

# **Lapeer Community Schools of Lapeer County**

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**Financial Report**  
**with Supplementary Information**  
**June 30, 2009**

# Lapeer Community Schools of Lapeer County

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# **Lapeer Community Schools of Lapeer County**

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Issued Under  
Separate  
Cover

## Independent Auditor's Report

To the Board of Education  
Lapeer Community Schools of Lapeer County

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

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

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

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

To the Board of Education  
Lapeer Community Schools of Lapeer County

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

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated November 9, 2009 on our consideration of Lapeer Community Schools of Lapeer County's 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 opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Plante & Moran, PLLC*

November 9, 2009

# **Lapeer Community Schools of Lapeer County**

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

This section of the 2009 annual financial report of Lapeer Community Schools of Lapeer County (the "School District") presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2009. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Lapeer Community Schools of Lapeer County 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 Capital Projects 2007 Bond Issue - with all other funds presented in one column as nonmajor funds. The remaining statements, the statements of fiduciary net assets and changes in fiduciary net assets, present financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The annual report includes the following:

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

#### **Basic Financial Statements**

Government-wide Financial Statements      Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplementary Information)  
Budgetary Information for the General Fund

Other Supplementary Information

### ***Reporting the School District as a Whole - 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 assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

# **Lapeer Community Schools of Lapeer County**

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

These two statements report Lapeer Community Schools of Lapeer County's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. 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 assets 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, 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 Cafeteria and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as the Sinking Fund used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

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

# Lapeer Community Schools of Lapeer County

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

### The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2009 and 2008.

TABLE I

	Governmental Activities	
	2009	2008
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 54.6	\$ 76.2
Capital assets	48.7	26.6
Total assets	103.3	102.8
<b>Liabilities</b>		
Current liabilities	14.6	13.4
Long-term liabilities	57.0	57.0
Total liabilities	71.6	70.4
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	22.3	20.4
Restricted	2.8	3.1
Unrestricted	6.6	8.9
Total net assets	<u>\$ 31.7</u>	<u>\$ 32.4</u>

The above analysis focuses on the net assets (see Table I). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$31.7 million at June 30, 2009 and \$32.4 million at June 30, 2008. Capital assets, net of related debt totaling \$22.3 million at June 30, 2009 and \$20.4 million at June 30, 2008, 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. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations.

# Lapeer Community Schools of Lapeer County

## Management's Discussion and Analysis (Continued)

The \$6.6 million at June 30, 2009 and \$8.9 million at June 30, 2008 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net assets balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal years 2009 and 2008.

TABLE 2

	Governmental Activities	
	2009	2008
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 1.5	\$ 1.5
Operating grants	6.8	6.3
General revenue:		
Property taxes	9.9	10.2
State foundation allowance	38.9	41.8
Federal stabilization funds	2.5	-
Other	2.8	2.8
Special item	-	1.8
Total revenue	<u>62.4</u>	<u>64.4</u>
<b>Functions/Program Expenses</b>		
Instruction	35.6	35.1
Support services	19.6	19.6
Food services	2.3	2.3
Athletics	1.2	1.1
Community services	0.3	0.4
Interest on long-term debt	2.7	1.6
Depreciation (unallocated)	1.4	1.4
Total functions/program expenses	<u>63.1</u>	<u>61.5</u>
<b>(Decrease) Increase in Net Assets</b>	<u><u>\$ (0.7)</u></u>	<u><u>\$ 2.9</u></u>

# **Lapeer Community Schools of Lapeer County**

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

As reported in the statement of activities, the cost of all of our governmental activities was \$63.1 million in 2009 and \$61.5 million in 2008. Certain activities were partially funded from those who benefited from the programs (\$1.5 million in 2009 and 2008) or by other governments and organizations that subsidized certain programs with grants and contributions (\$6.8 million in 2009 and \$6.3 million in 2008). We paid for the remaining "public benefit" portion of our governmental activities with \$9.9 million in 2009 and \$10.2 million in taxes in 2008, \$41.4 million in state and federal foundation allowance in 2009 and \$41.8 million in 2008, and with our other revenues, i.e., interest and general entitlements.

The School District experienced a decrease in net assets of \$0.7 million in 2009 and an increase of \$2.9 million in 2008. Key reasons for the change in net assets include the increase in liability due to an early retirement incentive, and the use of a portion of the General Fund balance to fund operating expenditures. This was offset to some extent by the reduction of outstanding indebtedness during the year.

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.

### **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 \$42.0 million, which is a decrease of \$22.2 million from last year.

In the General Fund, our principal operating fund, the fund balance decreased from \$8.7 million to \$8.1 million. The change is mainly due to the following:

- Total revenue decreased by \$.5 million. The decrease in revenue is primarily due to a decrease in state aid payments.
- The loss of 305 students (\$2.2 million) was partially offset by an increase in state aid, in the form of per student payments (\$.8 million) and special education reimbursements (\$.4 million).
- The School District also received a local contribution designated for capital outlay of \$.3 million.
- Despite increasing personnel and energy costs, General Fund noncapital expenditures actually were reduced by \$.9 million during the year.

# **Lapeer Community Schools of Lapeer County**

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

The General Fund balance is available to fund costs related to allowable school operating purposes. Portions of the General Fund's fund balance have been allocated for certain commitments.

The School District maintains a fund to segregate the voter-approved Sinking Fund millage. The voter authorization for this Sinking Fund expired during this fiscal year. The Sinking Fund began the year with a fund balance of \$1.8 million, and during the year the School District completed construction projects and paid off outstanding liabilities of approximately \$0.6 million. The balance of this fund is available to fund specific capital projects allowed by state law and approved by the voters. The fund balance at June 30, 2009 for the Capital Projects Sinking Fund was approximately \$1.2 million.

During the year, the School District collected taxes authorized by the 2007 Capital Bond in the amount of approximately \$3.4 million. Bond principal and interest payments were made in the amount of \$0.5 million and \$2.7 million, respectively, during the fiscal year, and the fund balance at June 30, 2009 for the 2007 Debt Service Fund was approximately \$1.6 million. This amount is necessary for the payment of bond interest due in November 2009.

The School District also maintains the Capital Projects Sale of Facilities Fund resulting from the sale of School District facilities. The fund balance at the beginning of the year was approximately \$1.2 million, and approximately \$0.4 million was expended on district projects during the year. Remaining fund balance at June 30, 2009 was approximately \$0.8 million, of which the majority is committed for the West High School gymnasium project, which will be completed during the 2009-2010 fiscal year.

### **General Fund Budgetary Highlights**

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

There were several revisions made to the 2008-2009 General Fund original budget as compared to the final budget adopted in June 2009. Budgeted revenues increased by \$0.6 million during the year, most of which was due to additional state aid increases in excess of budgeted amounts (\$0.2 million), local designated contributions (\$0.3 million), and increases in projected Medicaid funding (\$0.1 million).

Budgeted total expenditures were increased during the year by approximately \$0.4 million primarily due to a designated construction project paid for by local contributions (\$0.3 million). Actual expenses were below budgeted amounts as a result of cost containment efforts and lower than anticipated energy usage.

# Lapeer Community Schools of Lapeer County

## Management's Discussion and Analysis (Continued)

### Capital Assets and Debt Administration

#### *Capital Assets*

As of June 30, 2009, the School District had \$48.7 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents an increase (including additions, disposals, and depreciation) of approximately \$22.1 million from last year.

	<u>2009</u>	<u>2008</u>
Land and land improvements	\$ 4,403,083	\$ 3,788,786
Construction in progress	23,198,791	3,050,492
Buildings and building improvements	35,554,595	35,199,381
Buses and other vehicles	3,985,200	3,946,224
Furniture and equipment	<u>6,047,347</u>	<u>4,372,896</u>
Subtotal	73,189,016	50,357,779
Accumulated depreciation	<u>24,460,308</u>	<u>23,744,350</u>
Net capital assets	<u><b>\$ 48,728,708</b></u>	<u><b>\$ 26,613,429</b></u>

This year's additions of \$23.6 million included net additions of \$20.8 million for building renovations and buses, \$1.1 million for land improvements, and \$1.7 million for additional furniture and equipment. Increase in assets for the year was funded from General Fund (\$0.9 million), Sinking Fund (\$0.6 million), Sale of Facilities Fund (\$0.4 million), and the 2007 Bond Issue Fund (\$21.7 million).

#### Debt

The School District has one bond outstanding for \$54.7 million whereby repayment is funded by the millage passed for the 2007 Bond Issue. During the year, taxes were collected in the amount of approximately \$3.4 million and principal and interest payments were made totaling approximately \$3.2 million. In the future, bond issue millage rates will be determined annually to ensure that the School District accumulates sufficient resources to pay annual bond principal and interest payments. Other obligations include accrued vacation pay, sick leave, early retirement incentive, risk liability, installment debt, and the Durant bond, which is funded by the State of Michigan. We present more detailed information about our long-term liabilities in the notes to the financial statements.

# **Lapeer Community Schools of Lapeer County**

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

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

The School District's Board of Education members and administration begin reviewing revenue and expenditure projections for the 2009-2010 fiscal year early in the 2009 fiscal year for the budget to be adopted July 1. The budget is developed to support programs and services designed to achieve the goals and objectives of the School District as outlined in the School District's strategic plan. Resources for funding the budget include current year revenues (91 percent from state aid and the foundation allowance) and existing fund balance. In anticipation of reduced state aid revenue and increased energy costs, the School District employed a budget reduction process that has reduced General Fund expenditures by approximately \$2.9 million. The School District also plans to utilize an additional \$1.2 million of fund balance during the 2009-2010 school year.

Expenditures for employee compensation and fringe benefits make up approximately 86 percent of the School District's budget. Significant increases in healthcare benefits have been somewhat mitigated by almost 52 percent of employees agreeing to pay a portion of the premium or changing benefit plans to a less expensive plan. In addition, as a part of the district budget reduction process, most district employee groups have agreed to wage concessions to help minimize the budget reduction impact on the students and the community. Utility costs are contained to the extent possible, by bulk purchasing, and the 2007 bond issue has helped to assist the district in avoiding unplanned capital equipment expenditures.

# Lapeer Community Schools of Lapeer County

## Statement of Net Assets June 30, 2009

	Governmental Activities
<b>Assets</b>	
Cash and investments (Note 3)	\$ 11,473,285
Receivables - Net (Note 4)	8,307,785
Inventories	43,666
Prepaid costs	77,662
Restricted assets (Notes 1 and 3)	34,690,784
Capital assets - Net (Note 5)	<u>48,728,708</u>
Total assets	103,321,890
<b>Liabilities</b>	
Accounts payable	3,783,810
Accrued payroll and other liabilities	3,838,998
Accrued interest	522,292
State aid anticipation note (Note 11)	4,900,000
Deferred revenue (Note 4)	2,610
Long-term liabilities (Note 7):	
Due within one year	1,566,038
Due in more than one year	<u>56,978,857</u>
Total liabilities	<u>71,592,605</u>
<b>Net Assets</b>	
Investment in capital assets - Net of related debt	22,360,432
Restricted:	
Debt service	1,570,715
Capital projects	1,204,234
Unrestricted	<u>6,593,904</u>
Total net assets	<u><u>\$ 31,729,285</u></u>

# Lapeer Community Schools of Lapeer County

## Statement of Activities Year Ended June 30, 2009

	Program Revenues		Governmental	
	Expenses	Charges for Services	Operating Grants/Contributions	
			Net (Expense) Revenue and Changes in Net Assets	
<b>Functions/Programs</b>				
Primary government - Governmental activities:				
Instruction	\$ 35,567,492	\$ -	\$ 5,531,264	\$ (30,036,228)
Support services	19,650,160	180,397	1,131,911	(18,337,852)
Food services	2,349,828	984,639	177,035	(1,188,154)
Athletics	1,193,115	279,107	-	(914,008)
Community services and other	258,267	45,145	-	(213,122)
Interest on long-term debt	2,662,264	-	-	(2,662,264)
Depreciation (unallocated)	1,425,044	-	-	(1,425,044)
Total primary government - Governmental activities	<u>\$ 63,106,170</u>	<u>\$ 1,489,288</u>	<u>\$ 6,840,210</u>	(54,776,672)
General revenues:				
Property taxes, levied for general purposes				6,534,590
Property taxes, levied for debt service				3,408,081
Property taxes, levied for capital projects				1,827
State aid not restricted to specific purposes				38,849,935
Federal stabilization funds				2,453,307
Interest and investment earnings				1,836,215
Other				952,082
			Total general revenues	<u>54,036,037</u>
			<b>Change in Net Assets</b>	(740,635)
			<b>Net Assets - Beginning of year</b>	<u>32,469,920</u>
			<b>Net Assets - End of year</b>	<u>\$ 31,729,285</u>

# Lapeer Community Schools of Lapeer County

## Governmental Funds Balance Sheet June 30, 2009

	General Fund	Capital Projects 2007 Bond Issue	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments (Note 3)	\$ 10,291,781	\$ -	\$ 1,181,504	\$ 11,473,285
Receivables (Note 4)	8,228,671	-	79,114	8,307,785
Due from other funds (Note 6)	93,479	-	51,146	144,625
Inventories	43,666	-	-	43,666
Prepaid costs	77,662	-	-	77,662
Restricted assets (Notes 1 and 3)	-	31,870,401	2,820,383	34,690,784
<b>Total assets</b>	<b>\$ 18,735,259</b>	<b>\$ 31,870,401</b>	<b>\$ 4,132,147</b>	<b>\$ 54,737,807</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 1,768,830	\$ 1,652,952	\$ 366,934	\$ 3,788,716
Accrued payroll and other liabilities	3,816,626	-	22,372	3,838,998
Interest payable (Note 11)	71,962	-	-	71,962
State aid anticipation note (Note 11)	4,900,000	-	-	4,900,000
Due to other funds (Note 6)	51,146	-	88,573	139,719
Deferred revenue (Note 4)	43,236	-	-	43,236
<b>Total liabilities</b>	<b>10,651,800</b>	<b>1,652,952</b>	<b>477,879</b>	<b>12,782,631</b>
<b>Fund Balances</b>				
Reserved:				
Inventories	43,666	-	-	43,666
Prepays	77,662	-	-	77,662
Capital projects	-	30,217,449	1,970,980	32,188,429
Debt service	-	-	1,570,715	1,570,715
Unreserved - Designated for compensated absences/employee injury claims/dental and vision benefits	1,959,170	-	-	1,959,170
Undesignated, reported in:				
General Fund	6,002,961	-	-	6,002,961
Special Revenue Funds	-	-	112,573	112,573
<b>Total fund balances</b>	<b>8,083,459</b>	<b>30,217,449</b>	<b>3,654,268</b>	<b>41,955,176</b>
<b>Total liabilities and fund balances</b>	<b>\$ 18,735,259</b>	<b>\$ 31,870,401</b>	<b>\$ 4,132,147</b>	<b>\$ 54,737,807</b>

# Lapeer Community Schools of Lapeer County

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## Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2009

**Fund Balances** - Total governmental funds \$ 41,955,176

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

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

Cost of capital assets	\$ 73,189,016	
Accumulated depreciation	<u>(24,460,308)</u>	48,728,708

Grants 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	40,626
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Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:

Bonds and notes payable, including premium and bond issuance costs		(56,585,725)
Other obligations		(1,959,170)

Accrued interest payable is not included as a liability in governmental funds	<u>(450,330)</u>
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**Net Assets** - Governmental activities **\$ 31,729,285**

# Lapeer Community Schools of Lapeer County

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2009

	General Fund	Capital Projects 2007 Bond Issue	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>				
Local sources	\$ 7,808,557	\$ 1,733,601	\$ 4,708,389	\$ 14,250,547
State sources	42,576,103	-	233,451	42,809,554
Federal sources	4,053,817	-	1,197,471	5,251,288
Interdistrict sources	67,660	-	-	67,660
Total revenue	54,506,137	1,733,601	6,139,311	62,379,049
<b>Expenditures</b>				
Current:				
Instruction	34,064,434	-	-	34,064,434
Support services	18,830,533	-	-	18,830,533
Community services	258,267	-	-	258,267
Food services	-	-	2,335,298	2,335,298
Athletics	-	-	1,193,115	1,193,115
Debt service:				
Principal	108,266	-	549,710	657,976
Interest	4,481	-	2,726,706	2,731,187
Other expenditures	-	132,655	706	133,361
Capital outlay	864,223	22,528,247	986,820	24,379,290
Intergovernmental transfers	53,989	-	-	53,989
Total expenditures	54,184,193	22,660,902	7,792,355	84,637,450
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	321,944	(20,927,301)	(1,653,044)	(22,258,401)
<b>Other Financing Sources (Uses)</b>				
Transfers in (Note 6)	-	-	908,694	908,694
Transfers out (Note 6)	(908,694)	-	-	(908,694)
Proceeds from sale of assets	9,720	-	-	9,720
Total other financing sources (uses)	(898,974)	-	908,694	9,720
<b>Net Change in Fund Balances</b>	(577,030)	(20,927,301)	(744,350)	(22,248,681)
<b>Fund Balances - Beginning of year</b>	8,660,489	51,144,750	4,398,618	64,203,857
<b>Fund Balances - End of year</b>	<u>\$ 8,083,459</u>	<u>\$ 30,217,449</u>	<u>\$ 3,654,268</u>	<u>\$ 41,955,176</u>

# Lapeer Community Schools of Lapeer County

## 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, 2009

<b>Net Change in Fund Balances - Total governmental funds</b>		<b>\$ (22,248,681)</b>
<p>Amounts reported for governmental activities in the statement of activities are different because governmental funds report capital outlay as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:</p>		
Depreciation expense	\$ (1,425,044)	
Capitalized capital outlay	<u>23,565,595</u>	22,140,551
<p>Governmental funds report proceeds and loss from sale of assets as revenue; in the statement of activities, these are recorded net of the carrying value of the disposed assets</p>		
		(25,272)
<p>Revenues are recorded in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end</p>		
		14,950
<p>Repayment of bond and note principal is an expenditure in the governmental funds, but not in the statement of activities</p>		
		657,976
<p>Interest expense is recorded in the statement of activities when incurred, but is not reported in governmental funds until paid</p>		
		3,063
<p>Compensated absences, early retirement incentives, as well as estimated self-insured liability claims, are recorded when earned in the statement of activities. In the current year, more was earned than paid out</p>		
		(1,336,170)
<p>Amortization of bond premium is recorded as an expense in the statement of activities</p>		
		65,860
<p>Amortization of bond issuance costs is recorded as revenue in the statement of activities</p>		
		<u>(12,912)</u>
<b>Change in Net Assets of Governmental Activities</b>		<b><u>\$ (740,635)</u></b>

# Lapeer Community Schools of Lapeer County

## Fiduciary Funds Statement of Fiduciary Net Assets June 30, 2009

	Private Purpose Trusts	Student Activities Agency Fund
<b>Assets - Cash and investments</b>	\$ 28,623	<u>\$ 582,479</u>
<b>Liabilities</b>		
Due to student groups	-	\$ 577,573
Due to other funds (Note 6)	-	<u>4,906</u>
Total liabilities	-	<u>\$ 582,479</u>
<b>Net Assets - Held in trust for others</b>	<u>\$ 28,623</u>	

# Lapeer Community Schools of Lapeer County

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## Fiduciary Fund Statement of Changes in Fiduciary Net Assets - Private Purpose Trusts Year Ended June 30, 2009

<b>Additions - Revenue</b>	\$ 308
<b>Deductions - Scholarships and other expenses</b>	<u>634</u>
<b>Change in Net Assets</b>	(326)
<b>Net Assets - Beginning of year</b>	<u>28,949</u>
<b>Net Assets - End of year</b>	<u><u>\$ 28,623</u></u>

# Lapeer Community Schools of Lapeer County

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**Notes to Financial Statements  
June 30, 2009**

## **Note I - Summary of Significant Accounting Policies**

The accounting policies of Lapeer Community Schools of Lapeer County (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. Based on the application of the criteria, the School District does not contain any component units.

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

**Government-wide 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.

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 and federal aid.

# Lapeer Community Schools of Lapeer County

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**Notes to Financial Statements  
June 30, 2009**

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

**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 revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state and federal 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.

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 2007 Bond Issue Fund** - The Capital Projects 2007 Bond Issue Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and for remodeling. The fund operates until the purpose for which it was created is accomplished.

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 include the Cafeteria and Athletics Funds. Any operating deficit generated by these funds is the responsibility of the General Fund.

# Lapeer Community Schools of Lapeer County

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**Notes to Financial Statements  
June 30, 2009**

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

**Debt Service Funds** - The 2007 Debt Service Fund is used to record tax, interest, other revenue for payment of interest, principal, and other expenditures on the 2007 bond issue, respectively. The Durant 1998 Debt Service Fund is used to record the principal and interest payments associated with this bond. These payments are funded by the State of Michigan via a specific appropriation, which is recorded as revenue in the fund.

**Capital Projects Sinking Fund** - The Capital Projects Sinking Fund reports capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the provisions of Sec. 1212(1) of the State of Michigan School Code and the State of Michigan Department of Treasury Letter No. 01-95.

**Capital Projects Sale of Facilities Fund** - The Capital Projects Sale of Facilities Fund reports proceeds received from the sale of the district buildings or other revenue and the disbursement of invoices specifically designated for district renovation of student facilities. The fund operates until the purpose for which it was created is accomplished.

**Fiduciary Funds** - The School District manages certain funds in a fiduciary capacity. These funds are allocated for in private purpose trust funds or in an Agency Fund.

**Agency Fund** - The Agency Fund is used to record the transactions of student and community groups for school and school-related purposes. The fund is segregated and held in trust for the students.

### **Assets, Liabilities, and Net Assets or Fund Balance**

**Cash and Investments** - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from the Special Revenue Funds is generally allocated to each fund using a weighted average of balance for the principal.

**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."

# Lapeer Community Schools of Lapeer County

Notes to Financial Statements  
June 30, 2009

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

All accounts and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are billed on December 1 for the entire amount of the property taxes. 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.

**Restricted Assets** - The unspent bond proceeds and related interest of the Capital Projects Funds require amounts to be set aside for construction. In addition, the unspent property taxes levied in the Debt Service Funds are required to be set aside for future bond principal and interest payments. These amounts have been classified as restricted assets.

**Capital Assets** - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	3-10 years

# Lapeer Community Schools of Lapeer County

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**Notes to Financial Statements  
June 30, 2009**

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

**Compensated Absences** - The liability for compensated absences reported in the government-wide statements consists of earned but unused accumulated vacation and sick leave benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon normal retirement are included.

A liability for early termination benefits is reported in the government-wide statements at the discounted present value of the expected future benefits using a discount rate of 5 percent. The early termination benefits consist of early retirement incentive cash payments provided to 26 employees over a four-year period. The cost of the obligation is reported in long-term debt.

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

In the fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized 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.

**Fund Balance** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

# Lapeer Community Schools of Lapeer County

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**Notes to Financial Statements  
June 30, 2009**

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

**Budgetary Information** - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General Fund and 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. 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 budget was amended in a legally permissible manner.

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

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The School District did not have significant actual expenditures in excess of budget.

**Capital Projects Fund Compliance** - The Capital Projects 2007 Bond Issue Fund includes capital project activities funded with bonds issued after May 1, 1994. For this capital project, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

The Capital Projects Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of §1212(1) of the State of Michigan School Code and the State of Michigan Department of Treasury Letter No. 01-95.

## **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 also 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.

# Lapeer Community Schools of Lapeer County

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**Notes to Financial Statements  
June 30, 2009**

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

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

The investment policy adopted by the board in accordance with state statutes has authorized investment in all the allowable investment vehicles noted above.

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

**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 are used for the School District's deposits for custodial credit risk. At year end, the School District's deposit balance of \$1,179,520 had \$929,277 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 of investments is the risk that, in the event of 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 the 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. At June 30, 2009, 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 the structuring of 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; 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.

# Lapeer Community Schools of Lapeer County

## Notes to Financial Statements June 30, 2009

### 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 does not further limit its investment choices.

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	\$ 14,408,502	N/A	A1/P1/F1	Not required
Federal national mortgage association 5.125%	5,964,290	7/13/2009	AAA	S & P
Federal national mortgage association 6.625%	5,221,036	9/15/2009	AAA	S & P
Federal home loan mortgage corporation 4.75%	1,517,888	11/3/2009	AAA	S & P
Federal national mortgage association 4.625%	1,300,105	12/15/2009	AAA	S & P
Federal national mortgage association 7.25%	1,322,813	1/15/2010	AAA	S & P
Federal national mortgage association 3.875%	1,368,890	2/15/2010	AAA	S & P
Federal home loan mortgage corporation 7.0%	1,281,656	3/15/2010	AAA	S & P
Federal home loan bks global 4.375%	1,305,319	3/17/2010	AAA	S & P
Federal national mortgage association 4.125%	1,253,345	5/15/2010	AAA	S & P
Federal national mortgage association 7.125%	1,627,063	6/15/2010	AAA	S & P
Federal home loan mortgage corporation 4.125%	2,685,970	7/12/2010	AAA	S & P
Federal national mortgage association NTS 4.25%	2,648,403	8/15/2010	AAA	S & P
Federal home loan mortgage corporation 5.125%	2,996,063	8/23/2010	AAA	S & P
Federal national mortgage association 6.625%	383,180	11/15/2010	AAA	S & P
Federal national mortgage association MTN 4.75%	190,406	12/15/2010	AAA	S & P
Total	<u>\$ 45,474,929</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. More than 5 percent of the School District's investments are in bank investment pools, federal home loan mortgage corporation notes, and federal national mortgage association notes; these investments are 24 percent, 16 percent, and 35 percent, respectively, of the School District's total investments.

**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.

# Lapeer Community Schools of Lapeer County

## Notes to Financial Statements June 30, 2009

### Note 4 - Receivables

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

	General Fund	Nonmajor Governmental Funds	Total
Receivables:			
Taxes	\$ 11,670	\$ 8,235	\$ 19,905
Accounts receivable	17,520	5,285	22,805
Intergovernmental	<u>8,199,481</u>	<u>65,594</u>	<u>8,265,075</u>
Total	<u>\$ 8,228,671</u>	<u>\$ 79,114</u>	<u>\$ 8,307,785</u>

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

	Unavailable	Unearned
Federal grant revenue earned but not available	\$ 40,626	\$ -
Child care revenue received but not earned	<u>-</u>	<u>2,610</u>
Total	<u>\$ 40,626</u>	<u>\$ 2,610</u>

# Lapeer Community Schools of Lapeer County

## Notes to Financial Statements June 30, 2009

### Note 5 - Capital Assets

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

	Balance July 1, 2008	Additions	Disposals and Adjustments	Balance June 30, 2009
Capital assets not being depreciated:				
Land	\$ 1,046,763	\$ -	\$ -	\$ 1,046,763
Construction in progress	3,050,492	20,386,369	238,070	23,198,791
Capital assets being depreciated:				
Building and building improvements	35,199,381	355,214	-	35,554,595
Land improvement	2,742,023	1,088,402	474,105	3,356,320
Buses and other vehicles	3,946,224	247,150	208,174	3,985,200
Furniture and equipment	4,372,896	1,726,530	52,079	6,047,347
Subtotal	46,260,524	3,417,296	734,358	48,943,462
Accumulated depreciation:				
Land improvements	1,560,155	85,297	474,105	1,171,347
Building and building improvements	17,245,290	681,950	-	17,927,240
Buses and other vehicles	2,601,477	384,998	182,902	2,803,573
Furniture and equipment	2,337,428	272,799	52,079	2,558,148
Subtotal	23,744,350	1,425,044	709,086	24,460,308
Net capital assets being depreciated	22,516,174	1,992,252	25,272	24,483,154
Net governmental capital assets	\$ 26,613,429	\$ 22,378,621	\$ 263,342	\$ 48,728,708

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

**Construction Commitments** - The School District has several active Sinking Fund construction projects at year end. At year end, the School District's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
East building improvements	\$ 6,468	\$ -
District technology	284,306	344,811
Total	\$ 290,774	\$ 344,811

# Lapeer Community Schools of Lapeer County

## Notes to Financial Statements June 30, 2009

### Note 5 - Capital Assets (Continued)

**Construction Commitments** - The School District has several active 2007 Bond Issue construction projects at year end. At year end, the School District's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Cramton renovations	\$ 1,561,841	\$ 340,783
Elba renovations	34,244	-
Lynch renovations	46,818	-
Maple Grove renovations	100,856	3,295
Mayfield renovations	113,259	191,818
Murphy renovations	39,401	-
Schickler renovations	44,659	-
Seaton renovations	37,816	-
Turrill renovations	50,427	-
Woodside renovations	18,562,972	4,226,877
Zemmer renovations	1,589,036	14,236,217
East renovations	180,346	1,055,293
West renovations	144,417	1,091,300
Elementary renovations	-	1,916,457
Elementary and secondary school furniture	-	1,935,577
District technology	-	5,796,343
Total	<u>\$ 22,506,092</u>	<u>\$ 30,793,960</u>

**Construction Commitments** - The School District has several active Sale of Facilities construction projects at year end. At year end, the School District's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
West auxiliary gym	<u>\$ 398,399</u>	<u>\$ 603,369</u>

# Lapeer Community Schools of Lapeer County

## Notes to Financial Statements June 30, 2009

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

The composition of interfund balances is as follows:

Fund Due To	Fund Due From			Total
	General Fund	Nonmajor Governmental Funds	Fiduciary Funds	
General Fund	\$ -	\$ 88,573	\$ 4,906	\$ 93,479
Nonmajor governmental funds	51,146	-	-	51,146
Total	<u>\$ 51,146</u>	<u>\$ 88,573</u>	<u>\$ 4,906</u>	<u>\$ 144,625</u>

These balances result 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.

Interfund transfers reported in the fund financial statements are comprised of the following:

	Transfers out - General Fund
Transfers in - Nonmajor governmental funds	<u>\$ 908,694</u>

General Fund transfers are used to support and maintain the operations of the fund for the purpose for which they were created. During 2008-2009, the General Fund transferred board-approved funds to the Athletic Fund to support the operations of the fund.

### 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 are general obligations of the School District. Other long-term obligations include compensated absences, early retirement incentives, and certain risk liabilities.

# Lapeer Community Schools of Lapeer County

## Notes to Financial Statements June 30, 2009

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

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds	\$ 55,679,358	\$ -	\$ 549,710	\$ 55,129,648	\$ 876,837
Bond premium	1,877,003	-	65,860	1,811,143	65,860
Bond issuance cost	(367,978)	-	(12,912)	(355,066)	12,912
Notes	108,266	-	108,266	-	-
Total bonds and notes payable	57,296,649	-	710,924	56,585,725	955,609
Other obligations	623,000	1,531,170	195,000	1,959,170	610,429
Total governmental activities	<u>\$ 57,919,649</u>	<u>\$ 1,531,170</u>	<u>\$ 905,924</u>	<u>\$ 58,544,895</u>	<u>\$ 1,566,038</u>

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

	Governmental Activities		
	Principal	Interest	Total
2010	\$ 876,837	\$ 2,704,378	\$ 3,581,215
2011	1,049,067	2,668,948	3,718,015
2012	1,424,897	2,720,744	4,145,641
2013	1,253,847	2,578,364	3,832,211
2014	1,245,000	2,527,800	3,772,800
2015-2019	7,255,000	11,701,500	18,956,500
2020-2024	9,150,000	9,696,500	18,846,500
2025-2029	11,500,000	7,097,000	18,597,000
2030-2034	13,250,000	4,031,250	17,281,250
2035-2037	8,125,000	813,750	8,938,750
Total	<u>\$ 55,129,648</u>	<u>\$ 46,540,234</u>	<u>\$ 101,669,882</u>

# Lapeer Community Schools of Lapeer County

Notes to Financial Statements  
June 30, 2009

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

General obligation bonds consist of the following:

\$55,205,000 - 2007 general obligation bonds due in annual installments of \$830,000 to \$2,725,000 through May 2037; interest at 4.00 percent to 5.25 percent	\$ 54,700,000
\$803,366 - Durant bonds due in annual installments of \$46,837 to \$279,897 from May 15, 2010 through May 15, 2013; interest at 4.76 percent	<u>429,648</u>
Total bonded debt	<u>\$ 55,129,648</u>

Other governmental activities long-term obligations include the following:

Employee compensated absences	\$ 440,500
Early retirement incentives	1,163,670
Risk liability	<u>355,000</u>
Total	<u>\$ 1,959,170</u>

**Durant Non-Plaintiff Bond** - Included in Governmental Activities General Obligation Bonds is the Durant Non-Plaintiff Bond with an original issue amount of \$803,366. Annual total payments (principal and interest) associated with this bond are funded by the State of Michigan via specifically appropriated state aid and will not require any School District debt levy or utilization of any other School District financial resources.

# Lapeer Community Schools of Lapeer County

**Notes to Financial Statements  
June 30, 2009**

## **Note 8 - 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 medical benefits, certain property loss, and errors and omissions claims and participates in the MAISL shared-risk pools for claims relating to property loss and torts, and is self-insured for dental and vision effective July 1, 2008. The School District is uninsured up to a \$300,000 specific occurrence retention limit for employee injuries (workers' compensation) claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The School District estimates the liability for employee injury claims and for dental and vision benefits 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 government-wide statements. Changes in the estimated liability for the past two fiscal years were as follows:

	<u>2009</u>	<u>2008</u>
Estimated liability - Beginning of year	\$ 231,000	\$ 354,000
Estimated claims incurred - Including changes in estimates	1,983,447	1,272,232
Claim payments	<u>(1,859,447)</u>	<u>(1,395,232)</u>
Estimated liability - End of year	<u>\$ 355,000</u>	<u>\$ 231,000</u>

# Lapeer Community Schools of Lapeer County

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**Notes to Financial Statements  
June 30, 2009**

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

**Plan Description** - The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), 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 supplementary 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 System at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

**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. The employer contribution rate was 10.17 percent of covered payroll for the period from July 1, 2008 through September 30, 2008 and 9.73 percent for the period from October 1, 2008 through June 30, 2009. Basic plan members make no contributions, but member investment plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. Members hired on or after July 1, 2008 contribute to a MIP-Plus plan at rates ranging from 3.0 percent to 6.4 percent of gross wages. The School District's required and actual contributions to the plan for the years ended June 30, 2009, 2008, and 2007 were \$3,284,228, \$3,395,141, and \$3,686,454, respectively.

# Lapeer Community Schools of Lapeer County

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**Notes to Financial Statements  
June 30, 2009**

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

**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 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 was 6.55 percent of covered payroll for the period from July 1, 2008 through September 30, 2008 and 6.81 percent for the period from October 1, 2008 through June 30, 2009. The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2009, 2008, and 2007 were \$2,263,557, \$2,151,856, and \$2,208,344, respectively.

## **Note 11 - State Aid Anticipation Note**

On August 20, 2008, Lapeer Community Schools of Lapeer County borrowed \$4.9 million in a state aid anticipation note. The note bears interest at 1.70 percent and is due August 20, 2009. At June 30, 2009, Lapeer Community Schools of Lapeer County has accrued interest of \$71,962 on this note.

## **Note 12 - Subsequent Events**

The School District borrowed approximately \$4.35 million on August 20, 2009 through the Michigan Municipal Bond Authority in anticipation of state aid at a rate of 0.85 percent to 1.40 percent due on August 20, 2010.

## **Required Supplementary Information**

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# Lapeer Community Schools of Lapeer County

## Required Supplementary Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Local sources	\$ 8,031,925	\$ 7,763,285	\$ 7,808,557	\$ 45,272
State sources	43,843,957	44,755,180	42,576,103	(2,179,077)
Federal sources	1,713,905	1,722,009	4,053,817	2,331,808
Interdistrict sources and other	126,100	67,660	67,660	-
Total revenue	53,715,887	54,308,134	54,506,137	198,003
<b>Expenditures - Current</b>				
Instruction:				
Basic programs	26,575,528	27,558,226	27,507,907	(50,319)
Added needs	6,486,150	6,606,139	6,556,527	(49,612)
Capital outlay	67,221	38,362	25,421	(12,941)
Support services:				
Pupil	3,157,584	2,904,307	3,074,765	170,458
Instructional staff	2,397,455	2,212,150	2,328,154	116,004
General administration	490,296	519,791	502,818	(16,973)
School administration	3,807,037	3,814,842	3,707,943	(106,899)
Business services	1,133,988	1,122,173	1,142,955	20,782
Operation and maintenance	4,652,973	4,444,861	4,410,155	(34,706)
Pupil transportation services	3,481,496	3,041,077	2,960,196	(80,881)
Central services	726,098	692,659	703,547	10,888
Capital outlay	276,156	496,541	508,125	11,584
Community services	374,936	276,732	258,267	(18,465)
Debt service:				
Principal	108,266	108,266	108,266	-
Interest	4,466	5,359	4,481	(878)
Capital outlay	150,000	342,516	330,677	(11,839)
Intergovernmental transfers	52,200	52,200	53,989	1,789
Total expenditures	53,941,850	54,236,201	54,184,193	(52,008)
<b>Other Financing Sources (Uses)</b>				
Transfers out	(790,925)	(886,548)	(908,694)	22,146
Proceeds from sale of assets	-	9,720	9,720	-
Total other financing uses	(790,925)	(876,828)	(898,974)	22,146
<b>Net Change in Fund Balance</b>	(1,016,888)	(804,895)	(577,030)	227,865
<b>Fund Balance - July 1, 2008</b>	8,660,489	8,660,489	8,660,489	-
<b>Fund Balance - June 30, 2009</b>	<u>\$ 7,643,601</u>	<u>\$ 7,855,594</u>	<u>\$ 8,083,459</u>	<u>\$ 227,865</u>

## **Other Supplementary Information**

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# Lapeer Community Schools of Lapeer County

## Other Supplementary Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2009

	Special Revenue Funds		Debt Service Funds		Capital Project Funds		Total
	Cafeteria	Athletics	Durant Bond	2007 Debt	Sinking Fund	Sale of Facilities	
<b>Assets</b>							
Cash and investments	\$ 214,165	\$ 5,732	\$ -	\$ -	\$ -	\$ 961,607	\$ 1,181,504
Receivables:							
Property taxes receivable	-	-	-	7,915	320	-	8,235
Accounts receivable	5,285	-	-	-	-	-	5,285
Due from other governmental units	65,594	-	-	-	-	-	65,594
Due from other funds	-	51,146	-	-	-	-	51,146
Restricted assets	-	-	-	1,562,800	1,257,583	-	2,820,383
<b>Total assets</b>	<b>\$ 285,044</b>	<b>\$ 56,878</b>	<b>\$ -</b>	<b>\$ 1,570,715</b>	<b>\$ 1,257,903</b>	<b>\$ 961,607</b>	<b>\$ 4,132,147</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 82,412	\$ 35,992	\$ -	\$ -	\$ 53,669	\$ 194,861	\$ 366,934
Accrued payroll and other liabilities	4,580	17,792	-	-	-	-	22,372
Due to other funds	88,573	-	-	-	-	-	88,573
<b>Total liabilities</b>	<b>175,565</b>	<b>53,784</b>	<b>-</b>	<b>-</b>	<b>53,669</b>	<b>194,861</b>	<b>477,879</b>
<b>Fund Balances</b>							
Reserved:							
Capital projects	-	-	-	-	1,204,234	766,746	1,970,980
Debt service	-	-	-	1,570,715	-	-	1,570,715
Undesignated, reported in Special Revenue Funds	109,479	3,094	-	-	-	-	112,573
<b>Total fund balances</b>	<b>109,479</b>	<b>3,094</b>	<b>-</b>	<b>1,570,715</b>	<b>1,204,234</b>	<b>766,746</b>	<b>3,654,268</b>
<b>Total liabilities and     fund balances</b>	<b>\$ 285,044</b>	<b>\$ 56,878</b>	<b>\$ -</b>	<b>\$ 1,570,715</b>	<b>\$ 1,257,903</b>	<b>\$ 961,607</b>	<b>\$ 4,132,147</b>

# Lapeer Community Schools of Lapeer County

## Other Supplementary Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2009

	Special Revenue Funds		Debt Funds		Capital Project Funds		Total
	Cafeteria	Athletics	Durant Bond	2007 Debt	Sinking Fund	Sale of Facilities	
<b>Revenue</b>							
Local sources	\$ 985,600	\$ 279,382	\$ -	\$ 3,413,991	\$ 17,012	\$ 12,404	\$ 4,708,389
State sources	177,035	-	56,416	-	-	-	233,451
Federal sources	1,197,471	-	-	-	-	-	1,197,471
<b>Total revenue</b>	<b>2,360,106</b>	<b>279,382</b>	<b>56,416</b>	<b>3,413,991</b>	<b>17,012</b>	<b>12,404</b>	<b>6,139,311</b>
<b>Expenditures</b>							
Current:							
Food services	2,335,298	-	-	-	-	-	2,335,298
Athletics	-	1,193,115	-	-	-	-	1,193,115
Debt service:							
Principal	-	-	44,710	505,000	-	-	549,710
Interest	-	-	11,706	2,715,000	-	-	2,726,706
Other expenditures	-	-	-	500	206	-	706
Capital outlay	14,530	-	-	-	573,891	398,399	986,820
<b>Total expenditures</b>	<b>2,349,828</b>	<b>1,193,115</b>	<b>56,416</b>	<b>3,220,500</b>	<b>574,097</b>	<b>398,399</b>	<b>7,792,355</b>
<b>Excess (Deficiency) of Expenditures Over Revenue</b>	<b>10,278</b>	<b>(913,733)</b>	<b>-</b>	<b>193,491</b>	<b>(557,085)</b>	<b>(385,995)</b>	<b>(1,653,044)</b>
<b>Other Financing Sources - Transfers in</b>	<b>-</b>	<b>908,694</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>908,694</b>
<b>Net Change in Fund Balances</b>	<b>10,278</b>	<b>(5,039)</b>	<b>-</b>	<b>193,491</b>	<b>(557,085)</b>	<b>(385,995)</b>	<b>(744,350)</b>
<b>Fund Balances - Beginning of year</b>	<b>99,201</b>	<b>8,133</b>	<b>-</b>	<b>1,377,224</b>	<b>1,761,319</b>	<b>1,152,741</b>	<b>4,398,618</b>
<b>Fund Balances - End of year</b>	<b>\$ 109,479</b>	<b>\$ 3,094</b>	<b>\$ -</b>	<b>\$ 1,570,715</b>	<b>\$ 1,204,234</b>	<b>\$ 766,746</b>	<b>\$ 3,654,268</b>

# Lapeer Community Schools of Lapeer County

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## Other Supplementary Information Combining Statement of Net Assets Private Purpose Trust Funds

	Hall Endowment	Project Close-up	Beckwith	Total
<b>Assets - Cash and cash equivalents</b>	<b><u>\$ 12,770</u></b>	<b><u>\$ 8,900</u></b>	<b><u>\$ 6,953</u></b>	<b><u>\$ 28,623</u></b>
<b>Net Assets - Reserved for endowment restrictions</b>	<b><u>\$ 12,770</u></b>	<b><u>\$ 8,900</u></b>	<b><u>\$ 6,953</u></b>	<b><u>\$ 28,623</u></b>

# Lapeer Community Schools of Lapeer County

## Other Supplementary Information Combining Statement of Revenue, Expenses, and Changes in Fund Net Assets Private Purpose Trust Funds Year Ended June 30, 2009

	Hall Endowment	Project Close-up	Beckwith	Total
<b>Operating Revenue - Interest and other</b>	\$ 139	\$ 94	\$ 75	\$ 308
<b>Scholarships, Other Expenses, and Transfers Out to Lapeer County Community Foundation</b>	<u>500</u>	<u>-</u>	<u>134</u>	<u>634</u>
<b>Change in Net Assets</b>	(361)	94	(59)	(326)
<b>Net Assets - Beginning of year</b>	<u>13,131</u>	<u>8,806</u>	<u>7,012</u>	<u>28,949</u>
<b>Net Assets - End of year</b>	<u><u>\$ 12,770</u></u>	<u><u>\$ 8,900</u></u>	<u><u>\$ 6,953</u></u>	<u><u>\$ 28,623</u></u>

# Lapeer Community Schools of Lapeer County

## Other Supplementary Information Schedule of Bonded Indebtedness Year Ended June 30, 2009

June 30	Durant Bond		2007 Limited Tax School Building and Site Bonds		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 46,837	\$ 9,578	\$ 830,000	\$ 2,694,800	\$ 876,837	\$ 2,704,378
2011	49,067	7,348	1,000,000	2,661,600	1,049,067	2,668,948
2012	279,897	99,144	1,145,000	2,621,600	1,424,897	2,720,744
2013	53,847	2,564	1,200,000	2,575,800	1,253,847	2,578,364
2014	-	-	1,245,000	2,527,800	1,245,000	2,527,800
2015	-	-	1,305,000	2,478,000	1,305,000	2,478,000
2016	-	-	1,375,000	2,412,750	1,375,000	2,412,750
2017	-	-	1,450,000	2,344,000	1,450,000	2,344,000
2018	-	-	1,525,000	2,271,500	1,525,000	2,271,500
2019	-	-	1,600,000	2,195,250	1,600,000	2,195,250
2020	-	-	1,675,000	2,115,250	1,675,000	2,115,250
2021	-	-	1,750,000	2,031,500	1,750,000	2,031,500
2022	-	-	1,825,000	1,944,000	1,825,000	1,944,000
2023	-	-	1,900,000	1,852,750	1,900,000	1,852,750
2024	-	-	2,000,000	1,753,000	2,000,000	1,753,000
2025	-	-	2,100,000	1,648,000	2,100,000	1,648,000
2026	-	-	2,200,000	1,537,750	2,200,000	1,537,750
2027	-	-	2,300,000	1,422,250	2,300,000	1,422,250
2028	-	-	2,400,000	1,301,500	2,400,000	1,301,500
2029	-	-	2,500,000	1,187,500	2,500,000	1,187,500
2030	-	-	2,600,000	1,068,750	2,600,000	1,068,750
2031	-	-	2,625,000	938,750	2,625,000	938,750
2032	-	-	2,650,000	807,500	2,650,000	807,500
2033	-	-	2,675,000	675,000	2,675,000	675,000
2034	-	-	2,700,000	541,250	2,700,000	541,250
2035	-	-	2,700,000	406,250	2,700,000	406,250
2036	-	-	2,700,000	271,250	2,700,000	271,250
2037	-	-	2,725,000	136,250	2,725,000	136,250
<b>Total</b>	<b>\$ 429,648</b>	<b>\$ 118,634</b>	<b>\$ 54,700,000</b>	<b>\$ 46,421,600</b>	<b>\$ 55,129,648</b>	<b>\$ 46,540,234</b>

Principal payments due	May 15	May 1
Interest payments due	May 15	May 1/November 1
Interest rate	4.76%	4.00% - 5.00%
Original issue	\$803,366	\$55,205,000