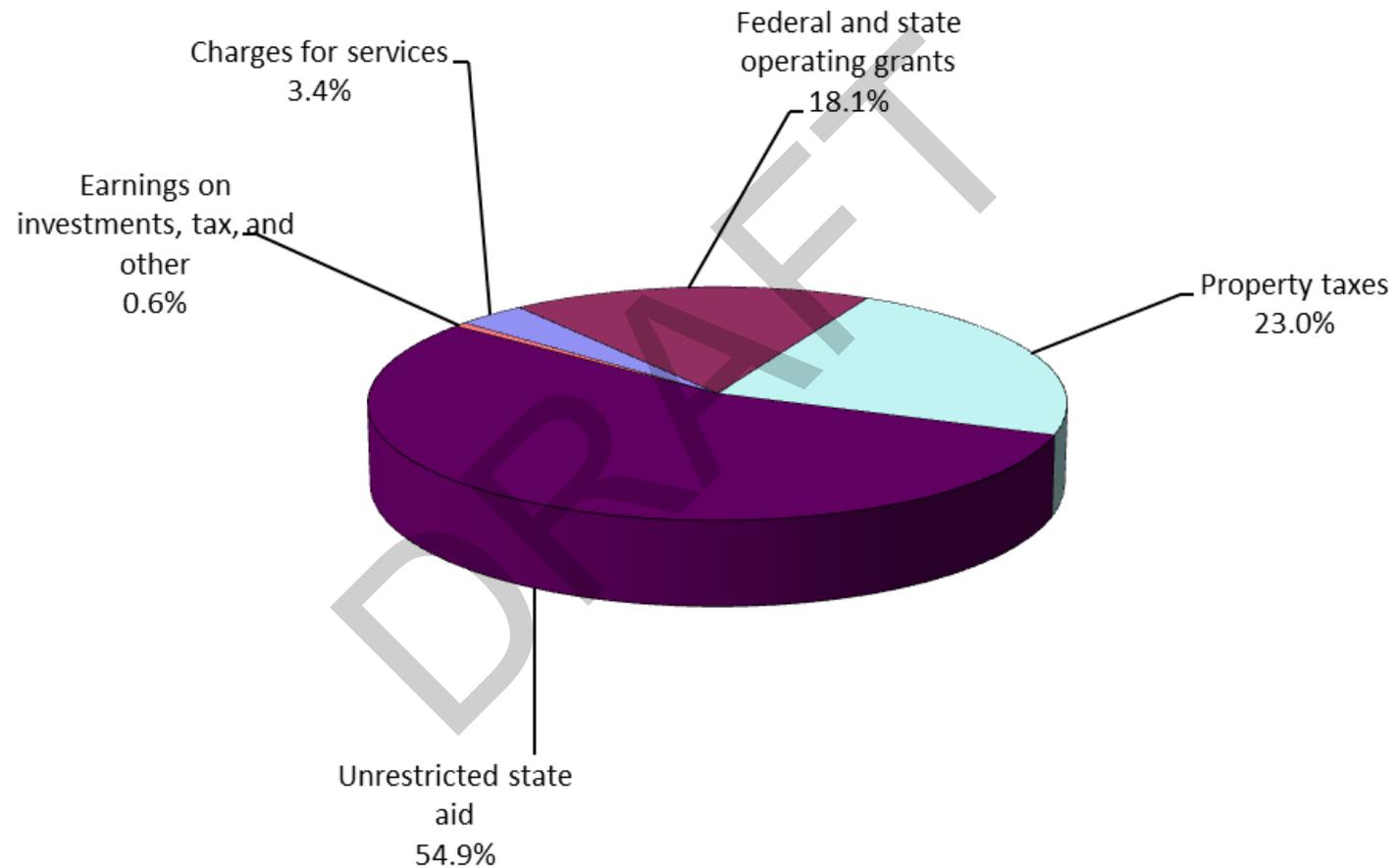
As reported in the statement of activities, the cost of all of our governmental activities this year was \$134.8 million. Certain activities were partially funded from those who benefited from the programs, \$4.4 million, or by other governments and organizations that subsidized certain programs with grants and contributions, \$22.9 million. We paid for the remaining “public benefit” portion of our governmental activities with \$29.1 million in taxes, \$69.4 million in state foundation allowance, and with \$.8 million of our other revenue (i.e., interest and general entitlements).

The School District experienced a decrease in net position of \$8.2 million. Key reasons for the change in net position are comprised primarily of a \$1.4 million increase in net investment in capital assets, offset by \$10.5 million in board-approved budgetary expenditures in excess of revenues. A reconciliation of the changes in net position appears in the basic financial statements.

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 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.

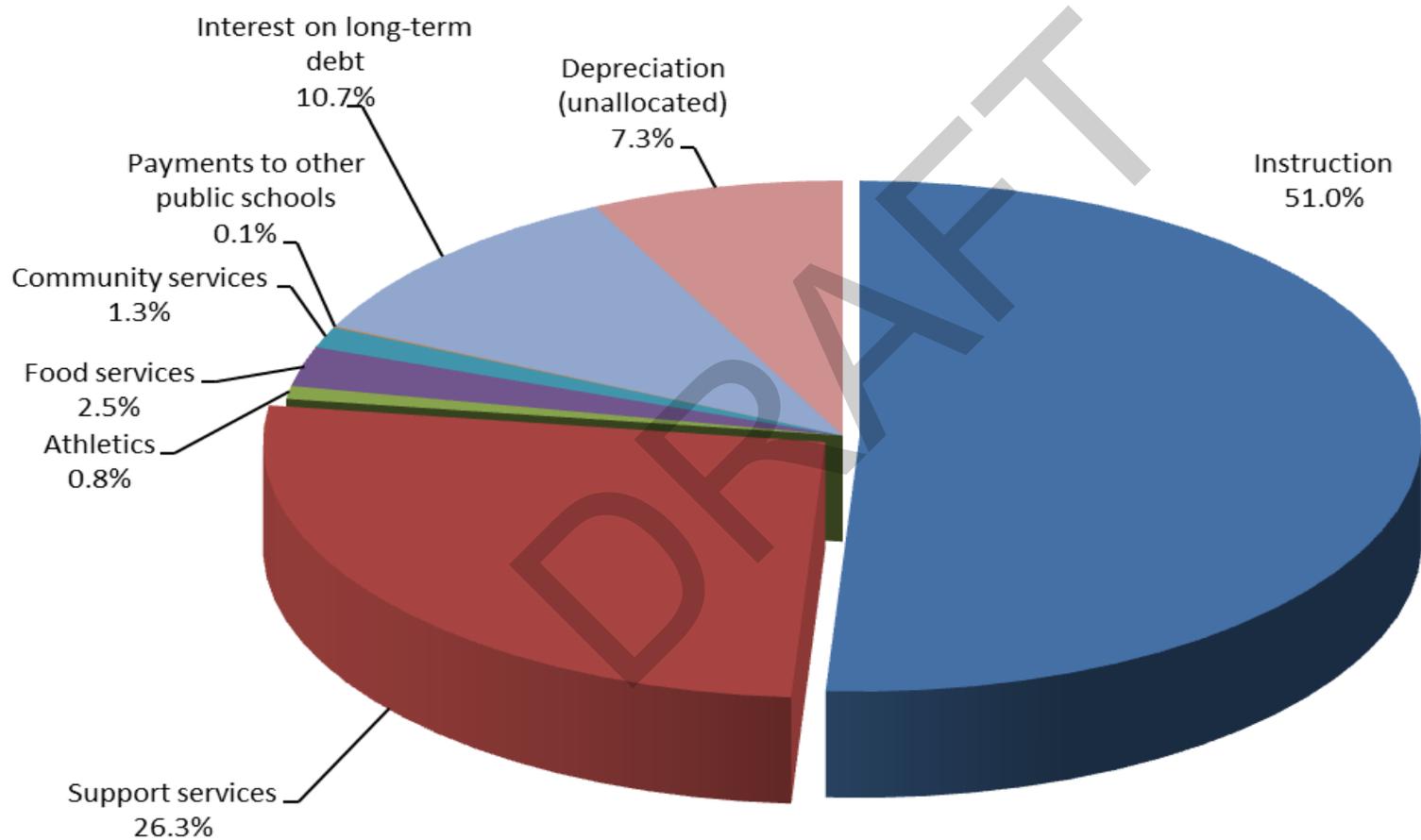
# L'Anse Creuse Public Schools Analysis of Revenue - Governmental Activities Year Ended June 30, 2014

---



# L'Anse Creuse Public Schools Analysis of Expenses - Governmental Activities Year Ended June 30, 2014

---



# **L'Anse Creuse Public Schools**

## **Management's Discussion and Analysis (Continued)**

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

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$34.0 million, which is a decrease of \$10.5 million from last year. The primary reasons for the decrease are as follows:

- In the General Fund, our principal operating fund, the fund balance increased \$2.7 million to \$12.4 million. The change is directly related to planned transfers in from other funds offset by budget expenditures. The fund balance in the General Fund is available to fund costs related to allowable school operating purposes.
- Combined, the debt service funds showed a fund balance decrease of approximately \$191,100 as the School District continued to pay principal and debt obligations on outstanding debt. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt service funds fund balances are reserved since they can only be used to pay debt service obligations.
- The combined capital projects funds showed a fund balance decrease of approximately \$13.0 million as the School District continued construction projects related primarily to the 2008 and 2010 bond issues. Bonded capital projects funds balances are reserved for capital projects. A total of \$4.0 million of the decrease is directly related to a transfer from the General Capital Projects Fund to the General Fund to support future operations.
- The proprietary funds account for certain services provided to other funds on a cost-reimbursement basis. The activity in these funds reflects expenditures or transfers from the other funds totaling approximately \$2.6 million, which represents the cost of obligations from previous years, as well as current year activities.

# **L'Anse Creuse Public Schools**

## **Management's Discussion and Analysis (Continued)**

### **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 revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget to the final budget were as follows:

- Budgeted revenue increased by \$58,000. Local sources were increased in anticipation of higher than expected tax collections. State revenue was decreased for changes in state aid revenue. Federal revenue increased for anticipated additions in federal grants. Intergovernmental revenue decreased for anticipated reductions in County and local grants.
- Budgeted other financing sources increased by \$5,063,500 due to anticipated transfers in from other funds and sales of surplus vehicles.
- Budgeted expenditures increased by \$289,100 in anticipation of increased costs associated with employee benefits.
- The variance between the budgeted and actual revenue was unfavorable by approximately \$927,000 due to lower than expected use of federal grant revenue. The favorable variance in expenditures of approximately \$1,793,000 is attributed to lower utilization of resources in departments as a result of board-approved cost-saving measures, as well as utilization of \$1,000,000 from the health stabilization fund. The unfavorable variance in other financing sources of approximately \$662,000 is attributed to an additional anticipated transfer from the General Capital Projects Fund that did not materialize during the current year.

### **Capital Assets and Debt Administration**

#### ***Capital Assets***

As of June 30, 2014, the School District had \$267.0 million invested in a broad range of net capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of approximately \$1.1 million, or .4 percent, over last year.

# L'Anse Creuse Public Schools

## Management's Discussion and Analysis (Continued)

	2014	2013
Land	\$ 11,315,797	\$ 11,315,797
Construction in progress	3,143,209	21,702,439
Buildings and building improvements	342,449,888	314,191,335
Buses and other vehicles	41,920,557	6,978,301
Furniture and equipment	6,401,696	40,637,796
Total capital assets	405,231,147	394,825,668
Less accumulated depreciation	138,276,613	128,996,894
Net capital assets	<u>\$ 266,954,534</u>	<u>\$ 265,828,774</u>

This year's additions of \$11.0 million included building additions, technology, and building renovations. Existing debt originally issued in 2008 and 2010 funded these additions.

Several major capital projects are planned for completion in the 2014-2015 fiscal year. We anticipate capital additions will be equal to the amount spent in the 2013-2014 fiscal year. We present more detailed information about our capital assets in Note 5 to the financial statements.

### Debt

At the end of this year, the School District had \$243.6 million in bonds outstanding versus \$257.3 million in the previous year - a decrease of 5.3 percent. The bonds consisted of the following:

	2014	2013
General obligation bonds	<u>\$ 243,585,000</u>	<u>\$ 257,335,000</u>

The School District's general obligation bond rating is AAA/Aaa. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. All of the School District's bonded indebtedness is qualified, not subject to the bonded debt limit, and is significantly below the statutorily imposed limit of \$345.2 million.

Other obligations include School Loan Revolving Fund obligations, accrued vacation and sick leave pay, bond premiums and discounts, and special pay deferral incentives, totaling \$80.2 million. We present more detailed information about our long-term liabilities in Note 7 to the financial statements.

# **L'Anse Creuse Public Schools**

## **Management's Discussion and Analysis (Continued)**

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

Our elected officials and administration consider many factors when setting the School District's 2014 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2014-2015 fiscal year is anticipated to be 10 percent and 90 percent of the February 2015 and October 2014 student counts, respectively. Any change in the blended student count calculation could result in revenue loss for the School District. The 2014-2015 budget was adopted in June 2014, based on an estimate of students that will be enrolled in October 2014. Approximately 70 percent of 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. The State finalized a school aid bill with a foundation allowance increase from the previous year per pupil of \$50 to \$7,501 for L'Anse Creuse Public Schools. However, the increase in the foundation allowance from the State was offset by a decrease in the performance categorical payment from the State of \$30 per pupil, resulting in a net increase of only \$20 per pupil. The budget will be adjusted accordingly in the fall based on the October 2014 audited pupil count.

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 revenue to fund its appropriation to school districts.

The School District currently has four unions as part of its workforce. Three of the four union contracts will expire in 2015. The teachers' contract, MEA Local I, was extended through August 2016.

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

This financial report is designed to provide the School District's citizens, parents, and investors 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, contact the business office at the Harry L. Wheeler Community Center, 24076 F.V. Pankow Boulevard, Clinton Township, Michigan 48036-1304.

# L'Anse Creuse Public Schools

## Statement of Net Position June 30, 2014

	<u>Primary Government Governmental Activities</u>
<b>Assets</b>	
Cash and investments (Note 3)	\$ 12,801,897
Receivables (Note 4)	16,601,569
Inventories	192,505
Prepaid costs and other assets	434,359
Restricted assets (Notes 1 and 3)	22,354,980
Capital assets (Note 5):	
Assets not subject to depreciation	14,459,006
Assets subject to depreciation - Net	<u>252,495,528</u>
Total assets	319,339,844
<b>Deferred Outflows of Resources</b> - Accumulated decrease in fair value of hedging derivative (Note 8)	<u>8,106,089</u>
Total assets and deferred outflows of resources	327,445,933
<b>Liabilities</b>	
Accounts payable	2,555,313
Accrued payroll-related liabilities	11,633,360
Other accrued liabilities	1,993,272
Unearned revenue (Note 4)	1,276,860
Noncurrent liabilities (Notes 7 and 8):	
Due within one year	15,931,316
Due in more than one year	<u>307,855,371</u>
Total liabilities	<u>341,245,492</u>
<b>Net Position</b>	
Net investment in capital assets	(27,266,485)
Restricted:	
Capital projects	5,970,733
Food and nutrition	296,006
Unrestricted	<u>7,200,187</u>
Total net position	<u><u>\$ (13,799,559)</u></u>

# L'Anse Creuse Public Schools

## Statement of Activities Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenue		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental activities:				
Instruction	\$ 68,736,723	\$ -	\$ 11,716,917	\$ (57,019,806)
Support services	35,453,725	-	7,953,124	(27,500,601)
Athletics	1,130,961	324,162	-	(806,799)
Food services	3,443,312	1,329,743	2,084,271	(29,298)
Community services	1,788,787	2,701,483	-	912,696
Payments to other public schools	65,000	-	-	(65,000)
Interest on long-term debt	13,846,520	-	1,146,217	(12,700,303)
Other debt service expenses	567,615	-	-	(567,615)
Depreciation expense (unallocated)	9,803,612	-	-	(9,803,612)
<b>Total primary government</b>	<b>\$ 134,836,255</b>	<b>\$ 4,355,388</b>	<b>\$ 22,900,529</b>	<b>(107,580,338)</b>
General revenue:				
Taxes:				
Property taxes, levied for general purposes				13,280,290
Property taxes, levied for debt service				15,790,909
State aid not restricted to specific purposes				69,454,534
Interest and investment earnings				134,671
Gain on the sale of capital assets				52,409
Other				618,599
<b>Total general revenue</b>				<b>99,331,412</b>
<b>Change in Net Position</b>				<b>(8,248,926)</b>
<b>Net Position - Beginning of year</b>				<b>(5,550,633)</b>
<b>Net Position - End of year</b>				<b>\$ (13,799,559)</b>

# L'Anse Creuse Public Schools

	General Fund	2008 Capital Projects Fund	2010 Series A Capital Projects Fund
<b>Assets</b>			
Cash and investments (Note 3)	\$ 12,237,818	\$ -	\$ -
Receivables (Note 4)	16,537,012	-	-
Due from other funds (Note 6)	715,405	-	-
Inventories	141,740	-	-
Prepaid costs	434,359	-	-
Restricted assets (Notes 1 and 3)	-	9,600,804	11,643,659
Total assets	<u>\$ 30,066,334</u>	<u>\$ 9,600,804</u>	<u>\$ 11,643,659</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 656,482	\$ 722,017	\$ 1,533,312
Accrued payroll-related liabilities	11,633,360	-	-
Other accrued liabilities	9,593	-	-
Unearned revenue (Note 4)	1,213,506	27,425	-
Due to other funds (Note 6)	4,039,331	6	-
Total liabilities	17,552,272	749,448	1,533,312
<b>Deferred Inflows of Resources</b> - Unavailable revenue (Note 4)	158,697	-	-
Total liabilities and deferred inflows of resources	17,710,969	749,448	1,533,312
<b>Fund Balances</b>			
Nonspendable:			
Inventory	141,740	-	-
Prepaid assets	434,359	-	-
Restricted:			
Capital projects	-	8,851,356	10,110,347
Debt service	-	-	-
Food service	-	-	-
Committed - Capital projects	-	-	-
Assigned:			
Budgeted use of fund balance in subsequent year	4,342,534	-	-
International	-	-	-
Unassigned	7,436,732	-	-
Total fund balances	12,355,365	8,851,356	10,110,347
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 30,066,334</u>	<u>\$ 9,600,804</u>	<u>\$ 11,643,659</u>

**Governmental Funds  
Balance Sheet  
June 30, 2014**

2010 Series B Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
\$ -	\$ 564,079	\$ 12,801,897
-	64,557	16,601,569
-	1,914,485	2,629,890
-	50,765	192,505
-	-	434,359
90,153	1,020,364	22,354,980
<b>\$ 90,153</b>	<b>\$ 3,614,250</b>	<b>\$ 55,015,200</b>
\$ -	\$ 12,205	\$ 2,924,016
-	-	11,633,360
-	-	9,593
-	35,929	1,276,860
-	1,002,982	5,042,319
-	1,051,116	20,886,148
-	-	158,697
-	1,051,116	21,044,845
-	50,765	192,505
-	-	434,359
90,153	-	19,051,856
-	1,035,611	1,035,611
-	245,241	245,241
-	1,222,386	1,222,386
-	-	4,342,534
-	9,131	9,131
-	-	7,436,732
90,153	2,563,134	33,970,355
<b>\$ 90,153</b>	<b>\$ 3,614,250</b>	<b>\$ 55,015,200</b>

# L'Anse Creuse Public Schools

## Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2014

**Fund Balance Reported in Governmental Funds** \$ 33,970,355

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds:

Cost of capital assets	\$ 405,231,147	
Accumulated depreciation	<u>(138,276,613)</u>	266,954,534

State aid receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds 158,697

Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:

Bonds and note obligations payable	(301,105,591)	
Interest rate swap	(8,106,089)	
Accrued interest on School Loan Revolving Fund	(5,597,324)	
Net premiums and discounts from bond issuances	<u>(6,196,551)</u>	(321,005,555)

Accrued interest payable is not included as a liability in governmental funds (1,983,679)

Changes in the fair value of interest rate swap agreements that are classified as hedging instruments are recorded as deferred outflow of resources 8,106,089

**Net Position of Governmental Activities** **\$ (13,799,559)**

# L'Anse Creuse Public Schools

	General Fund	2008 Capital Projects Fund	2010 Series A Capital Projects Fund
<b>Revenue</b>			
Local sources	\$ 17,342,144	\$ 1,490	\$ 97,736
State sources	82,027,900	-	-
Federal sources	5,152,709	-	-
Interdistrict sources	1,816,157	-	-
Total revenue	106,338,910	1,490	97,736
<b>Expenditures</b>			
Current:			
Instruction	67,736,723	-	-
Support services	37,281,556	1,764	12,445
Athletics	1,130,961	-	-
Food services	-	-	-
Community services	1,788,787	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Other	-	-	-
Capital outlay	-	3,823,098	3,667,423
Payments to other public schools	65,000	-	-
Total expenditures	108,003,027	3,824,862	3,679,868
<b>Excess of Expenditures Over Revenue</b>	(1,664,117)	(3,823,372)	(3,582,132)
<b>Other Financing Sources (Uses)</b>			
Proceeds from sale of capital assets	122,215	-	-
Transfers in	4,279,132	-	-
Transfers out	-	-	-
School Loan Revolving Fund proceeds (Note 7)	-	-	-
Total other financing sources	4,401,347	-	-
<b>Net Change in Fund Balances</b>	2,737,230	(3,823,372)	(3,582,132)
<b>Fund Balances - Beginning of year</b>	9,618,135	12,674,728	13,692,479
<b>Fund Balances - End of year</b>	<b>\$ 12,355,365</b>	<b>\$ 8,851,356</b>	<b>\$ 10,110,347</b>

**Governmental Funds**

**Statement of Revenue, Expenditures, and Changes in Fund Balances**  
**Year Ended June 30, 2014**

2010 Series B Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 5,134	\$ 17,341,863	\$ 34,788,367
-	127,809	82,155,709
-	3,230,488	8,383,197
-	-	1,816,157
5,134	20,700,160	127,143,430
-	-	67,736,723
21,385	38,419	37,355,569
-	-	1,130,961
-	3,443,312	3,443,312
-	-	1,788,787
-	13,750,000	13,750,000
-	12,321,183	12,321,183
-	567,615	567,615
1,584,264	22,549	9,097,334
-	-	65,000
1,605,649	30,143,078	147,256,484
(1,600,515)	(9,442,918)	(20,113,054)
-	-	122,215
-	-	4,279,132
-	(4,279,132)	(4,279,132)
-	9,488,553	9,488,553
-	5,209,421	9,610,768
(1,600,515)	(4,233,497)	(10,502,286)
1,690,668	6,796,631	44,472,641
<b>\$ 90,153</b>	<b>\$ 2,563,134</b>	<b>\$ 33,970,355</b>

# L'Anse Creuse Public Schools

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2014

**Net Change in Fund Balances - Total Governmental Funds** \$ (10,502,286)

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	\$ (9,803,612)	
Capitalized capital outlay	<u>10,999,178</u>	1,195,566

Governmental funds report proceeds from sale of assets as revenue; in the statement of activities, these are recorded net of carrying value of the disposed assets (69,806)

Revenue is reported in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end (608,510)

Debt proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of activities (9,488,553)

Original issue premium (discount) is reported as revenue and expenditures in the funds and amortized in the statement of activities 578,325

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 13,750,000

Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid (2,103,662)

Internal Service Funds are included as part of governmental activities (1,000,000)

**Change in Net Position of Governmental Activities** \$ (8,248,926)

# L'Anse Creuse Public Schools

## Proprietary Funds - Internal Service Funds Combined Statement of Net Position June 30, 2014

<b>Assets</b> - Due from other funds (Note 6)	\$ 2,781,132
<b>Liabilities</b>	
Current liabilities - Compensated absences (Note 7)	366,316
Noncurrent liabilities - Compensated absences (Note 7)	<u>2,414,816</u>
Total liabilities	<u>2,781,132</u>
<b>Net Position</b> - Unrestricted	<u><u>\$ -</u></u>

DRAFT

# L'Anse Creuse Public Schools

## Proprietary Funds - Internal Service Funds Combined Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2014

<b>Operating Revenue</b> - Charges for services	\$ 1,643,077
<b>Operating Expenses</b>	
Cost of health care premiums	1,000,000
Compensated absences	<u>1,643,077</u>
Total operating expenses	<u>2,643,077</u>
<b>Change in Net Position</b>	(1,000,000)
<b>Net Position</b> - Beginning of year	<u>1,000,000</u>
<b>Net Position</b> - End of year	<u><u>\$ -</u></u>

DRAFT

# L'Anse Creuse Public Schools

## Proprietary Funds - Internal Service Funds Combined Statement of Cash Flows Year Ended June 30, 2014

### Cash Flows from Operating Activities

Charges to other funds	\$ 2,484,050
Payments to suppliers	(1,000,000)
Payments to employees	<u>(1,484,050)</u>

Net cash provided by operating activities -

### Net Change in Cash and Cash Equivalents

-

### Cash and Cash Equivalents - Beginning of year

-

### Cash and Cash Equivalents - End of year

\$ -

### Reconciliation of Change in Net Position to Net Cash from Operating Activities

Change in net position	\$ (1,000,000)
Adjustments to reconcile change in net position to net cash from operating activities - Changes in assets and liabilities:	
Due from others	840,973
Accrued and other liabilities	<u>159,027</u>

Net cash provided by operating activities \$ -

# L'Anse Creuse Public Schools

## Fiduciary Funds Statement of Net Position June 30, 2014

	Scholarship Trust Fund	Student Activities Agency Funds
<b>Assets</b>		
Cash and investments (Note 3)	\$ -	\$ 1,858,082
Due from other funds (Note 6)	38,555	21,509
Interest receivable	-	59
Total assets	<u>38,555</u>	<u>\$ 1,879,650</u>
<b>Liabilities</b>		
Due to students and other groups	-	\$ 1,450,883
Due to other funds (Note 6)	-	428,767
Total liabilities	<u>-</u>	<u>\$ 1,879,650</u>
<b>Net Position - Restricted</b>	<u>\$ 38,555</u>	

# L'Anse Creuse Public Schools

---

## Fiduciary Funds Statement of Changes in Net Position Year Ended June 30, 2014

	Scholarship Trust Fund
<b>Additions</b>	\$ 8,000
<b>Deductions</b> - Scholarships and expenses	<u>3,650</u>
<b>Change in Net Position</b>	4,350
<b>Net Position</b> - Beginning of year	<u>34,205</u>
<b>Net Position</b> - End of year	<u><u>\$ 38,555</u></u>

DRAFT

# L'Anse Creuse Public Schools

## Notes to Financial Statements June 30, 2014

### Note I - Summary of Significant Accounting Policies

The accounting policies of L'Anse Creuse Public Schools (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

#### **Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District is not included in any other governmental "reporting entity" since the board members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary financial accountability for fiscal matters. Based on the application of the criteria, the School District does not contain any component units.

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes, intergovernmental payments, and other items not properly included among program revenue are reported instead as general revenue. 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.

### Note I - Summary of Significant Accounting Policies (Continued)

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

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

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

When an expense is incurred for purposes for which both restricted and unrestricted net position or fund balance are available, the School District's policy is to first apply restricted resources. When an expense is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used, it is the School District's policy to spend funds in this order: committed, assigned, and unassigned.

Amounts reported as program revenue 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 revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

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

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

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

# L'Anse Creuse Public Schools

## Notes to Financial Statements June 30, 2014

### Note I - Summary of Significant Accounting Policies (Continued)

The School District reports the following major governmental funds:

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

**Capital Projects Funds** - The capital projects funds are used to record bond proceeds or other revenue and disbursement of monies specifically designated for acquiring new school sites, buildings, equipment, and for remodeling. The funds operate until the purpose for which they were created is accomplished. The School District reports the following capital projects funds as major funds:

- **2010 Series A and B Capital Projects Funds** - The 2010 Series A and B bonds were approved together in 2005. The 2010 Series A and B Capital Projects Funds are used to record bond proceeds and other revenue and the disbursement of invoices specifically designated for the purpose of financing the third phase of erecting, furnishing, and equipping a new administration building; an addition to an existing elementary school for a child care center; acquiring and installing educational technology improvements; acquiring school buses; acquiring additional land and developing and improving playgrounds, play fields, athletic fields, facilities, and sites; and paying the costs of issuing the bonds.
- **2008 Capital Projects Fund** - The 2008 Capital Projects Fund is used to record bond proceeds and other revenue and the disbursement of invoices specifically designated for the purpose of financing the second phase of erecting, furnishing, and equipping one new elementary school building and an adult education building to replace existing buildings; acquiring and installing educational technology improvements; acquiring school buses; acquiring additional land and developing and improving playgrounds, play fields, athletic fields, facilities, and sites; and paying the costs of issuing the bonds.

Additionally, the School District reports the following fund types:

**Special Revenue Funds** - Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School District's special revenue funds consist of a Food and Nutrition Fund (which accounts for the food service program activities), the Kensington Fund (which accounted for the rental and other activities held at a specific building and was closed as of July 1, 2013 with this activity now being accounted for in the General Fund) and the International Fund (which accounts for tuition and expenditures related to housing international students) that are used to segregate, for administrative purposes, the transactions of those activities from the General Fund revenue and expenditures.

# L'Anse Creuse Public Schools

---

## Notes to Financial Statements June 30, 2014

### Note I - Summary of Significant Accounting Policies (Continued)

**Debt Service Funds** - The debt service funds are used to record tax, interest, other revenue for payment of interest and principal, and other expenditures on the bond issues.

**General Capital Projects Fund** - The General Capital Projects Fund is used to record transfers from the General Fund specifically designated for the purpose of erecting, furnishing, and equipping additions and remodeling, refurnishing, and re-equipping School District buildings; acquiring and installing educational technology improvements; acquiring school buses; and developing and improving sites, playgrounds, and outdoor physical education and athletic fields and facilities.

**Internal Service Funds** - The purpose of internal service funds is to account for certain services provided to other funds on a cost-reimbursement basis. The Compensated Absences Fund accounts for compensated absence liabilities due to employees upon separation from the School District based on negotiated terms in the collective bargaining agreements. The Health Care Stabilization Fund accounts for charges to the General Fund for certain healthcare costs offered under current bargaining agreements.

**Fiduciary Funds** - The fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent on behalf of others. The School District has two fiduciary funds, which include the Scholarship Fund, a private purpose trust, and the Student Activities Fund, an Agency Fund. The private purpose trust includes contributions received by the School District to be awarded in the form of scholarships. The Agency Fund is used to account for transactions of student groups for school and related purposes. The funds are segregated and held in trust for the students.

#### **Assets, Liabilities, and Net Position or Equity**

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

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All outstanding balances are expected to be paid within one year.

# L'Anse Creuse Public Schools

## Notes to Financial Statements June 30, 2014

### Note I - Summary of Significant Accounting Policies (Continued)

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and are billed and become a lien on July 1 of the following year. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

**Inventories and Prepaid Costs** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements and accounted for using the purchases method.

**Restricted Assets** - Restricted assets exist when their use is constrained for a particular purpose. This includes the unspent bond proceeds of the bonded capital projects funds and amounts legally segregated for payments of debt.

**Capital Assets** - Capital assets, which include land, buildings, equipment, vehicles, and construction in progress, are reported in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$20,000 for land improvements and buildings and \$2,500 for all remaining asset classifications. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

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

Buildings and building additions	20 to 50 years
Buses and other vehicles	5 to 15 years
Furniture and other equipment	5 to 20 years

**Compensated Absences** - The liability for compensated absences reported in the Compensated Absences Internal Service Fund consists of earned but unused accumulated vacation and sick leave benefits as well as termination payments. Compensated absences are earned and accumulated based on the provisions of the respective collective bargaining agreements. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments at normal retirement age and other employees who are expected to become eligible in the future to receive such payments upon normal retirement are included.

### Note I - Summary of Significant Accounting Policies (Continued)

**Long-term Obligations** - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt service expenditures.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Deferred Outflows/Inflows of Resources** - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District only has one item that qualifies for reporting in this category. It is the accumulated decrease in the fair value of hedging derivatives reported in the government-wide statement of net position. An accumulated decrease in the fair value of hedging derivatives results when interest rate swaps that qualify as effective hedging instruments have a negative fair value. This amount is deferred and amortized as net settlements occur.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: prior period state adjustments. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

**Fund Balance** - In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable** - Amounts that are not in spendable form or are legally or contractually required to be maintained intact

# L'Anse Creuse Public Schools

## Notes to Financial Statements June 30, 2014

### Note 1 - Summary of Significant Accounting Policies (Continued)

- Restricted - Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- Committed - Amounts that have been formally set aside by the Board of Education for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education.
- Assigned - Intent to spend resources on specific purposes expressed by the Board of Education or superintendent, or the superintendent's designee, who is authorized by policy approved by the Board of Education to make assignments
- Unassigned - Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

### Note 2 - Stewardship, Compliance, and Accountability

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. The statement of revenue, expenditures, and changes in fund balance presents capital outlay separately, as required by generally accepted accounting principles. There were no significant budget variances. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the General Fund and Special Revenue Fund budgets were amended in accordance with state law.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as assignments 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.

# L'Anse Creuse Public Schools

## Notes to Financial Statements June 30, 2014

### Note 2 - Stewardship, Compliance, and Accountability (Continued)

The special revenue funds budgetary comparison schedules presented in other supplemental information and the budgetary comparison schedule for the General Fund presented in required supplemental information are presented in conformity with accounting principles generally accepted in the United States of America and are presented in more detail than the formally adopted budget.

**Capital Projects Fund Compliance** - The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the State of Michigan Revised School Code.

Beginning with the year of bond issuance, the School District has reported the annual construction activity in the 2010 Series B Capital Project Fund. The projects for which the 2010 Series B Issue bonds were issued were considered substantially complete on June 30, 2014 and the cumulative expenditures recognized for the construction period were \$57,003,709.

The following is a summary of the revenue and expenditures in the bonded capital projects funds from the inception of the funds through the current fiscal year:

	Capital Projects Funds		
	2010 Series A	2010 Series B	2008 Issue
Revenue and other sources	\$ 14,810,164	\$ 57,093,862	\$ 75,164,124
Expenditures and other uses	4,699,817	57,003,709	65,862,720

### Note 3 - Deposits and Investments

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

The School District has designated six banks for the deposit of its funds.

The investment policy adopted by the board has authorized investments as listed in the state statutory authority as listed above.

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

### Note 3 - Deposits and Investments (Continued)

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level be used for the School District's deposits for custodial credit risk. At year end, the School District's deposit balance of \$9,652,441 had \$8,624,931 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School 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.

**Custodial Credit Risk of Investments** - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy for custodial credit risk states custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law, and by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. The School District does not have investments with custodial credit risk.

**Interest Rate Risk** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. The School District's policy minimizes interest rate risk by requiring 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 School District's cash requirements.

# L'Anse Creuse Public Schools

## Notes to Financial Statements June 30, 2014

### Note 3 - Deposits and Investments (Continued)

**Credit Risk** - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy limits investments in commercial papers to a rating of A or above by two nationally recognized statistical rating organizations.

At year end, the maturities of investments and the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Maturities	Rating	Rating Organization
Bank investment pool	\$ 783,945	Not applicable	Aaa-mf/AAAm	S&P/Moody's
Michigan Liquid Asset Fund	7,248,489	Not applicable	AAAm	Standard & Poor's
Sweep account	5,855,862	Not applicable	A-1/P-1	S&P/Moody's
Money market funds	2,646,673	1 day	A-1/P-1	S&P/Moody's
U.S. government agency bonds	2,491,017	41 days - weighted average	AA+/Aaa	S&P/Moody's
Federated Government Obligations Fund - 2a7 like pool	8,946,240	Not applicable	Aaa-mf/AAAm	S&P/Moody's
Bank investment pool	158,080	Not applicable	A-1/P-1	S&P/Moody's
Bank investment pool	578,746	Not applicable	A-1/P-1	S&P/Moody's
Total investments	<u>\$ 28,709,052</u>			

**Concentration of Credit Risk** - The School District places no limit on the amount the School District may invest in any one issuer. The School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Issuer	Percent of Investments
Freddie Mac	7
Fannie Mae	2

**Foreign Currency Risk** - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's policy prohibit investment in foreign currency.

# L'Anse Creuse Public Schools

## Notes to Financial Statements June 30, 2014

### Note 4 - Receivables and Unavailable and Unearned Revenue

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

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds	Student Activities Agency Fund
Receivables:				
Taxes receivable	\$ 23,698	\$ -	\$ 23,698	\$ -
Accounts receivable	87,768	-	87,768	-
Interest and other	170	-	170	59
Intergovernmental	16,425,376	64,557	16,489,933	-
Total receivables	<u>\$ 16,537,012</u>	<u>\$ 64,557</u>	<u>\$ 16,601,569</u>	<u>\$ 59</u>

The majority of the intergovernmental receivable is from the State of Michigan for the July and August state aid payments of approximately \$14,900,000 and from the federal government for grants of approximately \$1,255,000.

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

	Governmental Funds	
	Unavailable	Unearned
Grant and categorical aid payment received prior to meeting all eligibility requirements	\$ -	\$ 1,038,817
State aid due for property tax refunds issued during fiscal year to be reimbursed in fall 2014	158,697	-
Summer tuition and fall school charges and other payments received prior to services being rendered	-	238,043
Total	<u>\$ 158,697</u>	<u>\$ 1,276,860</u>

# L'Anse Creuse Public Schools

## Notes to Financial Statements June 30, 2014

### Note 5 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

<b>Governmental Activities</b>	Balance July 1, 2013	Additions/ Transfers	Disposals/ Transfers	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 11,315,797	\$ -	\$ -	\$ 11,315,797
Construction in progress	21,702,439	3,143,209	(21,702,439)	3,143,209
Subtotal	33,018,236	3,143,209	(21,702,439)	14,459,006
Capital assets being depreciated:				
Buildings and building improvements	314,191,335	28,258,553	-	342,449,888
Furniture and equipment	40,637,796	1,282,761	-	41,920,557
Buses and other vehicles	6,978,301	17,094	(593,699)	6,401,696
Subtotal	361,807,432	29,558,408	(593,699)	390,772,141
Accumulated depreciation:				
Buildings and building improvements	91,005,589	7,559,316	-	98,564,905
Furniture and equipment	34,050,115	1,680,124	-	35,730,239
Buses and other vehicles	3,941,190	564,172	(523,893)	3,981,469
Subtotal	128,996,894	9,803,612	(523,893)	138,276,613
Net capital assets being depreciated	232,810,538	19,754,796	(69,806)	252,495,528
Net capital assets	<u>\$ 265,828,774</u>	<u>\$ 22,898,005</u>	<u>\$ (21,772,245)</u>	<u>\$ 266,954,534</u>

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical. Disposals relate to normal disposal of assets which are no longer held by the School District.

**Construction Commitments** - The School District has active construction projects at year end. The projects include the 2010 Series A and B bond issues and various other construction and technology projects. At year end, the School District's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitments</u>
2010 Series A and B Bond Issue	\$ 44,393,540	\$ 3,014,255

# L'Anse Creuse Public Schools

## Notes to Financial Statements June 30, 2014

### Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From				Total
	General Fund	2008 Capital Projects Fund	Nonmajor Governmental Funds	Fiduciary Funds	
General Fund	\$ -	\$ 6	\$ 325,187	\$ 390,212	\$ 715,405
Nonmajor governmental funds	1,237,633	-	676,852	-	1,914,485
Internal service funds	2,781,132	-	-	-	2,781,132
Fiduciary funds	20,566	-	943	38,555	60,064
Total	<u>\$ 4,039,331</u>	<u>\$ 6</u>	<u>\$ 1,002,982</u>	<u>\$ 428,767</u>	<u>\$ 5,471,086</u>

The General Fund has amounts due to the General Capital Projects Fund totaling \$1,222,386 for transfers for future capital improvements, and amounts due to internal service funds totaling \$2,781,132 that arose when the new funds were initially established. All remaining balances resulted from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

The Food and Nutrition Fund transferred funds totaling \$215,614 to the General Fund for current year indirect costs. The Kensington Fund transferred \$63,518 to the General Fund as the Kensington Fund was closed and the residual resources were returned to the General Fund. The General Capital Projects Fund transferred funds totaling \$4,000,000 to the General Fund as those resources were no longer committed for use in capital improvements.

### Note 7 - Long-term Debt

The School 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 School District. Notes and installment purchase agreements are also general obligations of the School District. Other long-term obligations include compensated absences, claims and judgments, and certain risk liabilities.

# L'Anse Creuse Public Schools

## Notes to Financial Statements June 30, 2014

### Note 7 - Long-term Debt (Continued)

Long-term debt activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds	\$ 257,335,000	\$ -	\$ 13,750,000	\$ 243,585,000	\$ 15,565,000
Issuance discounts	(2,099,268)	-	(403,963)	(1,695,305)	-
Issuance premiums	8,874,144	-	982,288	7,891,856	-
Interest rate swap	7,855,579	250,510	-	8,106,089	-
School Loan Revolving Fund	48,032,038	9,488,553	-	57,520,591	-
School Loan Revolving Fund - Accrued interest	3,711,301	1,886,023	-	5,597,324	-
Employee compensated absences	2,622,105	1,643,077	1,484,050	2,781,132	366,316
Total governmental activities	<u>\$ 326,330,899</u>	<u>\$ 13,268,163</u>	<u>\$ 15,812,375</u>	<u>\$ 323,786,687</u>	<u>\$ 15,931,316</u>

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities				
	Principal	Interest	Maximum Interest Subsidy	Net Interest	Total - Net
2015	\$ 15,565,000	\$ 11,198,389	\$ (1,235,148)	\$ 9,963,241	\$ 25,528,241
2016	15,960,000	10,464,910	(1,235,148)	9,229,762	25,189,762
2017	16,400,000	9,715,011	(1,235,148)	8,479,863	24,879,863
2018	12,025,000	8,962,713	(1,235,148)	7,727,565	19,752,565
2019	12,415,000	8,419,218	(1,235,148)	7,184,070	19,599,070
2020-2024	54,570,000	33,742,714	(5,588,211)	28,154,503	82,724,503
2025-2029	42,275,000	22,861,135	(4,378,399)	18,482,736	60,757,736
2030-2034	49,250,000	12,312,438	(2,937,316)	9,375,122	58,625,122
2035-2039	22,225,000	2,782,468	(1,336,726)	1,445,742	23,670,742
2040	2,900,000	124,278	(66,919)	57,359	2,957,359
Total	<u>\$ 243,585,000</u>	<u>\$ 120,583,274</u>	<u>\$ (20,483,311)</u>	<u>\$ 100,099,963</u>	<u>\$ 343,684,963</u>

# L'Anse Creuse Public Schools

## Notes to Financial Statements June 30, 2014

### Note 7 - Long-term Debt (Continued)

#### Governmental Activities

General obligation bonds consist of the following:

\$13,990,000 serial bonds due in annual installments of \$1,900,000 to \$2,000,000 through May 1, 2018; interest at 3.78% to 4.93%	\$ 7,800,000
\$56,130,000 term bonds due in annual installments of \$2,030,000 to \$2,900,000 through May 1, 2040; interest at 5.03% to 6.59%. The interest payments made each year by the School District, through maturity, will be subsidized by the federal government (as shown above in the debt service requirements table)	56,130,000
\$49,915,000 serial bonds due in annual installments of \$5,125,000 through May 1, 2017; interest at 3.9% to 5.0%	15,375,000
\$19,505,000 serial bonds due in annual installments of \$2,000,000 to \$2,080,000 through May 1, 2020; interest at 3.8% to 5.0%	12,350,000
\$66,735,000 serial bonds due in annual installments of \$1,625,000 to \$3,525,000 through May 1, 2035; interest at 4.05% to 5.0%	53,625,000
\$8,665,000 serial bonds due in annual installments of \$705,000 to \$1,060,000 through May 1, 2022; interest at 4.0% to 5.0%	7,300,000
\$28,960,000 serial bonds due in annual installments of \$2,385,000 to \$3,775,000 through May 1, 2023; interest at 3.00% to 5.00%	27,830,000
\$70,130,000 serial bonds due in annual installments of \$1,825,000 to \$4,250,000 through May 1, 2035; interest at a variable rate, fixed with swap agreement at 3.639% (see Note 8); the bonds have an optional tender feature that allows the bond holder to request tender on demand. The School District has entered into an agreement with a remarketing agent to remarket any bonds tendered and a liquidity facility agreement with a financial institution to provide liquidity in the event that the remarketing agent is unable to remarket the bonds. In the event that the bonds are tendered and the financial institution does not perform under the liquidity facility agreement, or the liquidity facility agreement expires, the variable interest rate would increase to 12% until the remarketing agent is able to remarket the bonds. The current liquidity facility agreement expires on June 30, 2015. As of June 30, 2014, the School District has not drawn on the liquidity facility	63,175,000
Total bonded debt	<u>\$ 243,585,000</u>

### Note 7 - Long-term Debt (Continued)

**School Loan Revolving Fund** - The School Loan Revolving Fund payable represents notes payable to the State of Michigan for loans made to the School District, as authorized by the 1963 State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the School District issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board in accordance with Section 9 of Act No. 92 of the Public Acts of 2005, as amended. Interest was charged at 3.52 percent during the year ended June 30, 2014. Repayment is required when the revenue from the computed millage rate exceeds the amount sufficient to pay debt service on qualified bonds. The School District is required to levy at least 7.0 mills and repay to the State any excess of the amount levied over the bonded debt service requirements. Due to recent legislated changes to the School Loan Revolving Fund program, participating districts are now required to adjust their annual millage rate to amounts between 7.0 and 13.0 mills, depending on a specified formula. Additionally, the School District has been provided a mandatory repayment date of May 1, 2046, although there are no required principal and interest payments each year. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the School District, no provision for repayment has been included in the above amortization schedule.

### Note 8 - Derivative Instruments

During the year, the School District has one interest rate swap agreement in connection with its \$70.13 million 2008 School Building and Site variable rate bonds.

**Hedging Derivative Instrument** - The swap agreement (referred to as SIFMA) was entered into in August 2005, with an effective date that coincided with the issuance date of the bonds in May 2008. The intention of the swap was to effectively hedge the changes in cash flows related to the interest payments on the variable rate bonds. At June 30, 2014, the swap's notional amount of \$63.175 million matched the \$63.175 million outstanding balance of the variable rate bonds. The notional value of the swap and the principal amount of the associated debt decline at the same rate until maturity in May 2035. Under the swap, the School District pays the counterparty a fixed payment of 3.639 percent and receives a variable payment computed at the Securities Industry and Financial Markets Association Municipal Swap Index™ (SIFMA) rate. The bonds' variable rate coupons are determined by the remarketing agent based on the rate necessary to remarket the bonds. This rate approximates the SIFMA rate at June 30, 2014. At June 30, 2014, the SIFMA swap had a negative fair value of \$8,106,089, which was recorded in other long-term liabilities on the statement of net position. As the swap is a hedging instrument, the change in fair value is considered deferred outflow and is included in other noncurrent assets on the statement of net position.

### Note 8 - Derivative Instruments (Continued)

**Fair Value** - The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swaps, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

**Credit Risk** - The swap counterparty was rated A by Fitch Ratings and Standard & Poor's and A2 by Moody's Investors Service as of June 30, 2014. In the event that the counterparty were to default on the swap agreement, the School District would have the option to enter into another swap agreement. The School District was not exposed to credit risk related to the SIFMA swap as the fair market value of that swap was negative at June 30, 2014.

**Interest Rate Risk** - The School District is exposed to interest rate risk on the swap agreement, since changes in the interest rate market will affect the fair value of the swap agreement.

**Basis Risk** - The SIFMA swap exposes the School District to basis risk because the variable-rate payments received by the School District on the hedging derivative instrument are based on an index other than interest rates the School District pays on its hedged variable-rate debt, which is remarketed every seven days. As of June 30, 2014, the SIFMA swap index rate was 0.06 percent, whereas the weighted average interest rate on the School District's hedged variable rate debt on the bonds was 0.7 percent.

**Termination Risk** - The School District or the counterparty may terminate the swap agreement if the other party fails to perform under the terms of the contract. The swap may be terminated by the counterparty if the School District's credit quality rating and the State of Michigan's credit quality rating fall below "A" as issued by Standard & Poor's or Moody's Investors Service. If the SIFMA swap is terminated, the variable rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the School District would be liable to the counterparty for a payment equal to the swap's fair value. To mitigate the termination risk, the School District has obtained swap insurance that would cover the termination payment in the event that the School District were to default on the terms of the swap agreement.

# L'Anse Creuse Public Schools

## Notes to Financial Statements June 30, 2014

### Note 8 - Derivative Instruments (Continued)

**Derivative Instrument Payments and Hedged Debt** - As of June 30, 2014, aggregate debt service requirements of the School District's debt and net receipts/payments on associated hedging derivative instruments (the SIFMA swap) are presented below. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the SIFMA swap will vary. The data below has also been included in the principal and interest payment schedules included in Note 7.

Fiscal Years Ending June 30	Principal	Interest	Hedging Derivatives - Net	Total
2015	\$ 1,825,000	\$ 44,223	\$ 2,261,033	\$ 4,130,256
2016	1,925,000	42,945	2,195,717	4,163,662
2017	2,025,000	41,598	2,126,821	4,193,419
2018	2,150,000	40,180	2,054,346	4,244,526
2019	2,250,000	38,675	1,977,398	4,266,073
2020-2024	13,125,000	168,000	8,589,600	21,882,600
2025-2029	16,250,000	117,688	6,017,194	22,384,882
2030-2034	19,375,000	56,438	2,885,569	22,317,007
2035	4,250,000	2,975	152,108	4,405,083
Total	<u>\$ 63,175,000</u>	<u>\$ 552,722</u>	<u>\$ 28,259,786</u>	<u>\$ 91,987,508</u>

### Note 9 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for property loss, torts, errors and omissions, and medical benefit claims; the School District is self-insured for workers' compensation claims up to \$300,000 per occurrence. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. There were no changes in insurance coverage by major category of risk from that of the preceding year.

# L'Anse Creuse Public Schools

## Notes to Financial Statements June 30, 2014

### Note 9 - Risk Management (Continued)

The School District is insured under a retrospectively rated policy and estimates the liability for employee injury claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the basic financial statements. Changes in the estimated liability for the past two fiscal years were as follows:

	2014	2013
Estimated liability - Beginning of year	\$ 511,257	\$ 430,257
Estimated claims incurred - Including changes in estimates	51,140	208,042
Claim payments	(552,804)	(127,042)
Unpaid claims - End of year	\$ 9,593	\$ 511,257

### Note 10 - Defined Benefit Pension Plan and Postemployment Benefits

**Plan Description** - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The system also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement Services at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

# L'Anse Creuse Public Schools

## Notes to Financial Statements June 30, 2014

### Note 10 - Defined Benefit Pension Plan and Postemployment Benefits (Continued)

**Pension Benefits** - Employer contributions to the pension system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. For the period from July 1, 2013 through September 30, 2013, employees had the following plan options with the corresponding employer contribution rates:

	Basic MIP with Premium Subsidy	Pension Plus with Premium Subsidy	Pension Plus PHF*	Pension Plus to DC with PHF*	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension contributions	15.21 %	15.02 %	15.02 %	12.78 %	12.78 %	12.78 %	15.21 %
Health contributions	9.11 %	9.11 %	8.18 %	8.18 %	9.11 %	8.18 %	8.18 %
Defined contribution plan employer contributions:							
DC employer contributions	0.00 %	1.00 %	1.00 %	3.00 %	4.00 %	4.00 %	0.00 %
Personal Healthcare Fund	0.00 %	0.00 %	2.00 %	2.00 %	0.00 %	2.00 %	2.00 %

For the period from October 1, 2013 through June 30, 2014, employees had the following plan options with the corresponding employer contribution rates:

	Basic MIP with Premium Subsidy	Pension Plus with Premium Subsidy	Pension Plus PHF*	Pension Plus to DC with PHF*	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension contributions	18.34 %	18.11 %	18.11 %	15.44 %	15.44 %	15.44 %	18.34 %
Health contributions	6.45 %	6.45 %	5.52 %	5.52 %	6.45 %	5.52 %	5.52 %
Defined contribution plan employer contributions:							
DC employer contributions	0.00 %	1.00 %	1.00 %	3.00 %	4.00 %	4.00 %	0.00 %
Personal Healthcare Fund	0.00 %	0.00 %	2.00 %	2.00 %	0.00 %	2.00 %	2.00 %

\* First worked September 4, 2012 or later

### **Note 10 - Defined Benefit Pension Plan and Postemployment Benefits (Continued)**

Depending on the plan selected, plan member contributions range from 0 percent up to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

The School District's required and actual contributions to the plan for the years ended June 30, 2014, 2013, and 2012 were approximately \$14,747,000, \$12,540,000, and \$11,133,000, respectively.

**Postemployment Benefits** - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate ranged from 8.18 percent to 9.11 percent of covered payroll for the period from July 1, 2013 through September 30, 2013, and from 5.52 percent to 6.45 percent of covered payroll for the period from October 1, 2013 through June 30, 2014 dependent upon the employee's date of hire and plan election as noted above. Members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit, or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 401(k) account.

The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2014, 2013, and 2012 were approximately \$4,312,000, \$7,054,000, and \$6,250,000, respectively.

# **L'Anse Creuse Public Schools**

---

## **Notes to Financial Statements June 30, 2014**

### **Note 11 - Upcoming Accounting Pronouncements**

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The School District is currently evaluating the impact this standard will have on the financial statements when adopted; however, the impact is expected to be material. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

DRAFT

## **Required Supplemental Information**

---

DRAFT

# L'Anse Creuse Public Schools

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>Revenue</b>				
Local sources	\$ 16,257,157	\$ 16,633,546	\$ 17,342,144	\$ 708,598
State sources	82,938,175	81,372,497	82,027,900	655,403
Federal sources	5,418,330	6,889,839	5,152,709	(1,737,130)
Intergovernmental	2,710,777	2,370,000	1,816,157	(553,843)
Total revenue	<u>107,324,439</u>	<u>107,265,882</u>	<u>106,338,910</u>	<u>(926,972)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Basic program	51,146,170	53,100,000	52,484,234	(615,766)
Added needs	14,072,992	14,785,667	14,852,953	67,286
Adult/Continuing education	430,834	402,500	400,528	(1,972)
Total instruction	<u>65,649,996</u>	<u>68,288,167</u>	<u>67,737,715</u>	<u>(550,452)</u>
Support services:				
Pupil	8,476,826	8,120,000	7,743,844	(376,156)
Instructional staff	4,441,158	4,175,000	3,976,700	(198,300)
General administration	728,893	620,200	646,225	26,025
School administration	7,263,212	7,248,500	7,284,698	36,198
Business	1,830,236	1,650,000	1,403,855	(246,145)
Operations and maintenance	10,223,657	9,806,400	9,770,127	(36,273)
Pupil transportation services	4,431,684	4,070,800	4,169,992	99,192
Central	3,481,249	2,700,410	2,285,123	(415,287)
Total support services	<u>40,876,915</u>	<u>38,391,310</u>	<u>37,280,564</u>	<u>(1,110,746)</u>
Athletics	1,138,820	1,191,300	1,130,961	(60,339)
Community services	1,741,605	1,800,700	1,788,787	(11,913)
Payments to other public schools (ISDs, LEAs)	100,000	125,000	65,000	(60,000)
Total expenditures	<u>109,507,336</u>	<u>109,796,477</u>	<u>108,003,027</u>	<u>(1,793,450)</u>
<b>Excess of Expenditures Over Revenue</b>	<u>(2,182,897)</u>	<u>(2,530,595)</u>	<u>(1,664,117)</u>	<u>866,478</u>
<b>Other Financing Sources</b>				
Proceeds from sale of capital assets	-	-	122,215	122,215
Transfers in	-	5,063,518	4,279,132	(784,386)
Total other financing sources	<u>-</u>	<u>5,063,518</u>	<u>4,401,347</u>	<u>(662,171)</u>
<b>Net Change in Fund Balance</b>	<u>(2,182,897)</u>	<u>2,532,923</u>	<u>2,737,230</u>	<u>204,307</u>
<b>Fund Balance - Beginning of year</b>	<u>9,618,135</u>	<u>9,618,135</u>	<u>9,618,135</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u>\$ 7,435,238</u>	<u>\$ 12,151,058</u>	<u>\$ 12,355,365</u>	<u>\$ 204,307</u>

# **L'Anse Creuse Public Schools**

---

## **Note to Required Supplemental Information Year Ended June 30, 2014**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. The statement of revenue, expenditures, and changes in fund balance presents capital outlay separately, as required by generally accepted accounting principles. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the General Fund and Special Revenue Fund budgets were amended in accordance with state law.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as assignments 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.

DRAFT

## **Other Supplemental Information**

---

DRAFT

# L'Anse Creuse Public Schools

	Special Revenue Funds			Debt Service Funds	
	Food and Nutrition	Kensington	International	2012R Issue	2010 Series A Issue
<b>Assets</b>					
Cash and cash equivalents	\$ 517,379	\$ -	\$ 46,700	\$ -	\$ -
Receivables	64,557	-	-	-	-
Due from other funds	-	-	-	117,415	117,691
Inventories	50,765	-	-	-	-
Restricted assets	-	-	-	3,158	746
<b>Total assets</b>	<b>\$ 632,701</b>	<b>\$ -</b>	<b>\$ 46,700</b>	<b>\$ 120,573</b>	<b>\$ 118,437</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 12,205	\$ -	\$ -	\$ -	\$ -
Accrued payroll-related liabilities:					
Due to other funds	318,561	-	7,569	-	-
Unearned revenue	5,929	-	30,000	-	-
<b>Total liabilities</b>	<b>336,695</b>	<b>-</b>	<b>37,569</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>					
Nonspendable - Inventory	50,765	-	-	-	-
Restricted:					
Debt service	-	-	-	120,573	118,437
Food service	245,241	-	-	-	-
Committed - Capital projects	-	-	-	-	-
Assigned - International	-	-	9,131	-	-
<b>Total fund balances</b>	<b>296,006</b>	<b>-</b>	<b>9,131</b>	<b>120,573</b>	<b>118,437</b>
<b>Total liabilities and fund balances</b>	<b>\$ 632,701</b>	<b>\$ -</b>	<b>\$ 46,700</b>	<b>\$ 120,573</b>	<b>\$ 118,437</b>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014**

Debt Service Funds							Capital Projects Fund	Total Nonmajor Governmental Funds	
2010 Series	B Issue	2008 Issue	2006R Issue	2005 Issue	2005R Issue	2004R Issue	2003 Issue	General Capital Projects Fund	Total Nonmajor Governmental Funds
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 564,079
	-	-	-	-	-	-	-	-	64,557
	121,415	-	82,095	104,978	117,540	15,247	15,718	1,222,386	1,914,485
	-	-	-	-	-	-	-	-	50,765
	<u>8,822</u>	<u>801,818</u>	<u>9,018</u>	<u>21,625</u>	<u>4,422</u>	<u>146,185</u>	<u>24,570</u>	-	<u>1,020,364</u>
	<b><u>\$ 130,237</u></b>	<b><u>\$ 801,818</u></b>	<b><u>\$ 91,113</u></b>	<b><u>\$ 126,603</u></b>	<b><u>\$ 121,962</u></b>	<b><u>\$ 161,432</u></b>	<b><u>\$ 40,288</u></b>	<b><u>\$ 1,222,386</u></b>	<b><u>\$ 3,614,250</u></b>
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,205
	-	651,965	-	-	-	24,887	-	-	1,002,982
	-	-	-	-	-	-	-	-	35,929
	-	651,965	-	-	-	24,887	-	-	1,051,116
	-	-	-	-	-	-	-	-	50,765
	130,237	149,853	91,113	126,603	121,962	136,545	40,288	-	1,035,611
	-	-	-	-	-	-	-	-	245,241
	-	-	-	-	-	-	-	1,222,386	1,222,386
	-	-	-	-	-	-	-	-	9,131
	<u>130,237</u>	<u>149,853</u>	<u>91,113</u>	<u>126,603</u>	<u>121,962</u>	<u>136,545</u>	<u>40,288</u>	<u>1,222,386</u>	<u>2,563,134</u>
	<b><u>\$ 130,237</u></b>	<b><u>\$ 801,818</u></b>	<b><u>\$ 91,113</u></b>	<b><u>\$ 126,603</u></b>	<b><u>\$ 121,962</u></b>	<b><u>\$ 161,432</u></b>	<b><u>\$ 40,288</u></b>	<b><u>\$ 1,222,386</u></b>	<b><u>\$ 3,614,250</u></b>

# L'Anse Creuse Public Schools

	Special Revenue Funds			Debt Service Funds		
	Food and Nutrition	Kensington	International	2012R Issue	2010 Series A Issue	2010 Series B Issue
<b>Revenue</b>						
Local sources	\$ 1,481,409	\$ -	\$ 47,550	\$ 400,000	\$ 2,200,000	\$ 400,000
State sources	127,809	-	-	-	-	-
Federal sources	2,084,271	-	-	-	-	1,146,217
Total revenue	3,693,489	-	47,550	400,000	2,200,000	1,546,217
<b>Expenditures</b>						
Current:						
Support services	-	-	38,419	-	-	-
Food services	3,443,312	-	-	-	-	-
Debt service:						
Principal	-	-	-	1,130,000	1,775,000	-
Interest	-	-	-	1,313,850	405,873	3,528,994
Other	-	-	-	-	749	-
Capital outlay	23,349	-	-	-	-	-
Total expenditures	3,466,661	-	38,419	2,443,850	2,181,622	3,528,994
<b>Excess of Revenue Over (Under) Expenditures</b>	226,828	-	9,131	(2,043,850)	18,378	(1,982,777)
<b>Other Financing (Uses) Sources</b>						
Transfers out	(215,614)	(63,518)	-	-	-	-
School Loan Revolving Fund proceeds	-	-	-	1,786,925	-	1,977,936
Total other financing (uses) sources	(215,614)	(63,518)	-	1,786,925	-	1,977,936
<b>Net Change in Fund Balances</b>	11,214	(63,518)	9,131	(256,925)	18,378	(4,841)
<b>Fund Balances - Beginning of year</b>	284,792	63,518	-	377,498	100,059	135,078
<b>Fund Balances - End of year</b>	<b>\$ 296,006</b>	<b>\$ -</b>	<b>\$ 9,131</b>	<b>\$ 120,573</b>	<b>\$ 118,437</b>	<b>\$ 130,237</b>

**Other Supplemental Information  
Combining Statement of Revenue, Expenditures, and  
Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2014**

Debt Service Funds						Capital Projects Fund	Total Nonmajor Governmental Funds
2008 Issue	2006R Issue	2005 Issue	2005R Issue	2004R Issue	2003 Issue	General Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 4,450,000	\$ 1,000,000	\$ 4,300,005	\$ 1,650,001	\$ 1,412,898	\$ -	\$ -	\$ 17,341,863
-	-	-	-	-	-	-	127,809
-	-	-	-	-	-	-	3,230,488
4,450,000	1,000,000	4,300,005	1,650,001	1,412,898	-	-	20,700,160
-	-	-	-	-	-	-	38,419
-	-	-	-	-	-	-	3,443,312
1,575,000	705,000	1,550,000	1,890,000	5,125,000	-	-	13,750,000
2,369,866	334,300	2,741,175	658,500	968,625	-	-	12,321,183
467,776	262	265	263	98,300	-	-	567,615
-	-	-	-	-	-	(800)	22,549
4,412,642	1,039,562	4,291,440	2,548,763	6,191,925	-	(800)	30,143,078
37,358	(39,562)	8,565	(898,762)	(4,779,027)	-	800	(9,442,918)
-	-	-	-	-	-	(4,000,000)	(4,279,132)
-	-	-	1,000,000	4,723,692	-	-	9,488,553
-	-	-	1,000,000	4,723,692	-	(4,000,000)	5,209,421
37,358	(39,562)	8,565	101,238	(55,335)	-	(3,999,200)	(4,233,497)
112,495	130,675	118,038	20,724	191,880	40,288	5,221,586	6,796,631
<b>\$ 149,853</b>	<b>\$ 91,113</b>	<b>\$ 126,603</b>	<b>\$ 121,962</b>	<b>\$ 136,545</b>	<b>\$ 40,288</b>	<b>\$ 1,222,386</b>	<b>\$ 2,563,134</b>

# L'Anse Creuse Public Schools

## Special Revenue - Food and Nutrition Fund Budgetary Comparison Schedule Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>Revenue</b>				
Local	\$ 1,546,838	\$ 1,550,000	\$ 1,481,409	\$ (68,591)
State	145,000	145,000	127,809	(17,191)
Federal	1,961,827	1,950,000	2,084,271	134,271
Total revenue	3,653,665	3,645,000	3,693,489	48,489
<b>Expenditures - Current - Food services</b>	3,648,301	3,590,000	3,466,661	(123,339)
<b>Other Financing Uses - Transfers out</b>	-	-	(215,614)	(215,614)
<b>Net Change in Fund Balance</b>	5,364	55,000	11,214	(43,786)
<b>Fund Balance - Beginning of year</b>	284,792	284,792	284,792	-
<b>Fund Balance - End of year</b>	<u>\$ 290,156</u>	<u>\$ 339,792</u>	<u>\$ 296,006</u>	<u>\$ (43,786)</u>

# L'Anse Creuse Public Schools

## Special Revenue - Kensington Fund Budgetary Comparison Schedule - Special Revenue Fund Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>Revenue - Local</b>	\$ 407,029	\$ -	\$ -	\$ -
<b>Expenditures - Community services</b>	412,000	-	-	-
<b>Other Financing Uses - Transfers out</b>	<u>-</u>	<u>(63,518)</u>	<u>(63,518)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	(4,971)	(63,518)	(63,518)	-
<b>Fund Balance - Beginning of year</b>	<u>63,518</u>	<u>63,518</u>	<u>63,518</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 58,547</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

DRAFT

# L'Anse Creuse Public Schools

## Special Revenue - International Fund Budgetary Comparison Schedule - Special Revenue Fund Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>Revenue - Local sources</b>	\$ 67,550	\$ 67,550	\$ 47,550	\$ (20,000)
<b>Expenditures</b>	<u>33,718</u>	<u>33,718</u>	<u>38,419</u>	<u>4,701</u>
<b>Net Change in Fund Balance</b>	33,832	33,832	9,131	(24,701)
<b>Fund Balance - Beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 33,832</u></u>	<u><u>\$ 33,832</u></u>	<u><u>\$ 9,131</u></u>	<u><u>\$ (24,701)</u></u>

DRAFT

# L'Anse Creuse Public Schools

## Other Supplemental Information Combining Statement of Net Position Proprietary Funds - Internal Service Funds June 30, 2014

	Health Care Stabilization Fund	Compensated Absences Fund	Total
<b>Assets</b> - Current assets - Due from other funds	\$ -	\$ 2,781,132	\$ 2,781,132
<b>Liabilities</b>			
Current liabilities - Compensated absences	\$ -	\$ 366,316	\$ 366,316
Noncurrent liabilities - Compensated absences	-	2,414,816	2,414,816
Total liabilities	\$ -	\$ 2,781,132	\$ 2,781,132

DRAFT

# L'Anse Creuse Public Schools

## Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Proprietary Funds - Internal Service Funds Year Ended June 30, 2014

	Health Care Stabilization Fund	Compensated Absences Fund	Total
<b>Operating Revenue</b> - Charges for services	\$ -	\$ 1,643,077	\$ 1,643,077
<b>Operating Expenses</b>			
Cost of health care premiums	1,000,000	-	1,000,000
Compensated absences	-	1,643,077	1,643,077
Total operating expenses	<u>1,000,000</u>	<u>1,643,077</u>	<u>2,643,077</u>
<b>Net Change in Net Position</b>	(1,000,000)	-	(1,000,000)
<b>Net Position</b> - Beginning of year	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
<b>Net Position</b> - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# L'Anse Creuse Public Schools

## Other Supplemental Information Combining Statement of Cash Flows Proprietary Funds - Internal Service Funds Year Ended June 30, 2014

	Health Care Stabilization Fund	Compensated Absences Fund	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from other funds	\$ 1,000,000	\$ 1,484,050	\$ 2,484,050
Payments to suppliers	(1,000,000)	-	(1,000,000)
Payments to employees	-	(1,484,050)	(1,484,050)
Net cash from operating activities	-	-	-
<b>Net Change in Cash and Cash Equivalents</b>	-	-	-
<b>Cash and Cash Equivalents - Beginning of year</b>	-	-	-
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Reconciliation of Net Change in Net Position to Net Cash from Operating Activities</b>			
Net change in net position	\$ (1,000,000)	\$ -	\$ (1,000,000)
Adjustments to reconcile net change in net position to net cash from operating activities -			
Changes in assets and liabilities:			
Due from other funds	1,000,000	(159,027)	840,973
Accrued and other liabilities	-	159,027	159,027
Net cash from operating activities	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

# L'Anse Creuse Public Schools

## Other Supplemental Information Agency Fund - Student Activities Changes in Assets and Liabilities Year Ended June 30, 2014

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
<b>Assets</b>				
Cash and investments	\$ 2,683,099	\$ 2,673,667	\$ 3,498,684	\$ 1,858,082
Due from other funds	5,782	98,584	82,857	21,509
Interest receivable	68	59	68	59
Total assets	<u>\$ 2,688,949</u>	<u>\$ 2,772,310</u>	<u>\$ 3,581,609</u>	<u>\$ 1,879,650</u>
<b>Liabilities</b>				
Due to students and other groups	\$ 1,515,356	\$ 1,468,936	\$ 1,533,409	\$ 1,450,883
Due to other funds	1,173,593	1,303,374	2,048,200	428,767
Total liabilities	<u>\$ 2,688,949</u>	<u>\$ 2,772,310</u>	<u>\$ 3,581,609</u>	<u>\$ 1,879,650</u>

# L'Anse Creuse Public Schools

Years Ending June 30	2010 Series A	2010 Series B	2008 Issue	2006R Issue
	Issue	Issue		
	Principal	Principal	Principal	Principal
2015	\$ 1,900,000	\$ -	\$ 1,825,000	\$ 705,000
2016	1,925,000	-	1,925,000	710,000
2017	1,975,000	-	2,025,000	710,000
2018	2,000,000	-	2,150,000	1,060,000
2019	-	2,030,000	2,250,000	1,045,000
2020	-	2,100,000	2,375,000	1,035,000
2021	-	2,150,000	2,500,000	1,020,000
2022	-	2,200,000	2,625,000	1,015,000
2023	-	2,250,000	2,750,000	-
2024	-	2,300,000	2,875,000	-
2025	-	2,350,000	3,000,000	-
2026	-	2,400,000	3,125,000	-
2027	-	2,450,000	3,250,000	-
2028	-	2,500,000	3,375,000	-
2029	-	2,550,000	3,500,000	-
2030	-	2,600,000	3,625,000	-
2031	-	2,650,000	3,750,000	-
2032	-	2,700,000	3,875,000	-
2033	-	2,750,000	4,000,000	-
2034	-	2,800,000	4,125,000	-
2035	-	2,850,000	4,250,000	-
2036	-	2,900,000	-	-
2037	-	2,900,000	-	-
2038	-	2,900,000	-	-
2039	-	2,900,000	-	-
2040	-	2,900,000	-	-
<b>Total</b>	<b>\$ 7,800,000</b>	<b>\$ 56,130,000</b>	<b>\$ 63,175,000</b>	<b>\$ 7,300,000</b>
Principal payments due	May 1	May 1	May 1	May 1
Interest payments due	May 1 and November 1			
Interest rate	3.78% to 4.93%	5.03% to 6.59%	4.63%	4.0% to 5.0%
Original issue	<b>\$ 13,990,000</b>	<b>\$ 56,130,000</b>	<b>\$ 70,130,000</b>	<b>\$ 8,665,000</b>

**Other Supplemental Information  
Schedule of Bonded Indebtedness  
Year Ended June 30, 2014**

2005 Issue	2005R Issue	2004R Issue	2012R Issue	
Principal	Principal	Principal	Principal	Total
\$ 1,625,000	\$ 2,000,000	\$ 5,125,000	\$ 2,385,000	\$ 15,565,000
1,700,000	2,035,000	5,125,000	2,540,000	15,960,000
1,775,000	2,075,000	5,125,000	2,715,000	16,400,000
1,850,000	2,080,000	-	2,885,000	12,025,000
1,925,000	2,080,000	-	3,085,000	12,415,000
2,000,000	2,080,000	-	3,285,000	12,875,000
2,100,000	-	-	3,480,000	11,250,000
2,225,000	-	-	3,680,000	11,745,000
2,325,000	-	-	3,775,000	11,100,000
2,425,000	-	-	-	7,600,000
2,525,000	-	-	-	7,875,000
2,650,000	-	-	-	8,175,000
2,750,000	-	-	-	8,450,000
2,875,000	-	-	-	8,750,000
2,975,000	-	-	-	9,025,000
3,075,000	-	-	-	9,300,000
3,175,000	-	-	-	9,575,000
3,275,000	-	-	-	9,850,000
3,375,000	-	-	-	10,125,000
3,475,000	-	-	-	10,400,000
3,525,000	-	-	-	10,625,000
-	-	-	-	2,900,000
-	-	-	-	2,900,000
-	-	-	-	2,900,000
-	-	-	-	2,900,000
-	-	-	-	2,900,000
<b>\$ 53,625,000</b>	<b>\$ 12,350,000</b>	<b>\$ 15,375,000</b>	<b>\$ 27,830,000</b>	<b>\$ 243,585,000</b>
May 1	May 1	May 1	May 1	
May 1 and November 1				
4.05% to 5.0%	3.8% to 5.0%	3.9% to 5.0%	3.0% to 5.0%	
<b>\$ 66,735,000</b>	<b>\$ 19,505,000</b>	<b>\$ 49,915,000</b>	<b>\$ 28,960,000</b>	<b>\$ 314,030,000</b>

**Statistical Section and Other Information  
(Unaudited)**

---

DRAFT

# L'Anse Creuse Public Schools

## Description of Statistical Section

This part of the School District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the School District's overall financial health.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the School District's financial performance and well-being have changed over time.	69-76
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the School District's most significant local revenue source, the property tax.	77-82
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the School District's current levels of outstanding debt and the School District's ability to issue additional debt in the future.	83-87
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the School District's financial activities take place.	88-89
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the School District's financial report relates to the services the School District provides and the activities it performs.	90-93

## L'Anse Creuse Public Schools

	June 30			
	2005	2006	2007	2008
Net investment in capital assets	\$ 5,590,657	\$ 4,827,729	\$ 1,774,161	\$ 4,715,774
Restricted	2,535,277	3,197,858	5,709,597	7,240,620
Unrestricted	<u>18,582,193</u>	<u>20,848,338</u>	<u>25,764,631</u>	<u>28,957,611</u>
 Total primary government net position	 <u><b>\$ 26,708,127</b></u>	 <u><b>\$ 28,873,925</b></u>	 <u><b>\$ 33,248,389</b></u>	 <u><b>\$ 40,914,005</b></u>

Source: L'Anse Creuse Public Schools audited financial statements

DRAFT

**Net Position by Component - Governmental Activities (Unaudited)**

June 30					
2009	2010	2011	2012	2013	2014
\$ 1,750,311	\$ (2,421,811)	\$ (9,914,390)	\$ (16,673,121)	\$ (28,629,620)	\$ (27,266,485)
5,879,979	5,589,691	7,277,892	6,512,129	6,947,846	6,266,739
<u>27,773,000</u>	<u>25,544,925</u>	<u>22,822,307</u>	<u>16,850,893</u>	<u>16,131,141</u>	<u>7,200,187</u>
<b><u>\$ 35,403,290</u></b>	<b><u>\$ 28,712,805</u></b>	<b><u>\$ 20,185,809</u></b>	<b><u>\$ 6,689,901</u></b>	<b><u>\$ (5,550,633)</u></b>	<b><u>\$ (13,799,559)</u></b>

DRAFT

# L'Anse Creuse Public Schools

	Year Ended June 30			
	2005	2006	2007	2008
<b>Expenses - Governmental activities</b>				
Instruction	\$ 56,845,061	\$ 60,917,998	\$ 61,954,177	\$ 60,897,095
Support services	34,465,839	38,137,899	41,207,483	38,617,557
Athletics	959,583	970,970	1,006,464	1,094,804
Food services	2,733,856	2,624,769	2,858,508	3,272,261
Community services	2,574,334	2,298,909	1,675,179	2,191,741
Payments to other public schools	-	-	-	-
Interest on long-term debt and other expenses	6,979,482	10,258,073	9,827,873	10,536,920
Depreciation (unallocated)	6,485,048	6,487,891	6,630,747	7,335,028
<b>Total expenses - Governmental activities</b>	<b>111,043,203</b>	<b>121,696,509</b>	<b>125,160,431</b>	<b>123,945,406</b>
<b>Program Revenue</b>				
Charges for services:				
Athletics	-	-	46,456	49,664
Food services	1,697,040	1,629,982	1,608,334	1,741,730
Community services	2,452,511	2,731,491	2,606,737	2,479,990
Operating grants and contributions	10,755,130	12,648,249	13,575,658	13,142,603
<b>Total program revenue</b>	<b>14,904,681</b>	<b>17,009,722</b>	<b>17,837,185</b>	<b>17,413,987</b>
<b>Net Expenses</b>	<b>(96,138,522)</b>	<b>(104,686,787)</b>	<b>(107,323,246)</b>	<b>(106,531,419)</b>
<b>General Revenue</b>				
Property taxes	31,573,809	33,789,424	35,879,758	38,343,404
State aid not restricted to specific purposes	66,238,833	67,002,436	69,246,850	69,704,797
Federal revenue - Unrestricted	-	-	-	-
County special education tax	2,028,964	2,082,566	2,110,990	2,237,960
Investment earnings	1,137,212	3,892,822	4,120,474	3,238,387
Gain (loss) on the sale of capital assets	-	-	-	49,546
Other	100,675	85,337	339,638	622,941
Special item - Interest rate swap redemption	-	-	-	-
<b>Total general revenue</b>	<b>101,079,493</b>	<b>106,852,585</b>	<b>111,697,710</b>	<b>114,197,035</b>
<b>Change in Net Position</b>	<b>\$ 4,940,971</b>	<b>\$ 2,165,798</b>	<b>\$ 4,374,464</b>	<b>\$ 7,665,616</b>

Source: L'Anse Creuse Public Schools audited financial statements

**Changes in Governmental Net Position  
(Unaudited)**

Year Ended June 30					
2009	2010	2011	2012	2013	2014
\$ 67,336,891	\$ 70,116,868	\$ 70,307,446	\$ 67,119,269	\$ 68,532,927	\$ 68,736,723
43,600,941	40,956,094	39,925,377	40,740,472	40,821,968	35,453,725
1,105,261	1,118,834	1,508,687	1,161,292	1,211,037	1,130,961
3,549,497	3,347,789	3,554,588	3,680,757	3,470,530	3,443,312
2,327,668	2,398,741	2,287,778	2,482,271	2,105,734	1,788,787
-	82,000	73,800	114,366	83,600	65,000
13,151,063	14,498,964	15,963,643	15,851,488	14,303,588	14,414,135
7,940,875	8,674,726	8,830,148	9,188,798	9,475,243	9,803,612
139,012,196	141,194,016	142,451,467	140,338,713	140,004,627	134,836,255
80,723	72,369	74,359	87,517	300,094	324,162
1,922,403	1,712,709	1,657,442	1,652,277	1,279,396	1,329,743
2,548,376	2,574,956	2,815,725	2,866,530	2,733,310	2,701,483
18,346,695	18,636,642	19,675,447	19,885,887	22,567,024	22,900,529
22,898,197	22,996,676	24,222,973	24,492,211	26,879,824	27,255,917
(116,113,999)	(118,197,340)	(118,228,494)	(115,846,502)	(113,124,803)	(107,580,338)
36,674,753	35,536,288	33,354,988	30,976,713	29,533,151	29,071,199
70,139,718	71,522,846	71,407,590	71,627,515	70,588,678	69,454,534
-	3,349,951	1,401,462	2,489,298	-	-
2,245,178	-	-	-	-	-
3,942,663	3,916,877	3,083,957	1,761,579	319,847	134,671
(2,958,178)	(3,299,156)	14,054	3,603	62,587	52,409
559,150	480,049	439,447	586,886	380,006	618,599
-	-	-	(5,095,000)	-	-
110,603,284	111,506,855	109,701,498	102,350,594	100,884,269	99,331,412
<b>\$ (5,510,715)</b>	<b>\$ (6,690,485)</b>	<b>\$ (8,526,996)</b>	<b>\$ (13,495,908)</b>	<b>\$ (12,240,534)</b>	<b>\$ (8,248,926)</b>

# L'Anse Creuse Public Schools

	June 30			
	2005	2006	2007	2008
General Fund:				
<b>Pre GASB 54:</b>				
Reserved	\$ 4,494,711	\$ 3,277,731	\$ 3,155,211	\$ 2,869,698
Unreserved	16,578,209	20,135,586	23,448,280	24,714,307
<b>Post GASB 54:</b>				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 21,072,920</u>	<u>\$ 23,413,317</u>	<u>\$ 26,603,491</u>	<u>\$ 27,584,005</u>
All other governmental funds:				
<b>Pre GASB 54:</b>				
Reserved	\$ 86,623,732	\$ 67,876,213	\$ 34,695,428	\$ 80,465,744
Unreserved, reported in:				
General capital projects funds	-	-	1,800,000	3,937,876
Special revenue funds	-	(63,350)	30,253	15,555
<b>Post GASB 54:</b>				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 86,623,732</u>	<u>\$ 67,812,863</u>	<u>\$ 36,525,681</u>	<u>\$ 84,419,175</u>

Source: L'Anse Creuse Public Schools audited financial statements

Note: On July 1, 2010, the School District adopted GASB No. 54 which changed certain classifications for fund balance. The balances prior to June 30, 2010 have not been restated.

**Fund Balances - Governmental Funds  
Last Ten Fiscal Years  
(Unaudited)**

June 30						
2009	2010	2011	2012	2013	2014	
\$ 3,058,071	\$ 758,106	\$ -	\$ -	\$ -	\$ -	
20,887,158	18,522,946	-	-	-	-	
-	-	754,428	318,415	142,617	576,099	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	2,775,421	5,993,333	2,182,896	4,342,534	
-	-	12,534,786	7,006,706	7,292,622	7,436,732	
<b><u>\$ 23,945,229</u></b>	<b><u>\$ 19,281,052</u></b>	<b><u>\$ 16,064,635</u></b>	<b><u>\$ 13,318,454</u></b>	<b><u>\$ 9,618,135</u></b>	<b><u>\$ 12,355,365</u></b>	
\$ 50,627,823	\$ 94,416,940	\$ -	\$ -	\$ -	\$ -	
6,208,332	5,801,424	-	-	-	-	
53,546	255,191	-	-	-	-	
-	-	6,421	5,276	5,276	50,765	
-	-	72,156,210	49,432,970	29,564,126	20,332,708	
-	-	5,523,772	5,376,373	5,285,104	1,222,386	
-	-	-	-	-	9,131	
-	-	(27,425)	-	-	-	
<b><u>\$ 56,889,701</u></b>	<b><u>\$ 100,473,555</u></b>	<b><u>\$ 77,658,978</u></b>	<b><u>\$ 54,814,619</u></b>	<b><u>\$ 34,854,506</u></b>	<b><u>\$ 21,614,990</u></b>	

# L'Anse Creuse Public Schools

	Year Ended June 30			
	2005	2006	2007	2008
<b>Revenue</b>				
Local revenue	\$ 37,064,631	\$ 42,141,635	\$ 44,669,137	\$ 46,476,116
State revenue	71,510,273	72,833,189	76,515,491	76,356,734
Federal revenue	4,966,743	6,291,767	5,864,762	6,333,757
Interdistrict revenue	2,470,383	2,608,295	2,553,245	2,394,869
Total revenue	116,012,030	123,874,886	129,602,635	131,561,476
<b>Expenditures</b>				
Instruction	55,065,306	57,482,390	58,220,929	60,882,777
Support services	34,565,665	38,345,281	38,923,715	38,901,900
Athletics	959,583	970,970	1,006,464	1,094,804
Food services	2,574,334	2,624,769	1,675,179	3,272,261
Community services	2,733,856	2,298,909	2,858,508	2,191,741
Debt service:				
Principal	8,595,000	9,535,000	10,150,000	11,745,000
Interest	6,999,724	9,990,999	9,901,726	9,708,350
Other	695,296	31,567	97,540	638,753
Capital outlay	15,731,718	20,493,898	36,164,361	25,710,461
Payments to other public schools	-	-	-	-
Total expenditures	127,920,482	141,773,783	158,998,422	154,146,047
<b>Excess of Expenditures Over Revenue</b>				
	(11,908,452)	(17,898,897)	(29,395,787)	(22,584,571)
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	-	-	-	110,461
Transfers in	236,132	1,319,908	1,846,511	2,425,228
Transfers out	(236,132)	(1,319,908)	(1,846,511)	(2,425,228)
Debt issuance	136,155,000	10,115,372	1,298,779	71,348,118
Debt premium or discount	9,195,897	171,681	-	-
Debt defeasance	(74,931,539)	(8,858,628)	-	-
Total other financing sources	70,419,358	1,428,425	1,298,779	71,458,579
<b>Net Change in Fund Balances</b>	58,510,906	(16,470,472)	(28,097,008)	48,874,008
<b>Fund Balances - Beginning of year</b>	49,185,746	107,696,652	91,226,180	63,129,172
<b>Fund Balances - End of year</b>	<u>\$ 107,696,652</u>	<u>\$ 91,226,180</u>	<u>\$ 63,129,172</u>	<u>\$ 112,003,180</u>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	17.3%	17.0%	19.2%	20.8%

Source: L'Anse Creuse Public Schools audited financial statements

**Changes in Fund Balances - Governmental Funds  
Last Ten Fiscal Years  
(Unaudited)**

Year Ended June 30					
2009	2010	2011	2012	2013	2014
\$ 45,728,068	\$ 41,347,239	\$ 40,053,778	\$ 36,768,312	\$ 34,545,804	\$ 34,788,367
76,797,109	78,640,445	78,237,918	80,404,303	81,919,468	82,155,709
11,370,323	12,263,090	12,081,113	11,608,304	8,577,897	8,383,197
<u>2,564,159</u>	<u>2,605,904</u>	<u>2,165,468</u>	<u>1,990,093</u>	<u>1,891,130</u>	<u>1,816,157</u>
136,459,659	134,856,678	132,538,277	130,771,012	126,934,299	127,143,430
64,979,870	71,559,339	68,838,867	68,086,008	68,532,927	67,736,723
41,370,173	40,474,415	38,665,485	39,332,486	37,824,304	37,355,569
1,105,261	1,430,233	1,508,687	1,161,292	1,211,037	1,130,961
3,549,497	3,347,789	3,554,588	3,687,746	3,470,530	3,443,312
2,327,668	2,398,741	2,287,778	2,482,271	2,105,734	1,788,787
10,955,000	12,645,000	14,390,000	14,955,000	15,635,000	13,750,000
12,713,458	12,381,222	14,974,642	14,025,861	12,926,718	12,321,183
139,611	898,503	923,632	1,245,497	751,644	567,615
35,408,756	25,297,672	24,052,079	23,853,943	20,207,616	9,097,334
-	82,000	73,800	114,366	83,600	65,000
<u>172,549,294</u>	<u>170,514,914</u>	<u>169,269,558</u>	<u>168,944,470</u>	<u>162,749,110</u>	<u>147,256,484</u>
(36,089,635)	(35,658,236)	(36,731,281)	(38,173,458)	(35,814,811)	(20,113,054)
177,039	42,584	43,535	44,980	148,350	122,215
2,961,445	407,714	862,919	785,011	430,558	4,279,132
(2,961,445)	(407,714)	(862,919)	(785,011)	(430,558)	(4,279,132)
4,744,346	74,535,329	10,656,752	41,202,313	12,006,029	9,488,553
-	-	-	4,525,255	-	-
-	-	-	(33,189,630)	-	-
<u>4,921,385</u>	<u>74,577,913</u>	<u>10,700,287</u>	<u>12,582,918</u>	<u>12,154,379</u>	<u>9,610,768</u>
(31,168,250)	38,919,677	(26,030,994)	(25,590,540)	(23,660,432)	(10,502,286)
<u>112,003,180</u>	<u>80,834,930</u>	<u>119,754,607</u>	<u>93,723,613</u>	<u>68,133,073</u>	<u>44,472,641</u>
<b><u>\$ 80,834,930</u></b>	<b><u>\$ 119,754,607</u></b>	<b><u>\$ 93,723,613</u></b>	<b><u>\$ 68,133,073</u></b>	<b><u>\$ 44,472,641</u></b>	<b><u>\$ 33,970,355</u></b>
21.0%	21.7%	26.4%	26.3%	25.9%	23.9%

# L'Anse Creuse Public Schools

Tax Year	Taxable Value by			
	Real Property			Agricultural and Other
	Residential	Commercial	Industrial	
2004	\$ 1,577,311,613	\$ 292,910,748	\$ 221,135,118	\$ 2,450,043
2005	1,696,357,369	315,270,441	232,177,657	2,207,511
2006	1,830,925,932	341,665,246	247,827,298	1,576,862
2007	1,941,153,997	371,784,511	259,916,480	1,412,622
2008	1,951,994,014	401,113,652	260,028,803	1,743,788
2009	1,829,225,934	403,944,583	258,683,983	2,050,745
2010	1,667,052,639	417,259,195	234,644,626	2,221,948
2011	1,575,115,486	391,326,388	205,403,140	283,105
2012	1,503,679,964	364,340,632	191,429,165	3,553,473
2013	1,497,036,943	352,284,963	185,033,954	3,337,292

Note: Under Michigan law, the revenue base is taxable value.

Taxes levied in a particular "tax year" become revenue of the subsequent fiscal year.

Source: Macomb County Equalization Department

**Assessed Value and Actual Value of Taxable Property  
Last Ten Fiscal Years  
(Unaudited)**

Property Type					Taxable Value as a Percentage of Actual
Personal Property	Total Value	Tax Rate (Mills)	Estimated Actual Value		
\$ 211,575,413	\$ 2,305,382,935	24.69	\$ 5,765,634,254		40
206,071,106	2,452,084,084	25.00	6,075,427,428		40
192,591,907	2,614,587,245	25.00	6,346,797,781		41
207,839,299	2,782,106,909	25.00	6,686,201,322		42
210,141,277	2,825,021,534	25.00	6,483,278,142		44
213,538,573	2,707,443,818	25.00	5,876,851,254		46
205,935,127	2,527,113,535	25.00	5,369,036,012		47
192,301,809	2,364,429,928	25.00	4,858,059,956		49
209,452,451	2,272,455,685	25.00	4,655,989,248		49
206,260,581	2,243,953,733	25.00	4,602,953,300		49

# L'Anse Creuse Public Schools

		Millage Rates - Direct School District Taxes						
		Operating			Total Direct Taxes			
Tax Year	Fiscal Year Ended June 30	Homestead	Non-homestead	Debt*	Homestead	Non-homestead	Macomb County	Macomb Community College
2004	2005	-	18.00	6.69	6.69	24.69	4.2058	1.4212
2005	2006	-	18.00	7.00	7.00	25.00	4.2058	1.4212
2006	2007	-	18.00	7.00	7.00	25.00	4.2055	1.4212
2007	2008	-	18.00	7.00	7.00	25.00	4.2055	1.4212
2008	2009	-	18.00	7.00	7.00	25.00	4.2455	1.4212
2009	2010	-	18.00	7.00	7.00	25.00	4.6135	1.4212
2010	2011	-	18.00	7.00	7.00	25.00	4.6135	1.4212
2011	2012	-	18.00	7.00	7.00	25.00	4.6135	1.5712
2012	2013	-	18.00	7.00	7.00	25.00	4.6135	1.5712
2013	2014	-	18.00	7.00	7.00	25.00	4.6135	1.5312

\* Debt millages apply to homestead and non-homestead property.

\*\* Suburban Mobility Authority Regional Transportation, and Zoo Authority

Source: Macomb County Apportionment Report and Municipal Finance

**Direct and Overlapping Property Tax Rates (Unaudited)  
Last Ten Fiscal Years**

Intermediate School District	State Education	Overlapping Taxes							
		Huron - Clinton Metro Authority	City of			Township of			
			Mount Clemens	St. Clair Shores	Clinton	Chesterfield	Harrison	Macomb	Other**
2.9729	6.0000	0.2154	22.2498	14.4504	12.1795	8.3392	6.6305	4.7073	0.5949
2.9430	6.0000	0.2146	21.2434	17.9863	11.9506	8.3270	3.9032	4.5732	0.6985
2.9430	6.0000	0.2146	18.2755	21.2434	13.3689	8.3270	6.7911	4.5718	0.6973
2.9430	6.0000	0.2146	18.2159	18.3316	13.2648	8.3001	6.7735	4.5570	0.6973
2.9430	6.0000	0.2146	18.2159	18.8982	13.2748	8.3001	6.7780	4.5587	0.6900
2.9430	6.0000	0.2146	18.2159	18.2280	13.2748	8.8001	6.7801	4.5814	0.6900
2.9430	6.0000	0.2146	18.2159	18.0406	13.5689	8.8001	6.7827	4.5886	0.6900
2.9430	6.0000	0.2146	18.3511	19.3562	13.5989	8.8001	6.7844	4.5886	0.6900
2.9430	6.0000	0.2146	18.6629	19.4518	13.6489	8.8001	6.7847	4.5886	0.6900
2.9430	6.0000	0.2146	18.6639	20.5388	15.9289	8.8001	7.2916	4.5886	0.8900

DRAFT

# L'Anse Creuse Public Schools

## Principal Property Taxpayers (Unaudited) Year Ended June 30, 2014

	2013 Taxable Value	Rank	Percentage of Total	2004 Taxable Value	Rank	Percentage of Total
DTE Energy	\$ 30,922,148	1	1.38%	\$ 33,099,030	1	1.44%
Axalta	20,220,757	2	0.90%	-	-	-
Tower Automotive	14,993,900	3	0.67%	18,156,700	3	0.79%
Chesterfield/Waterside Marketplace LLC	12,172,425	4	0.54%	13,091,864	4	0.57%
Aspen/Chesterfield Apts.	9,081,150	5	0.40%	11,223,994	6	0.49%
Schaller Corporation/ ISI	8,095,368	6	0.36%	10,365,652	7	0.45%
Menards	7,569,237	7	0.34%	-	-	-
USM/Emhart Corporation	6,898,244	8	0.31%	10,339,204	8	0.45%
Wal-Mart Properties	6,898,244	9	0.31%	-	-	-
Viking/Paragon Properties/Chesterfield	5,425,000	10	0.24%	8,279,600	9	0.36%
Dupont/Mt. Clemens Coating	2,669,531	-	-	26,091,850	2	1.13%

Source: Municipalities within the school district boundaries

DRAFT

# L'Anse Creuse Public Schools

## Property Tax Levies and Collections (Unaudited) Last Ten Fiscal Years

Tax Year	Fiscal Year Ended June 30	Unadjusted Total Levy	Current Collections	Percent Collected	Delinquent Collections (Refunds)	Total Tax Collections	Percent of Initial Levy Collected
2004	2005	\$ 31,022,282	\$ 30,740,221	99.1%	\$ 222,835	\$ 30,963,056	99.8%
2005	2006	33,752,051	33,673,708	99.8%	78,947	33,752,655	100.0%
2006	2007	35,603,424	35,325,619	99.2%	288,798	35,614,417	100.0%
2007	2008	38,301,580	37,658,050	98.3%	262,808	37,920,858	99.0%
2008	2009	36,207,672	36,058,117	99.6%	1,013,717	37,071,834	102.4%
2009	2010	35,430,627	34,196,999	96.5%	(369,166)	33,827,833	95.5%
2010	2011	33,657,452	33,725,582	100.2%	(434,540)	33,291,042	98.9%
2011	2012	31,679,744	30,976,713	97.8%	86,264	31,062,977	98.1%
2012	2013	30,527,773	29,596,490	96.9%	(290,854)	29,305,636	96.0%
2013	2014	29,176,635	29,134,357	99.9%	107,312	29,241,669	100.2%

Source: Macomb County Equalization Department and State of Michigan

## L'Anse Creuse Public Schools

Fiscal Year	General Obligation Bonds	Less Pledged Debt Service Funds	Net General Bonded Debt	Other General Obligation Debt	Total General Obligation Debt	Taxable Value
2005	\$ 219,330,000	\$ -	\$ 219,330,000	\$ -	\$ 219,330,000	\$ 2,305,382,935
2006	210,260,000	-	210,260,000	1,450,372	211,710,372	2,452,084,084
2007	200,110,000	-	200,110,000	2,749,151	202,859,151	2,614,587,245
2008	258,495,000	-	258,495,000	3,967,269	262,462,269	2,782,106,909
2009	247,540,000	-	247,540,000	8,711,615	256,251,615	2,782,106,909
2010	305,015,000	-	305,015,000	13,126,944	318,141,944	2,825,021,534
2011	290,625,000	-	290,625,000	23,783,696	314,408,696	2,707,443,818
2012	272,970,000	-	272,970,000	38,449,343	311,419,343	2,527,113,535
2013	257,335,000	-	257,335,000	51,743,339	309,078,339	2,364,429,928
2014	243,585,000	-	243,585,000	63,117,915	306,702,915	2,272,455,685

Population estimates derived from Southeast Michigan Council of Governments (A) and U.S. Census Bureau (B). Personal income from Bureau of Economic Statistics (C)

**Ratios of Outstanding Debt (Unaudited)  
Last Ten Fiscal Years**

Net General Bonded Debt as a Percentage of Taxable Value	Total Debt as a Percentage of Taxable Value	Population	Net General Bonded Debt per Capita	Total Debt per Capita	Per Capita Personal Income (C)	Ratio of Total Debt to Personal Income
9.51%	9.51%	67,365 (B)	\$ 3,256	\$ 3,256	\$ 33,474	9.73%
8.57%	8.63%	67,683 (B)	3,107	3,128	34,987	8.94%
7.65%	7.76%	67,538 (B)	2,963	3,004	35,602	8.44%
9.29%	9.43%	67,504 (B)	3,829	3,888	33,427	11.63%
8.90%	9.21%	67,504 (A)	3,667	3,796	31,085	12.21%
10.80%	11.26%	69,435 (A)	4,393	4,582	26,790	17.10%
10.73%	11.61%	68,985 (A)	4,213	4,558	27,037	16.86%
10.80%	12.32%	68,725 (A)	3,972	4,531	26,524	17.08%
10.88%	13.07%	68,000 (B)	3,784	4,545	27,972	16.25%
10.72%	13.50%	69,512 (B)	3,504	4,412	26,618	16.58%

DRAFT

# L'Anse Creuse Public Schools

## Direct and Overlapping Governmental Activities Debt (Unaudited) June 30, 2014

Governmental Unit	Debt Outstanding	Estimated Percent Applicable	Estimated Share of Overlapping Debt
City of Mount Clemens	\$ 22,478,892	7.93%	\$ 1,782,576
City of St. Clair Shores	47,243,316	0.11%	51,968
Chesterfield Township	31,983,598	53.76%	17,194,382
Clinton Township	71,736,899	15.47%	11,097,698
Harrison Township	8,607,178	100.00%	8,607,178
Macomb Township	68,039,598	8.79%	5,980,681
Macomb County	315,571,223	9.37%	29,569,024
Macomb Community College	6,010,942	9.37%	563,225
Clinton-Macomb Public Library	18,730,000	12.34%	2,311,282
Total overlapping debt			77,158,014
Direct School District Debt:			
General obligation bonds			243,585,000
School Bond Loan/School Loan Revolving Fund			63,117,915
Total direct and overlapping debt			<u>\$ 383,860,929</u>

Source: Municipal Advisory of Michigan

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the School District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses within the School District. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is not within other districts.

Page intentionally left blank

DRAFT

# L'Anse Creuse Public Schools

	2005	2006	2007	2008
<b>Calculation of Debt Limit:</b>				
State equalized valuation (SEV)	\$ 2,882,817,127	\$ 3,037,713,714	\$ 3,173,398,892	\$ 3,343,100,661
15% of SEV	432,422,569	455,657,057	476,009,834	501,465,099
<b>Calculation of Debt Subject to Limit:</b>				
Total debt	219,330,000	211,710,372	202,859,151	262,462,269
Less debt not subject to limit - State qualified debt issuance	(219,330,000)	(211,710,372)	(202,859,151)	(262,462,269)
Net debt subject to limit	-	-	-	-
Legal debt margin	<u>\$ 432,422,569</u>	<u>\$ 455,657,057</u>	<u>\$ 476,009,834</u>	<u>\$ 501,465,099</u>
Net debt subject to limit as % of debt limit	0.00%	0.00%	0.00%	0.00%

Note: Only energy conservation bonds (years 1997-2000, inclusive) are subject to the legal debt margin. All other bonds qualified under Article IX, Section 16 of the Michigan Constitution of 1963 are exempt from computation of the legal debt margin.

Source: Municipal Advisory Council of Michigan

**Legal Debt Margin (Unaudited)  
Last Ten Fiscal Years**

2009	2010	2011	2012	2013	2014
\$ 3,241,639,071	\$ 2,938,425,627	\$ 2,684,518,006	\$ 2,457,711,092	\$ 2,327,994,624	\$ 2,301,476,650
486,245,861	440,763,844	402,677,701	368,656,664	349,199,194	345,221,498
256,251,615	305,015,000	290,625,000	257,335,000	257,335,000	243,585,000
(256,251,615)	(305,015,000)	(290,625,000)	(257,335,000)	(257,335,000)	(243,585,000)
-	-	-	-	-	-
<b><u>\$ 486,245,861</u></b>	<b><u>\$ 440,763,844</u></b>	<b><u>\$ 402,677,701</u></b>	<b><u>\$ 368,656,664</u></b>	<b><u>\$ 349,199,194</u></b>	<b><u>\$ 345,221,498</u></b>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

DRAFT

# L'Anse Creuse Public Schools

## Demographic and Economic Statistics (Unaudited) Last Ten Fiscal Years

Fiscal Year	Population	Median Household Income	Median Age	Total Personal Income	Per Capita Personal Income	Unemployment Rate
2005	824,286	\$ 51,858	37.9	\$ 27,592,149,564	\$ 33,474	6.8
2006	827,719	53,039	38.2	28,959,404,653	34,987	7.2
2007	828,875	55,935	37.0	29,509,607,750	35,602	7.6
2008	830,037	64,485	38.2	27,745,646,799	33,427	8.0
2009	831,427	65,292	39.0	25,844,908,295	31,085	18.4
2010	840,978	55,327	38.7	22,529,800,620	26,790	17.4
2011	841,184	55,466	38.5	22,743,091,808	27,037	11.6
2012	842,887	53,996	39.9	22,356,734,788	26,524	10.7
2013	847,710	53,184	39.8	22,281,465,381	24,878	9.5
2014	854,769	53,628	40.0	22,752,241,242	26,618	9.1

Note: The statistics shown above are for the County of Macomb, which encompasses the entire School District and surrounding communities.

Source: U.S. Census Bureau/Library of Michigan/LDDS/Bureau of Economic Analysis/Sperlings Best Places

# L'Anse Creuse Public Schools

## Principal Employers (Unaudited) June 30, 2014

Taxpayer	Estimated 2014 Employees	Rank	Percentage of Total Employment	Estimated 2005 Employees	Rank	Percentage of Total Employment
St. John Health	3,500	1	0.9%	3,506	1	0.9%
Mt. Clemens Hospital	1,700	2	0.4%	2,400	2	0.6%
L'Anse Creuse Public Schools	1,297	3	0.3%	1,188	4	0.3%
DuPont Mt. Clemens Coating	513	4	0.1%	900	5	0.2%
Powder Coat II, Inc.	400	5	0.1%	400	7	0.1%
Cadence Innovation, LLC/Venture	400	6	0.1%	2,000	3	0.5%
Tar/Tower Automotive, Inc.	351	7	0.1%	300	10	0.1%
The American Team/American Mold	251	8	0.1%	300	9	0.1%
SVS Vision	200	9	0.1%	-		0.0%
Macomb Daily	150	10	0.0%	350	8	0.1%
Norgren, Inc	120	-	0.0%	500	6	0.1%
Total principal employers	<u>8,882</u>			<u>11,844</u>		
Total employment Macomb County	<u>382,035</u>			<u>390,791</u>		

Source: Crain's Detroit Business, Michigan Manufacturers Directory, and Macomb County Department of Planning and Economic Development

# L'Anse Creuse Public Schools

## Full-time Equivalent School District Employees (Unaudited) Last Ten Fiscal Years

Fiscal Year Ended June 30	General Government Function/Program				Total
	Instruction	Support Services	Community Services	Food Services	
2005	714	392	19	63	1,188
2006	736	380	20	66	1,202
2007	783	374	19	66	1,242
2008	897	394	20	64	1,375
2009	919	396	20	66	1,401
2010	927	390	20	66	1,403
2011	933	357	20	66	1,376
2012	899	357	20	72	1,348
2013	891	343	20	72	1,326
2014	884	321	20	72	1,297

Source: L'Anse Creuse Public Schools reports to Michigan Education Information System - Registry of Educational Personnel.

# L'Anse Creuse Public Schools

## Operating Indicators (Unaudited) Last Ten Fiscal Years

Year	Enrollment	Operating Expenditures	Cost per Pupil	Operating Revenue	Revenue per Pupil	Total Teaching Staff	Percentage of Students Qualifying for Free/Reduced Meals
2005	11,582	\$ 95,354,567	\$ 8,233	\$ 99,338,909	\$ 8,577	555	21
2006	11,559	101,722,319	8,800	103,148,207	8,924	623	22
2007	11,695	102,684,795	8,780	107,851,352	9,222	610	22
2008	11,764	106,346,483	9,040	109,458,549	9,305	630	25
2009	12,008	113,332,469	9,438	112,660,132	9,382	652	32
2010	12,323	119,292,517	9,680	114,812,142	9,317	652	34
2011	12,094	114,929,205	9,503	111,773,051	9,242	648	35
2012	11,768	114,749,803	9,751	112,548,102	9,564	635	36
2013	11,526	109,688,879	9,517	105,409,997	9,145	632	37
2014	11,244	108,003,027	9,605	106,338,910	9,457	619	35

Source: L'Anse Creuse Public Schools reports to State of Michigan

# L'Anse Creuse Public Schools

Function/Program	2005	2006	2007	2008
<b>Instructional buildings:</b>				
<b>Elementary:</b>				
Number of buildings	10	10	10	10
Square footage	499,650	499,650	499,650	518,350
Capacity	4,445	4,445	4,445	4,560
Enrollment	4,689	4,901	5,033	4,867
<b>Middle:</b>				
Number of buildings	4	4	4	4
Square footage	385,509	385,509	385,509	385,509
Capacity	3,128	3,128	3,128	3,128
Enrollment	2,625	2,660	2,636	2,661
<b>High:</b>				
Number of buildings	2	2	2	2
Square footage	391,325	391,325	391,325	391,325
Capacity	2,975	2,975	2,975	2,975
Enrollment	3,541	3,309	3,553	3,555
<b>Other:</b>				
Number of buildings	7	7	7	7
Square footage	151,832	151,832	264,588	263,188
Capacity	422	722	722	722
Enrollment	576	712	473	681
<b>Administrative:</b>				
Number of buildings	1	1	1	1
Square footage	15,040	15,040	15,040	15,040
<b>Transportation:</b>				
Number of garages	1	1	1	1
Buses	99	98	99	99
<b>Athletics:</b>				
Football fields	4	4	4	4
Soccer fields	8	8	8	8
Running tracks	4	4	4	4
Baseball/Softball	13	13	13	13
Swimming pools	2	2	2	2
Playgrounds	10	10	10	10
Playgrounds - Vacant (Admin)	-	-	-	-

All data obtained from L'Anse Creuse Public Schools business office

**Capital Asset Information (Unaudited)**  
**Last Ten Fiscal Years**

2009	2010	2011	2012	2013	2014
10	10	10	10	10	10
561,143	614,018	614,018	614,018	614,018	614,018
4,560	4,560	4,560	4,560	4,560	4,560
4,888	5,018	4,967	4,836	4,724	4,573
4	4	4	4	4	4
396,819	396,819	396,819	396,819	396,819	396,819
3,128	3,128	3,128	3,128	3,128	3,128
2,739	2,789	2,767	2,709	2,770	2,719
2	2	2	2	2	2
414,767	475,944	475,944	475,944	475,944	475,944
2,975	2,975	2,975	2,975	2,975	2,975
3,694	3,740	3,676	3,572	3,367	3,281
7	8	8	8	8	8
263,188	300,328	300,328	300,328	300,328	300,328
722	722	722	722	722	722
687	679	684	651	665	671
1	1	1	1	1	1
15,040	15,040	15,040	15,040	53,140	53,140
1	1	1	1	1	1
101	101	101	104	101	101
4	4	4	4	4	4
8	8	8	8	8	8
4	4	4	4	4	4
13	13	13	13	13	13
2	2	2	2	2	2
10	10	10	10	10	10
-	-	-	-	1	1