

L'ANSE AREA SCHOOLS
L'ANSE, MICHIGAN

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL FINANCIAL INFORMATION

June 30, 2008



WELCOME TO
L'Anse Area Schools

L'ANSE AREA SCHOOLS

JUNE 30, 2008

ADMINISTRATION

Superintendent	Ray Pasquali
High School Principal	Henry P. Moore
Middle School Principal	Robert Willman
Elementary Principal	Thomas Sprague

BOARD OF EDUCATION

President	Joan Bugni
Vice President	Carrie Lou Thomas
Treasurer	Anne Koski
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
L'Anse Area Schools
L'Anse, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of L'Anse Area Schools as of and for the year then ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of L'Anse Area Schools' management. 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 and the *Michigan School Auditing Manual*. 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 L'Anse Area Schools as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 12, 2008 on our consideration of L'Anse Area Schools' internal control over financial reporting and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 7 through 13 and 33, 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 supplementary information. However, we did not audit the information and express any opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise L'Anse Area Schools' basic financial statements. The additional information on pages 35 to 47 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of L'Anse Area Schools. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

November 12, 2008

**L'Anse Area Schools
Management's Discussion and Analysis
June 30, 2008**

This section of the L'Anse Area Schools annual financial report presents management's discussion and analysis of the District's financial performance during the year ended June 30, 2008. Please read it in conjunction with the District's financial statements, which immediately follows this section.

Financial Highlights

In the 2007 – 2008 fiscal year, the L'Anse Area School District showed a decrease in student population, which reduced the Full Time Equivalent (FTE) used for State Funding calculations from 819.52 to 806.81. This decrease of 12.71 FTE's at \$7,204 per pupil FTE the value of the student population decrease was \$91,563. The District also did not receive an Impact Aid payment for the 2007 – 2008 fiscal year due to a federal audit.

The ending result of spending reductions and the last minute receipt of Section 22d.4 funding for Isolated Schools in the amount of \$25,806 provided for an increase in the fund balance of the District of \$73,239. This brings the Fund Balance to ten (10) percent of expenditures as set forth in the Board of Education policy.

Overview of the Financial Statements

The annual report consists of a series of financial statements including other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consists of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the District as a whole and represent an overall view of the District's finances.

Statement of Net Assets and the Statement of Activities

These statements provide information that help determine how the District is doing financially as a result of the year's activities. The statements are shown using a full accrual basis.

The District's net assets and the changes in the net assets during the year are reported by these two statements. Increases or decreases in the District's net assets is one way to determine if the financial position of the District is improving or deteriorating. However, non-financial factors will need to be considered as well to determine the overall financial position of the District.

- The Statement of Fiduciary Net Assets, presents financial information about activities for which the District acts solely as an agent for the benefit of students and parents.

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

- Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. These statements also report the District's operations in more detail than the Government-wide Financial Statements by providing information about the most significant funds.

Overview of the Financial Statements - Continued

The fund level financial statements are reported on a modified accrual basis. Only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. The issuance of debt is recorded as a financial resource. The current year’s payments of principal and interest on long term obligations are recorded as expenditures. Future year’s debt obligations are not recorded.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education’s “Accounting Manual.” In the State of Michigan, the District’s major instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Funds, Capital Project Fund, School Food Service, Community Services and Athletics funds.

Major Funds: Under GASB Statement 34, the audit focus has shifted from type of governmental fund to major funds. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. This allows the reader to see more detailed activity of the major funds. For the District, the General Fund and Debt Retirement Fund meet this requirement.

Non-major Funds: In the basic financial statements, non-major funds are consolidated into one column. These are smaller funds. Detailed information about non-major funds can be found after the notes to the financial statements.

- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information, other than Management Discussion and Analysis, provides information about the required budgetary comparison information on the general fund.
- Other supplementary information provides detailed information about the General, Debt Service, Capital Projects, School Food Service, Community Services and Athletic Funds.

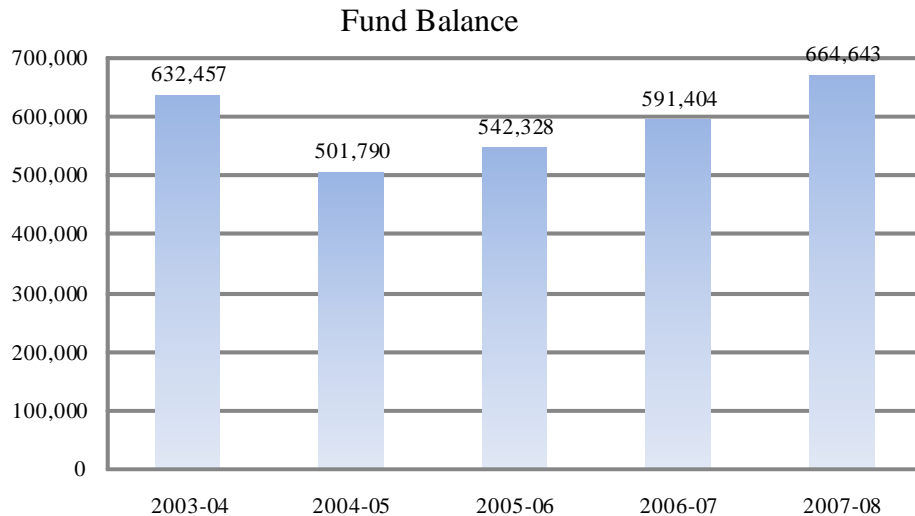
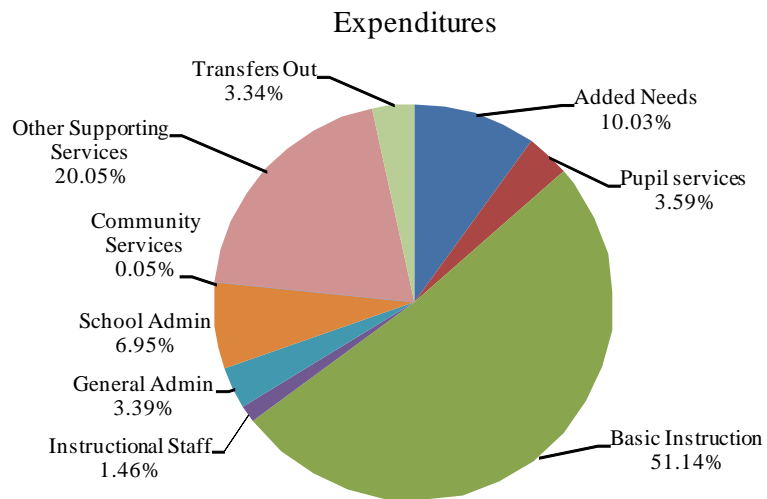
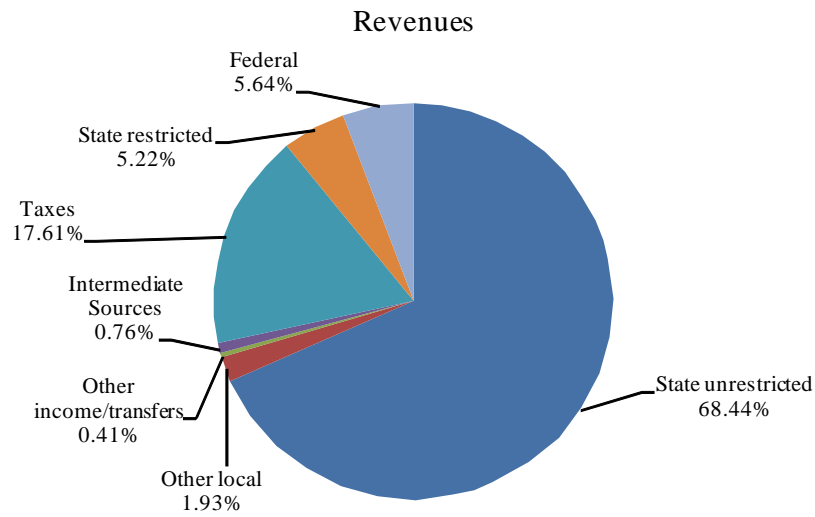
Summary of Net Assets

	<u>2008</u>	<u>2007</u>
Assets		
Current and other assets	\$ 2,586,014	\$ 2,536,606
Restricted cash and investments	198,322	134,025
Capital assets - Net of accumulated depreciation	<u>7,340,389</u>	<u>7,495,417</u>
Total Assets	<u>\$ 10,124,725</u>	<u>\$ 10,166,048</u>
Liabilities		
Current liabilities	\$ 2,114,145	\$ 2,207,152
Long-term liabilities	<u>7,933,640</u>	<u>8,382,861</u>
Total Liabilities	<u>10,047,785</u>	<u>10,590,013</u>
Net Assets		
Invested in property and equipment - net of related debt	(525,530)	(697,846)
Restricted	198,250	138,273
Reserved	56,870	62,665
Unrestricted	<u>346,350</u>	<u>72,943</u>
Total net assets	<u>75,940</u>	<u>(423,965)</u>
Total Liabilities and Net Assets	<u>\$ 10,123,725</u>	<u>\$ 10,166,048</u>

Results of Operations in Governmental Activities

	<u>2008</u>	<u>2007</u>
Program Revenue:		
Charges for services	\$ 145,526	\$ 148,709
Grants and contributions	948,764	1,158,162
General Revenue:		
Property taxes	1,800,469	1,719,308
State foundation allowance	4,536,719	4,635,086
Other	<u>280,238</u>	<u>211,522</u>
Total Revenue	<u>7,711,716</u>	<u>7,872,787</u>
Functions/Program Expenses		
Instruction	4,072,259	4,357,915
Support services	2,028,710	2,185,842
Capital projects	24,767	14,180
School food services	267,751	276,787
Athletics	122,669	133,341
Community services	102,810	114,601
Interest on long-term debt	325,064	378,666
Other debt	<u>267,075</u>	<u>252,922</u>
Total Expenses	<u>7,211,105</u>	<u>7,714,254</u>
Change in Net Assets	500,611	158,533
Net Assets - Beginning	<u>(423,671)</u>	<u>(582,498)</u>
Net Assets - Ending	<u>\$ 76,940</u>	<u>\$ (423,965)</u>

The following charts highlight the District's General Fund activities:



**L’Anse Area Schools
Management’s Discussion and Analysis
June 30, 2008**

Significant Transactions and Changes in Individual Funds

The overall financial position of the individual Governmental funds of the District did not change significantly from the previous year. A comparison of revenues/transfers, expenditures/transfers and fund balances is as follows:

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
General Fund:			
Revenues/Transfers	\$ 6,628,634	\$ 6,879,447	\$ (250,813)
Expenditures/Transfers	\$ 6,555,395	\$ 6,830,371	\$ (274,976)
Fund Balance	\$ 664,643	\$ 591,404	\$ 73,239
Debt Retirement Fund:			
Revenues/Transfers	\$ 714,166	\$ 664,074	\$ 50,092
Expenditures/Transfers	\$ 654,483	\$ 651,580	\$ 2,903
Fund Balance	\$ 198,250	\$ 138,567	\$ 59,683
Capital Projects Fund:			
Revenues/Transfers	\$ 98,903	\$ 25,300	\$ 73,603
Expenditures/Transfers	\$ 24,767	\$ 14,180	\$ 10,587
Fund Balance	\$ 101,807	\$ 27,671	\$ 74,136
Community Service Fund:			
Revenues/Transfers	\$ 105,922	\$ 118,369	\$ (12,447)
Expenditures/Transfers	\$ 105,922	\$ 118,369	\$ (12,447)
Fund Balance	\$ 0	\$ 0	\$ 0
School Food Service Fund:			
Revenues/Transfers	\$ 256,766	\$ 289,612	\$ (32,846)
Expenditures/Transfers	\$ 282,429	\$ 286,212	\$ (3,783)
Fund Balance	\$ 59,813	\$ 85,476	\$ (25,663)
Athletic Fund:			
Revenues/Transfers	\$ 145,770	\$ 141,921	\$ 3,849
Expenditures/Transfers	\$ 145,770	\$ 141,921	\$ 3,849
Fund Balance	\$ 0	\$ 0	\$ 0

General Fund – The General Fund showed an similar decrease in revenues as in expenditures. Local revenue increased by \$67,088. This increase came from the Non-homestead School Operating Tax. State revenue decreased by \$40,610. This decrease was primarily due to the reduction of State Aid. Federal Revenue decreased by \$259,856. The major portion of this decrease was a result of the lack of Impact Aid payments.

Total Expenditures in the General Fund decreased by \$273,720. This decrease was in Instructional Cost, which decreased by \$246,784. Support Services decreased by \$67,926 while Transfers increased by \$38,258.

The General Fund’s Fund Balance increased by \$ 73,239 during the 2007 – 2008 fiscal year. This brings the total General Fund’s Fund Balance to \$664,643.

Debt Retirement Fund – The Debt Retirement Fund used the 2006 refunding bonds to pay off the callable bonds from the 1998 issue.

Capital Projects Fund – The Board continued to transfer funds from the General Fund to set aside funds for a future elevator project. Funds were also set-aside for the Sports Complex behind the school parking lot. Expenses were also made to enable the district to proceed with the Sports Complex.

The Capital Projects Fund Balance contains Elevator Project and Sports Complex funds.

**L’Anse Area Schools
Management’s Discussion and Analysis
June 30, 2008**

Significant Transactions and Changes in Individual Funds (Continued)

Community Service Fund – The Community Service Fund made no major purchases this year which reflects in a decrease in expenditures.

School Food Service Fund – The School Food Service Fund showed a decrease in revenue due to a decrease in student population. The Fund Balance in the School Service Fund showed a decrease of \$25,663.

Athletic Fund – The Athletic Fund showed a increase in expenses of \$3,849. This increased the amount necessary to be transferred from the General Fund.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the annual budget prior to the start of the fiscal year. Any amendments to the original budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the fiscal year ended June 30, 2008, the original budget was adopted on June 25, 2007. Since the original budget is adopted two months before school is in session, we often have many unknowns such as the number of students we will have for the year. Since much of the District’s revenue is determined based on the number of students enrolled, this unknown could have a significant impact on the budget. Often there are a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances. Therefore, the District amended its budget during the fiscal year.

	Original Budget	Final Budget	Actual	Variance with final budget	% Variance
Revenues	\$ 6,605,562	\$ 6,714,714	\$ 6,601,746	\$ (112,968)	-1.7%
Expenditures					
Instruction	\$ 4,058,038	\$ 4,031,520	\$ 4,010,295	\$ 21,225	0.5%
Supporting services	2,491,483	2,490,733	2,326,337	164,396	7.1%
Total expenditures	\$ 6,549,521	\$ 6,522,253	\$ 6,336,632	\$ 185,621	2.9%
Other financing sources (uses)	\$ (170,629)	\$ (217,706)	\$ (191,875)	\$ (25,831)	13.5%

Capital Assets and Debt Administration

Capital Assets: The District’s net investment in capital assets decreased by \$155,028 during the fiscal year. The additions were a freezer, a bus, a server, new sound system for gymnasium and football field improvements. No debt was issued for these additions. A bus was sold and a copier was disposed.

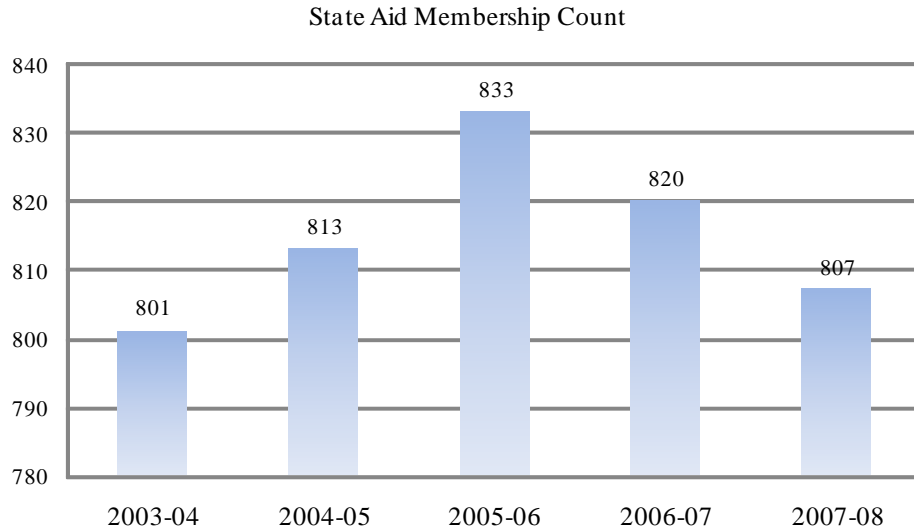
Additional information on the District’s capital assets can be found on page 26 of this report.

Long-term Debt: At the end of the current fiscal year, the Districts total debt was \$7,813,918. This total amount is backed by the full faith and credit of the District. The District’s total debt principal balance decreased by \$265,000 during the fiscal year.

Additional information on the District’s long-term debt can be found starting on page 27 of this report.

Known Facts, Decisions, or Conditions Having Significant Affect on Future Operations

The graph depicts a decrease of 13 students enrolled from the previous year, using the State Aid Membership Count.



Our elected officials and administration consider many factors when setting the District's 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.

Approximately 68 percent of total General Fund revenues are from the foundation allowance. Under State law, the District cannot assess additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, L'Anse Area Schools.

L'ANSE AREA SCHOOLS
STATEMENT OF NET ASSETS
June 30, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 582,560
Investments	676,581
Taxes receivable	91,822
Accounts receivable	28,642
Inventory	56,870
Prepaid expense	19,653
Due from other governmental units	<u>1,129,886</u>
TOTAL CURRENT ASSETS	<u>2,586,014</u>
NON-CURRENT ASSETS:	
Restricted cash	198,322
Capital assets	9,997,835
Less: Accumulated depreciation	<u>(2,657,446)</u>
Net Capital Assets	<u>7,340,389</u>
TOTAL NON-CURRENT ASSETS	<u>7,538,711</u>
TOTAL ASSETS	<u>\$ 10,124,725</u>
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	\$ 95,085
Accrued expenses	501,009
Accrued interest	52,001
Deferred revenue	392,523
Due to other government units	762,767
Other liabilities	8,439
Bonds payable within one year	<u>302,321</u>
TOTAL CURRENT LIABILITIES	<u>2,114,145</u>
NON-CURRENT LIABILITIES:	
Bonds payable, due in more than one year	7,511,597
Compensated absences	<u>422,043</u>
TOTAL NON-CURRENT LIABILITIES	<u>7,933,640</u>
TOTAL LIABILITIES	<u>10,047,785</u>
NET ASSETS:	
Invested in capital assets, net of related debt	(525,530)
Restricted for debt service	198,250
Reserved	56,870
Unreserved	<u>347,350</u>
TOTAL NET ASSETS	<u>76,940</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,124,725</u>

The accompanying notes to the financial statements are an integral part of this statement.

L'ANSE AREA SCHOOLS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

	Program Revenues			Governmental Activities
Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	
<u>FUNCTIONS/PROGRAMS</u>				
Government Activities:				
Instruction and instructional support	\$ 4,072,259	\$ 4,275	\$ 725,342	\$ (3,342,642)
Support services	2,028,710	-	-	(2,028,710)
Capital projects	24,767	-	23,000	(1,767)
School food service	267,751	93,244	161,618	(12,889)
Athletics	122,669	47,571	3,992	(71,106)
Community services	102,810	436	34,812	(67,562)
Interest on long-term debt	325,064	-	-	(325,064)
Other debt service	267,075	-	-	(267,075)
Total Governmental Activities	\$ 7,211,105	\$ 145,526	\$ 948,764	(6,116,815)
General Revenues:				
Taxes				
Property taxes, levied for general operations				1,167,467
Property taxes, levied for debt service				608,068
Other taxes				24,934
State school aid - unrestricted				4,536,719
Interest and investment earnings				124,107
Other				129,238
Prior period adjustments				3,386
Transfers				23,507
Total general revenues and transfers				6,617,426
Change in Net Assets				500,611
Net Assets - Beginning				(423,671)
Net Assets - Ending				\$ 76,940

The accompanying notes to the financial statements are an integral part of this statement.

L'ANSE AREA SCHOOLS
GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2008

	General	Debt Service Fund	Other Non-major Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 453,813	\$ -	\$ 128,747	\$ 582,560
Investments	676,581	-	-	676,581
Taxes receivable	60,142	31,680	-	91,822
Accounts receivable	11,762	-	16,880	28,642
Prepaid expense	18,590	-	1,063	19,653
Inventory	52,522	-	4,348	56,870
Due from other governmental units	1,091,407	876	37,603	1,129,886
Due from other funds	62,712	135	54,821	117,668
Restricted cash	-	198,322	-	198,322
TOTAL ASSETS	\$ 2,427,529	\$ 231,013	\$ 243,462	\$ 2,902,004
LIABILITIES:				
Accounts payable	\$ 70,059	\$ 1,465	\$ 23,561	\$ 95,085
Accrued expenses	499,461	-	1,548	501,009
Due to other funds	54,956	5,979	56,733	117,668
Due to other government units	762,767	-	-	762,767
Deferred revenue	367,204	25,319	-	392,523
Other liabilities	8,439	-	-	8,439
TOTAL LIABILITIES	1,762,886	32,763	81,842	1,877,491
FUND BALANCES:				
Reserved	52,522	198,250	4,348	255,120
Unreserved	612,121	-	157,272	769,393
TOTAL FUND BALANCES	664,643	198,250	161,620	1,024,513
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,427,529	\$ 231,013	\$ 243,462	

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 therefore are not reported in the funds.	7,340,389
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(8,235,961)
Accrued interest is not included as a liability in governmental funds	(52,001)
Net assets of governmental activities	\$ 76,940

The accompanying notes to the financial statements are an integral part of this statement.

L'ANSE AREA SCHOOLS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2008

	General Fund	Debt Service Fund	Other Non-major Governmental Funds	Totals
REVENUES:				
Local sources	\$ 1,295,084	\$ 714,166	\$ 172,894	\$ 2,182,144
Intermediate sources	50,265	-	-	50,265
Unrestricted Political Subdivision	-	-	31,305	31,305
State sources	4,882,698	-	15,000	4,897,698
Federal sources	373,699	-	149,712	523,411
Total revenues	<u>6,601,746</u>	<u>714,166</u>	<u>368,911</u>	<u>7,684,823</u>
EXPENDITURES:				
Instruction	4,010,295	-	-	4,010,295
Supporting services	2,326,337	-	-	2,326,337
Debt service	-	389,483	-	389,483
Capital projects	-	-	24,767	24,767
School service	-	-	265,959	265,959
Athletics	-	-	145,670	145,670
Community services	-	-	102,810	102,810
Total expenditures	<u>6,336,632</u>	<u>389,483</u>	<u>539,206</u>	<u>7,265,321</u>
Excess (deficiency) of revenue over expenditures	<u>265,114</u>	<u>324,683</u>	<u>(170,295)</u>	<u>419,502</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	(209,793)	-	209,793	-
Incoming transfers - other schools	23,502	-	12,087	35,589
Transfers to other districts	(8,970)	-	(3,112)	(12,082)
Bond payments	-	(265,000)	-	(265,000)
Prior period adjustment	3,386	-	-	3,386
Total other financing sources (uses)	<u>(191,875)</u>	<u>(265,000)</u>	<u>218,768</u>	<u>238,107</u>
NET CHANGE IN FUND BALANCE	73,239	59,683	48,473	181,395
FUND BALANCES - BEGINNING OF YEAR	<u>591,404</u>	<u>138,567</u>	<u>113,147</u>	
FUND BALANCES - END OF YEAR	<u>\$ 664,643</u>	<u>\$ 198,250</u>	<u>\$ 161,620</u>	

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

Governmental funds do not record depreciation and report capital outlays as expenditures; in the statement of activities, these costs are capitalized and allocated over their estimated useful lives as depreciation	(155,028)
Accrued expenses are recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	209,244
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>265,000</u>
Change in net assets of governmental activities	<u>\$ 500,611</u>

The accompanying notes to the financial statements are an integral part of this statement.

L'ANSE AREA SCHOOLS
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2008

	Fiduciary Fund
ASSETS	
Cash and investments	\$ 82,942
Investments	254,318
Accounts receivable	100
TOTAL ASSETS	\$ 337,360
 LIABILITIES	
Due to student groups	\$ 66,851
Due to other governmental units	16,091
Scholarship funds	254,418
TOTAL LIABILITIES	\$ 337,360

The accompanying notes to the financial statements are an integral part of this statement.

L'ANSE AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS - June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the L'Anse Area Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant District accounting policies are described below.

REPORTING ENTITY

The L'Anse Area Schools (the "District") is governed by the L'Anse Area School Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Numbers 14 and 39.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the District'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 or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues and are reported as general revenues.

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted for debt service; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenues). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenue must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The District does allocate indirect costs.

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Property taxes, unrestricted State aid, intergovernmental grants, and interest income 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 government unit.

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

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Debt Retirement Fund - The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Other non-major funds:

Special Revenue Funds - Special Revenue Funds are used to account for the activities of specific school service revenue sources such as the School Food Service, Athletic Activities, and Community Service Activities.

Capital Projects Fund - The Capital Projects Fund is used to account for all revenues and expenditures associated with the District's capital structures.

Fiduciary Funds:

Fiduciary Fund types are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has the following Fiduciary Funds: Trust and Agency, Scholarship Fund, and Tax Collection Fund.

Fiduciary funds are not included in the government-wide statements.

L'ANSE AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS - June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrual Method

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

Modified Accrual Method

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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 done.

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

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts and the local county treasurer. For the year ended June 30, 2008, the foundation allowance was based on pupil membership counts taken in February and September of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

State revenue recognized during the foundation period (currently the fiscal year) is as follows:

2007-08 Foundation		\$	7,204.00
Less Local Support:			
Non-Homestead Tax Value	64,956,961		
Multiplied by mills		<u>0.018</u>	
Total Local Support		1,169,225	
Divided by General Education K-12 membership		<u>780.13</u>	
Calculated Local Support			<u>(1,498.76)</u>
2007-08 Foundation Grant Allowance Per Pupil		\$	<u>5,705.24</u>

L'ANSE AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS - June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deposit - Cash and equivalents include amounts in demand deposits and certificates of deposit.

Property Taxes - Property tax revenue is recognized in the year for which taxes have been levied, provided they are available to finance expenditures of the current period in accordance with the National Council on Governmental Accounting Interpretation No. 3, Revenue Recognition - Property Taxes. Property taxes are levied by the District from the five townships of Bohemia, Covington, Duncan, Laird, and L'Anse on July 1 and become due September 14.

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund - Non-homestead	17.9406
Debt service fund - Homestead and non-homestead	5.25

Receivables and Payables - Activity between funds are reported as “due to/from other funds.”

All receivables, including property taxes receivable, are shown net of allowance for uncollectibles.

Inventory - Inventory in the District's General Fund consists of various school and office supplies totaling \$52,522.

Inventory in the District's School Food Service Fund consists of food, non-food items, and USDA Commodities totaling \$4,348. The District utilizes the consumption method of recording inventories of food supplies in the School Food Service Fund. Under the consumption method, inventories are recorded as expenditures when they are used. Inventory is valued at cost.

Fixed Assets - Fixed assets, which include land, buildings, equipment, site improvements, and vehicles are reported in the applicable governmental activities column in the district wide financial statements. Fixed assets are defined by the government as assets with an initial individual cost of more than \$3,000. 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 & maintenance that do not add to the value or materially extend asset lives are not capitalized.

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

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

Accrued Benefits - The liabilities for accrued benefits reported in the district wide statements in the amount of \$422,443, consisted of vacation and sick leave. The District, as part of the various employment contracts with its personnel, allows annual sick and vacation days. Each employment contract specifies an accumulation policy for unused sick and vacation days, as follows:

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vacation Days - Various employees of the District are allowed to accumulate vacation days in the year when they are earned. Liability of the District for the employees' unused vacation days at June 30, 2008 is \$14,309

Sick Leave - The various employment contracts with District personnel stipulate different methods of accumulating and paying for unused sick leave. In general, under all methods, employees are allowed to accumulate unused sick leave and receive a terminal leave payment for unused sick leave. In order to receive payment upon retirement, the employee must have worked in the District for at least five years. Unused sick leave payable at June 30, 2008 is \$408,133.

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

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

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Reclassification - Certain items in the prior year financial statements have been reclassified to conform with the current year presentation.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978) enacted at a regular meeting by School Board approval. The Act provides that a local unit shall not incur expenditures in excess of the amount appropriated.
4. During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.
7. Budget appropriations lapse at the end of the fiscal year.

In the body of the financial statements, the School's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Violations, if any, for the general fund are noted in the required supplementary information section.

L'ANSE AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS - June 30, 2008

NOTE C - DEPOSITS AND INVESTMENTS

At year-end, the District's cash deposits (checking, savings and certificates of deposit) and investments were reported in the basic financial statements in the following categories and the breakdown between deposits and investments for the District is as follows:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Unrestricted cash	\$ 582,560	\$ 0	\$ 582,560
Restricted cash	198,321	82,941	281,262
Total cash and cash equivalents	<u>780,881</u>	<u>82,941</u>	<u>863,822</u>
Unrestricted investments	676,581	0	676,581
Restricted investments	0	254,318	254,318
Total investments	<u>676,581</u>	<u>254,318</u>	<u>930,899</u>
Total deposits and investments	<u>\$ 1,457,462</u>	<u>\$ 337,259</u>	<u>\$ 1,794,721</u>

As of June 30, 2008 the District had the following investments in both governmental and fiduciary funds:

Investment Type	Fair Value	Rating	%
MILAF - CMC	\$ 95	AAA	0.01%
MILAF - MAX	897,085	AAA	96.37%
Certificate of Deposit	10,000	AAA	1.07%
Trust Preferred Stock	2,625	AAA	0.28%
Trust Indices	14,297	AAA	1.54%
U.S. Treasury Notes	6,797	AAA	0.73%
Total fair value	<u>\$ 930,899</u>		<u>100.00%</u>

Investment and Deposit Risk

Interest Rate Risk – In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements. The District's investments held at year end do not have maturity dates.

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

Custodial Credit Risk - Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State law does not require and the District does not have a policy for deposit custodial credit risk. As of June 30, 2008, \$585,180 of the District's bank balance of \$1,020,557 was exposed to custodial credit risk because it was uninsured and collateralized.

L'ANSE AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS - June 30, 2008

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk - Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. On the investment listed above, there is no custodial credit risk, as these investments are uncategorized as to credit risk.

Concentration of Credit Risk – State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments below. The District’s investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above and are external investment pools.

Michigan law authorizes the District to deposit and invest in:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bill or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- Certificates of deposits issued by the State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States, United States government or federal agency obligation repurchase agreements, and bankers’ acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

NOTE D - RECEIVABLES

Receivables from governmental units at June 30, 2008 that are expected to be collected within one year consist of the following:

	<u>General Fund</u>	<u>School Service</u>	<u>Athletic</u>	<u>Community Service</u>	<u>Debt Service</u>	<u>Total</u>
State	\$ 903,204	\$ 0	\$ 0	\$ 9,418	\$ 0	\$ 912,622
Local	44,935	11,748	29,994	0	876	87,553
Federal	<u>155,030</u>	<u>3,323</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>158,353</u>
	<u>\$ 1,103,169</u>	<u>\$ 15,071</u>	<u>\$ 29,994</u>	<u>\$ 9,418</u>	<u>\$ 876</u>	<u>\$ 1,158,528</u>

L'ANSE AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS - June 30, 2008

NOTE E - INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

Amounts due from (to) other funds represent the balance of monies due from or to other funds for expenditures made or fund balance transfers approved. The amounts of inter-fund receivables and payables as of June 30, 2008 are as follows:

<u>Fund</u>	<u>Inter-fund Receivable</u>	<u>Fund</u>	<u>Inter-fund Payable</u>
General	\$ 62,712	General	\$ 54,956
Debt Retirement	135	Debt Retirement	5,979
Capital Projects	54,821	School Food Service	18,801
Athletic	0	Athletic	23,855
Community Services	0	Community Services	14,077
TOTAL	<u>\$ 117,668</u>	TOTAL	<u>\$ 117,668</u>

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
General	\$ 0	General	\$ 209,793
Capital Projects	75,000	Debt Service	0
School Food Service	0	School Food Service	16,470
Athletic	81,491	Athletic	0
Community Services	69,772	Community Services	0
TOTAL	<u>\$ 226,263</u>	TOTAL	<u>\$ 226,263</u>

NOTE F - FIXED ASSETS

Fixed Asset activity of the District's governmental activities was as follows:

	<u>Balance 06/30/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/08</u>
Land	\$ 137,142	\$ 0	\$ 0	\$ 137,142
Building and additions	8,048,503	0	0	8,048,503
Improvements other than building	641,601	37,518	0	679,119
Equipment	377,401	17,125	4,500	390,026
Furniture	50,880	0	0	50,880
Software	36,529	0	0	36,529
Vehicles	43,043	0	0	43,043
School buses	592,562	69,032	49,001	612,593
Subtotal	<u>9,927,661</u>	<u>\$ 123,675</u>	<u>\$ 53,501</u>	<u>9,997,835</u>
Accumulated depreciation:				
Building and additions	1,450,514	\$ 161,415	\$ 0	1,611,929
Improvements other than building	222,095	32,651	0	254,746
Equipment	149,206	36,266	4,500	180,972
Furniture	19,023	2,871	0	21,894
Software	25,288	3,653	0	28,941
Vehicles	43,043	0	0	43,043
School buses	523,075	41,847	49,001	515,921
	<u>2,432,244</u>	<u>\$ 278,703</u>	<u>\$ 53,501</u>	<u>2,657,446</u>
Net capital assets	<u>\$ 7,495,417</u>			<u>\$ 7,340,389</u>

L'ANSE AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS - June 30, 2008

NOTE F - FIXED ASSETS (Continued)

Depreciation expense was charged to activities of the District as follows:

Governmental activities		
Athletic Fund	\$	6,357
School Food Service		6,887
General Fund:		
Instructional		208,864
Supporting Services		3,748
Operations		9,600
Transportation		<u>43,247</u>
Total governmental activities	\$	<u><u>278,703</u></u>

NOTE G - PAYABLES

Accounts payable and accrued liabilities as of June 30, 2008, for the District's individual major funds and non-major funds in the aggregate, are as follows:

Fund Financial Statements:	General	Debt	Non-Major Funds	Total
Accounts payable	\$ 70,059	\$ 1,465	\$ 23,561	\$ 95,085
Salaries payable	312,709	0	300	313,009
Accrued expenses	<u>186,752</u>	<u>0</u>	<u>1,248</u>	<u>188,000</u>
Total accounts payable and accrued liabilities	<u>\$ 569,520</u>	<u>\$ 1,465</u>	<u>\$ 25,109</u>	<u>\$ 596,094</u>

NOTE H - LONG TERM DEBT

2006 Advance Refunding

On December 20, 2005 the District issued \$7,760,000 of general obligation unlimited tax refunding bonds to advance refund \$7,975,000 of outstanding unlimited tax and obligation bonds. The proceeds of the bonds were used to provide for the payment of the principal of, interest on and redemption premium on the 1998 Building and Site Bonds.

The bond issue matures as indicated below with interest at varying rates of 3.5% to 4.25% per annum. Interest payments started on November 1, 2006, and are payable semi-annually on May 1, and November 1 as indicated. The bonds are to be both term and serial.

Optional Redemption: The Bonds or portions of the Bonds in multiples of \$5,000 maturing on or after May 1, 2017, are subject to redemption at the option of the District in such order as the District may determine and by lot within any maturity, on any date occurring on or after May 1, 2016, at par plus accrued interest to the date fixed for redemption.

The Bonds due May 1, 2018 are term bonds subject to mandatory redemption in part, by lot, on the redemption dates and in the principal amounts set forth below and at the redemption price equal to the principal amount thereof, without premium, together with interest thereon to the redemption date.

<u>Redemption Dates</u>	<u>Principal</u>
May 1, 2017	\$400,000
May 1, 2018 (maturity)	\$410,000

L'ANSE AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS - June 30, 2008

NOTE H - LONG TERM DEBT (Continued)

<u>Fiscal Year</u>	<u>November 1 Interest</u>	<u>May 1 Interest</u>	<u>May 1 Principal</u>	<u>Total</u>
2008-2009	\$ 155,294	\$ 155,294	\$ 295,000	\$ 605,588
2009-2010	150,131	150,131	305,000	605,262
2010-2011	144,794	144,794	320,000	609,588
2011-2012	138,394	138,394	330,000	606,788
2012-2013	131,794	131,794	345,000	608,588
2013-2018	549,769	549,769	1,930,000	3,029,538
2018-2023	347,369	347,369	2,110,000	2,804,738
2023-2028	133,608	133,608	2,125,000	2,392,216
	<u>\$ 1,751,153</u>	<u>\$ 1,751,153</u>	<u>\$ 7,760,000</u>	<u>\$ 11,262,306</u>

Durant Bonds

As part of the Durant settlement non plaintiff school districts entitled to receive amounts greater than \$75,000 were offered a bonding option. The District participated in the bonding option and on November 24, 1998 issued \$131,554 of school improvement bonds for the purpose of adding two rooms to the C.J. Sullivan Elementary building.

The bond issue matures as indicated below with interest not to exceed 8% per annum. Interest payments began on May 15, 1999 and are payable annually thereafter on May 15 as indicated. The annual payments will be appropriated by the State of Michigan and will be the only revenue source for making the annual debt service payment on the bonds. The District is under no obligation to make the annual payment in any year the legislature fails to appropriate the proper amount of funds.

The bonds are not subject to redemption prior to maturity and the District will not issue any other bonds or obligations for the purpose of refunding these bonds. Even though the State of Michigan will be appropriating funds to pay the principal and interest, the bonds are the obligation of the District, not the State.

As part of the State of Michigan Executive Budget Recommendation for fiscal year 2007, the bonds were "refunded." The debt service payment schedules for the districts that chose to bond have changed. However, the refunding did not change the total payments for any of the borrowers.

<u>Payable School Year</u>	<u>May 15 Interest</u>	<u>May 15 Principal</u>	<u>Total</u>
2008-2009	\$ 1,917	\$ 7,321	\$ 9,238
2009-2010	1,568	7,670	9,238
2010-2011	1,203	8,035	9,238
2011-2012	5,638	22,075	27,713
2012-2013	420	8,817	9,237
TOTAL	<u>\$ 10,746</u>	<u>\$ 53,918</u>	<u>\$ 64,664</u>

L'ANSE AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS - June 30, 2008

NOTE H - LONG TERM DEBT (Continued)

The following is a summary of the changes in the general long-term debt for the year ended June 30, 2008:

	Balance			Balance		Current
	June 30, 2007	Increase	Decrease	June 30, 2008	Portion	
2006 Refunding Bonds	\$ 7,760,000	\$ 0	\$ 0	\$ 7,760,000	\$ 295,000	
1998 Bonds	265,000		265,000	0	0	
Durant Bond	53,918	0	0	53,918	7,321	
	<u>8,078,918</u>	<u>0</u>	<u>265,000</u>	<u>7,813,918</u>	<u>\$ 302,321</u>	
Accrued Interest	114,345	0	62,344	52,001		
Accrued Benefits	568,943	0	146,500	422,443		
TOTAL	<u>\$ 8,762,206</u>	<u>\$ 0</u>	<u>\$ 473,844</u>	<u>\$ 8,288,362</u>		

As of June 30, 2008, the aggregate maturities of long-term debt for the next ten years and thereafter are as follows:

	Principal	Interest	Total
2008-2009	\$ 302,321	\$ 312,505	\$ 614,826
2009-2010	312,670	301,830	614,500
2010-2011	328,035	290,791	618,826
2011-2012	352,075	282,426	634,501
2012-2013	353,817	264,008	617,825
2013-2018	1,930,000	1,099,538	3,029,538
2018-2023	2,110,000	694,738	2,804,738
2023-2028	2,125,000	267,216	2,392,216
	<u>\$ 7,813,918</u>	<u>\$ 3,513,052</u>	<u>\$ 11,326,970</u>

NOTE I - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description

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

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, PO Box 30171, Lansing, Michigan 48909, by calling (517) 322-5103 or online at the State of Michigan's web-site: <http://www.michigan.gov/orsschools>.

Funding Policy

Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

NOTE I - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

The District was required by the state statute to contribute 17.74% of covered compensation through September 30, 2008 and 16.72% of covered compensation to the Plan for the remainder of the year. The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The total amount contributed to MPERS for the years ended June 30, 2008, 2007, and 2006, were \$693,427, \$647,070, and \$610,894 respectively, equal to the required contributions for each year.

Other Post Employee Benefits

Retirees have the option of health coverage which is funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPERS with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

- Retirees not yet eligible for Medicare coverage pay an annual amount equal to Medicare Part B premiums.
- Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

NOTE J - RESERVE FUND BALANCES

According to generally accepted accounting principles, reserved fund balances are reported separately in the fund balance section. Debt Service fund balance is reserved for retirement of debt. Reserve fund balances in the General Fund and School Food Service Fund are reserved for inventory.

NOTE K - ECONOMIC DEPENDENCY

The District received approximately 69% of its General Fund revenue from the Michigan Department of Education Membership Allowance. Due to the significance of this revenue source to the District, the District is considered to be economically dependent..

NOTE L - CONTINGENT LIABILITIES -RISK POOL

L'Anse Area Schools is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The District joined together with other school districts currently operating a common risk management and insurance program. The District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event. L'Anse Area Schools continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The District is unable to provide an estimate of the amounts of additional assessments.

The MASB-SEG Property & Casualty Pool has published its own financial report for the year ended June 30, 2008, which can be obtained through the District.

NOTE M - PRIOR PERIOD ADJUSTMENT

In the Government-wide Statement of Net Assets and the Governmental Debt Retirement reported the 2006 refunding bond issues of \$7,975,000. This amount was defeased for the June 30, 2008. Adjustments to prior year included reducing the bonds payable and off set against the Investment in capital assets, net of related debt in the government-wide Statement of Net Assets. In the Debt Retirement Fund the adjustment was to the beginning fund balance since the activity was recorded in the fiscal year ending June 30, 2006.

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

L'ANSE AREA SCHOOLS
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variance Final to Actual
	Original	Final		
REVENUES:				
Local sources	\$ 1,287,908	\$ 1,327,632	\$ 1,345,349	\$ 17,717
State sources	4,774,501	4,832,771	4,882,698	49,927
Federal sources	543,153	554,311	373,699	(180,612)
TOTAL REVENUE	<u>6,605,562</u>	<u>6,714,714</u>	<u>6,601,746</u>	<u>(112,968)</u>
EXPENDITURES:				
Instruction	4,058,038	4,031,520	4,010,295	21,225
Supporting services	2,491,483	2,490,733	2,326,337	164,396
TOTAL EXPENDITURES	<u>6,549,521</u>	<u>6,522,253</u>	<u>6,336,632</u>	<u>185,621</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	56,041	192,461	265,114	(72,653)
OTHER FINANCING SOURCES (USES):				
Incoming transfers and other transactions	37,574	25,886	23,502	(2,384)
Operating transfers in (out)	(208,203)	(233,845)	(209,793)	24,052
Outgoing transfers and other transactions	-	(9,747)	(8,970)	777
Prior period adjustment	-	-	3,386	3,386
Total other financing sources (uses)	(170,629)	(217,706)	(191,875)	25,831
NET CHANGE IN FUND BALANCE	<u>\$ (114,588)</u>	<u>\$ (25,245)</u>	73,239	<u>\$ (46,822)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>591,404</u>	
FUND BALANCE - END OF YEAR			<u>\$ 664,643</u>	

OTHER SUPPLEMENTAL FINANCIAL INFORMATION

L'ANSE AREA SCHOOLS
GENERAL FUND
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2007</u>
REVENUES:				
Local sources:				
Taxes	\$ 1,173,369	\$ 1,167,467	\$ 5,902	\$ 1,075,442
Other local sources:				
Investment revenue	35,000	41,788	(6,788)	49,742
Penalties and interest	4,000	5,697	(1,697)	8,592
Rentals	-	4,484	(4,484)	-
Contributions	-	5,664	(5,664)	1,960
Other	65,363	69,984	(4,621)	103,973
Total other local sources	<u>104,363</u>	<u>127,617</u>	<u>(23,254)</u>	<u>164,267</u>
Intermediate sources	49,900	50,265	(365)	38,552
Total local sources	<u>1,327,632</u>	<u>1,345,349</u>	<u>(17,717)</u>	<u>1,278,261</u>
State sources:				
Unrestricted grant - State Aid	4,487,465	4,536,719	(49,254)	4,635,086
Restricted grants:				
Special Education	180,205	180,215	(10)	154,895
Bilingual	3,665	5,336	(1,671)	7,602
At-risk	126,311	125,860	451	118,912
Vocational education	8,814	8,258	556	6,813
Durant settlement	26,311	26,310	1	-
Total restricted grants	<u>345,306</u>	<u>345,979</u>	<u>(673)</u>	<u>288,222</u>
Total state sources	<u>4,832,771</u>	<u>4,882,698</u>	<u>(49,927)</u>	<u>4,923,308</u>
Federal sources:				
Title I	120,331	106,631	13,700	116,341
Title II	43,706	27,011	16,695	36,846
Title III	31,070	19,512	11,558	33,418
Title V	1,876	1,876	-	1,991
Title VII	54,456	54,456	-	40,514
Special education	-	-	-	4,000
Impact Aid	200,000	51,088	148,912	266,966
Ottawa National Forest	88,000	98,253	(10,253)	98,912
Other federal sources	14,872	14,872	-	34,567
Total federal sources	<u>554,311</u>	<u>373,699</u>	<u>180,612</u>	<u>633,555</u>
TOTAL REVENUES	<u>6,714,714</u>	<u>6,601,746</u>	<u>112,968</u>	<u>6,835,124</u>
EXPENDITURES:				
Instruction:				
Basic program:				
Elementary School	1,362,497	1,371,891	(9,394)	1,457,475
Middle School	937,202	773,855	163,347	856,899
High School	1,066,344	1,206,901	(140,557)	1,141,866
Total basic program	<u>3,366,043</u>	<u>3,352,647</u>	<u>13,396</u>	<u>3,456,240</u>

L'ANSE AREA SCHOOLS
GENERAL FUND
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (Continued)
Year Ended June 30, 2008

	BUDGET	ACTUAL	VARIANCE	2007
Added needs:				
Special Education	447,960	436,719	11,241	517,614
Compensatory education	130,250	132,414	(2,164)	177,006
Vocational Education	87,267	88,515	(1,248)	106,221
Total added needs	665,477	657,648	7,829	800,841
Total instruction	4,031,520	4,010,295	21,225	4,257,081
Supporting services:				
Pupil:				
Attendance	23,042	20,989	2,053	18,317
Guidance	146,250	140,036	6,214	94,713
Health	15,053	17,684	(2,631)	28,650
Other pupil services	57,157	56,422	735	60,549
Total pupil services	241,502	235,131	6,371	202,229
Instructional staff:				
Improvement of instruction	21,146	5,237	15,909	6,301
Library	27,287	24,140	3,147	30,556
Supervision/direction instructional staff	71,868	66,611	5,257	64,662
Total instructional staff	120,301	95,988	24,313	101,519
General administration:				
Board of education	32,156	29,269	2,887	34,781
Executive administration	204,713	193,237	11,476	199,396
Total general administration	236,869	222,506	14,363	234,177
School administration	446,647	455,311	(8,664)	467,358
Community services	4,391	2,969	1,422	241
Other supporting services:				
Business-fiscal services	145,282	129,503	15,779	136,590
Operation & maintenance	735,052	687,746	47,306	794,324
Pupil transportation	408,556	379,802	28,754	315,968
Staff/Personnel services	960	3,286	(2,326)	2,716
Technology	151,173	114,095	37,078	129,101
Total other supporting services	1,441,023	1,314,432	126,591	1,378,699
Total supporting services	2,490,733	2,326,337	164,396	2,384,223
TOTAL EXPENDITURES	6,522,253	6,336,632	185,621	6,641,304
EXCESS OF REVENUES OVER EXPENDITURES	192,461	265,114	(72,653)	193,820

L'ANSE AREA SCHOOLS
GENERAL FUND
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (Continued)
Year Ended June 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2007</u>
OTHER FINANCING SOURCES (USES):				
Incoming transfers - other schools	25,886	23,502	2,384	19,442
Operating transfer in (out)	(233,845)	(209,793)	(24,052)	(178,147)
Sale of fixed assets	-	-	-	1,250
Other outgoing transfers	(9,747)	(8,970)	(777)	(10,920)
Prior period adjustment	-	3,386	3,386	(23,631)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(217,706)</u>	<u>(191,875)</u>	<u>(25,831)</u>	<u>(144,744)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (25,245)</u>	73,239	<u>\$ (98,484)</u>	49,076
FUND BALANCE, BEGINNING OF YEAR		<u>591,404</u>		<u>542,328</u>
FUND BALANCE, END OF YEAR		<u>\$ 664,643</u>		<u>\$ 591,404</u>

L'ANSE AREA SCHOOLS
DEBT SERVICE FUND
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2007</u>
REVENUES:				
Local sources:				
Current taxes	\$ 609,666	\$ 608,068	\$ 1,598	\$ 606,591
Interest income	329,977	78,591	251,386	18,397
Other taxes	24,000	24,934	(934)	37,275
Penalties & interest on delinquent taxes	-	2,573	(2,573)	2,811
TOTAL REVENUES	<u>963,643</u>	<u>714,166</u>	<u>249,477</u>	<u>665,074</u>
EXPENDITURES:				
Interest on bonds	697,995	387,408	310,587	398,658
Other expenses	5,000	2,075	2,925	2,922
TOTAL EXPENDITURES	<u>702,995</u>	<u>389,483</u>	<u>313,512</u>	<u>401,580</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	260,648	324,683	(64,035)	263,494
OTHER FINANCING SOURCES (USES):				
Redemption of bond principal	<u>(8,240,000)</u>	<u>(265,000)</u>	<u>(7,975,000)</u>	<u>(250,000)</u>
TOTAL OTHER FINANCING SOURCES	<u>\$ (8,240,000)</u>	<u>(265,000)</u>	<u>\$ 7,975,000</u>	<u>250,000</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES		<u>59,683</u>		<u>13,494</u>
FUND BALANCE, BEGINNING OF YEAR		<u>138,567</u>		<u>125,073</u>
FUND BALANCE, END OF YEAR		<u>\$ 198,250</u>		<u>\$ 138,567</u>

L'ANSE AREA SCHOOLS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS

June 30, 2008

					Totals	
	Capital Projects	School Food Service	Athletic	Community Services	Memorandum Only	
					2008	2007
ASSETS AND OTHER DEBITS:						
Cash	\$ 56,469	\$ 61,767	\$ 2,968	\$ 7,543	\$ 128,747	\$ 85,682
Receivables	-	11,748	5,132	-	16,880	9,366
Inventory	-	4,348	-	-	4,348	3,503
Prepaid expenses	-	1,054	-	9	1,063	1,015
Due from other funds	54,821	-	-	-	54,821	-
Due from other governmental units	-	3,323	24,862	9,418	37,603	58,479
TOTAL ASSETS	\$ 111,290	\$ 82,240	\$ 32,962	\$ 16,970	\$ 243,462	\$ 158,045
LIABILITIES:						
Accounts payable	\$ 9,483	\$ 3,291	\$ 9,107	\$ 1,680	\$ 23,561	\$ 12,621
Accrued expenses	-	335	-	1,213	1,548	2,932
Due to other funds	-	18,801	23,855	14,077	56,733	29,345
TOTAL LIABILITIES	9,483	22,427	32,962	16,970	81,842	44,898
FUND EQUITY:						
Fund balance - reserved	-	4,348	-	-	4,348	3,503
Fund balance - unreserved	101,807	55,465	-	-	157,272	109,644
TOTAL LIABILITIES	101,807	59,813	-	-	161,620	113,147
TOTAL LIABILITIES AND FUND EQUITY	\$ 111,290	\$ 82,240	\$ 32,962	\$ 16,970	\$ 243,462	\$ 158,045

L'ANSE AREA SCHOOLS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
June 30, 2008

	Capital Projects	School Food Service	Athletic	Community Services	Totals	
					Memorandum 2008	Only 2007
REVENUES:						
Local sources	\$ 23,903	\$ 95,148	\$ 52,092	\$ 33,056	\$ 204,199	\$ 173,541
State sources	-	11,906	-	3,094	15,000	19,409
Federal sources	-	149,712	-	-	149,712	175,157
TOTAL REVENUES	23,903	256,766	52,092	36,150	368,911	368,107
EXPENDITURES:						
Salaries	-	65,745	77,028	55,252	198,025	203,995
Employee benefits	-	43,638	19,736	37,234	100,608	107,269
Purchase services	-	1,834	23,880	3,949	29,663	39,729
Supplies, materials, and other	24,767	154,742	25,026	6,375	210,910	189,751
TOTAL EXPENDITURES:	24,767	265,959	145,670	102,810	539,206	540,744
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(864)	(9,193)	(93,578)	(66,660)	(170,295)	(172,637)
OTHER FINANCING SOURCES (USES)						
Operating transfers in (out)	75,000	(16,470)	81,491	69,772	209,793	178,147
Incoming transfers - other schools	-	-	12,087	-	12,087	12,776
Transfer to other entities	-	-	-	(3,112)	3,112	(3,768)
Prior period adjustment	-	-	-	-	-	2
TOTAL OTHER FINANCING SOURCES (USES)	75,000	(16,470)	93,578	66,660	218,768	187,157
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	74,136	(25,663)	-	-	48,473	14,520
FUND BALANCE, BEGINNING OF YEAR	27,671	85,476	-	-	113,147	98,627
FUND BALANCE, END OF YEAR	\$ 101,807	\$ 59,813	\$ -	\$ -	\$ 161,620	\$ 113,147

L'ANSE AREA SCHOOLS
CAPITAL PROJECTS FUND
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2007</u>
REVENUES:				
Local sources:				
Contributions	\$ 5,000	\$ 9,321	\$ (4,321)	\$ -
Sale of timber	10,350	13,679	(3,329)	-
Interest	650	903	(253)	300
TOTAL REVENUES	<u>16,000</u>	<u>23,903</u>	<u>(7,903)</u>	<u>300</u>
EXPENDITURES:				
Professional fees	30,000	24,633	5,367	14,180
Vehicles	-	134	(134)	-
TOTAL EXPENDITURES	<u>30,000</u>	<u>24,767</u>	<u>5,233</u>	<u>14,180</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(14,000)	(864)	(13,136)	(13,880)
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	<u>75,000</u>	<u>75,000</u>	<u>-</u>	<u>25,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ 61,000</u>	74,136	<u>\$ (13,136)</u>	11,120
FUND BALANCE, BEGINNING OF YEAR		<u>27,671</u>		<u>16,551</u>
FUND BALANCE, END OF YEAR		<u>\$ 101,807</u>		<u>\$ 27,671</u>

L'ANSE AREA SCHOOLS
SCHOOL FOOD SERVICE FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2007</u>
REVENUES:				
Local sources:				
Adult lunches	\$ 10,100	\$ 9,026	\$ 1,074	\$ 11,632
A-La-Carte	3,400	5,326	(1,926)	5,724
Student lunches	77,500	77,775	(275)	83,352
Interest	1,500	1,904	(404)	1,242
Miscellaneous	-	1,117	(1,117)	906
Total local sources	<u>92,500</u>	<u>95,148</u>	<u>(2,648)</u>	<u>102,856</u>
State sources	<u>11,900</u>	<u>11,906</u>	<u>(6)</u>	<u>11,597</u>
Federal sources:				
School lunch program	125,000	128,399	(3,399)	159,450
USDA entitlements	18,000	21,313	(3,313)	15,707
Total federal sources	<u>143,000</u>	<u>149,712</u>	<u>(6,712)</u>	<u>175,157</u>
TOTAL REVENUES	<u>247,400</u>	<u>256,766</u>	<u>(9,366)</u>	<u>289,610</u>
EXPENDITURES:				
Salaries	65,135	65,745	(610)	68,771
Employee benefits	49,533	43,638	5,895	47,974
Purchase services	2,500	1,834	666	1,772
Supplies, materials, and other	154,200	154,742	(542)	151,525
TOTAL EXPENDITURES	<u>271,368</u>	<u>265,959</u>	<u>5,409</u>	<u>270,042</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(23,968)	(9,193)	(14,775)	19,568
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	(16,170)	(16,470)	300	(16,170)
Prior period adjustment	-	-	-	2
TOTAL OTHER FINANCING SOURCES (USES)	<u>(16,170)</u>	<u>(16,470)</u>	<u>300</u>	<u>(16,168)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ (40,138)</u>	<u>(25,663)</u>	<u>\$ (14,475)</u>	<u>3,400</u>
FUND BALANCE, BEGINNING OF YEAR		<u>85,476</u>		<u>82,076</u>
FUND BALANCE, END OF YEAR		<u>\$ 59,813</u>		<u>\$ 85,476</u>

L'ANSE AREA SCHOOLS
ATHLETIC FUND
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2007</u>
REVENUES:				
Local sources:				
Gate receipts	\$ 38,000	\$ 38,636	\$ (636)	\$ 25,621
Interest income	500	529	(29)	154
State sources	-	-	-	277
Contributions	2,000	3,992	(1,992)	1,918
Other	8,580	8,935	(355)	3,098
TOTAL REVENUES	<u>49,080</u>	<u>52,092</u>	<u>(3,012)</u>	<u>31,068</u>
EXPENDITURES:				
Salaries	78,705	77,030	1,675	79,341
Employee benefits	25,422	23,893	1,529	24,445
Purchase services	23,630	19,721	3,909	20,244
Supplies, materials, and other	20,000	25,026	(5,026)	17,891
TOTAL EXPENDITURES	<u>147,757</u>	<u>145,670</u>	<u>2,087</u>	<u>141,921</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(98,677)	(93,578)	(5,099)	(110,853)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	94,177	81,491	12,686	98,077
Incoming transfers - other schools	4,500	12,087	(7,587)	12,776
	<u>98,677</u>	<u>93,578</u>	<u>5,099</u>	<u>110,853</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
FUND BALANCE, BEGINNING OF YEAR		<u>-</u>		<u>-</u>
FUND BALANCE, END OF YEAR		<u>\$ -</u>		<u>\$ -</u>

L'ANSE AREA SCHOOLS
COMMUNITY SERVICE FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2007</u>
REVENUES:				
Local sources:				
Contributions	\$ 400	\$ 413	\$ (13)	\$ 1,455
Interest income	300	392	(92)	245
Miscellaneous	600	946	(346)	1,131
Total local sources	<u>1,300</u>	<u>1,751</u>	<u>(451)</u>	<u>2,831</u>
Unrestricted Political Subdivision	<u>25,000</u>	<u>31,305</u>	<u>(6,305)</u>	<u>36,763</u>
State sources	<u>6,188</u>	<u>3,094</u>	<u>3,094</u>	<u>7,535</u>
TOTAL REVENUES	<u>32,488</u>	<u>36,150</u>	<u>(3,662)</u>	<u>47,129</u>
EXPENDITURES:				
Salaries	59,120	55,252	3,868	56,289
Employee benefits	38,679	37,234	1,445	39,293
Purchase services	3,784	3,949	(165)	2,964
Supplies, materials, and other	8,648	6,375	2,273	16,055
TOTAL EXPENDITURES	<u>110,231</u>	<u>102,810</u>	<u>7,421</u>	<u>114,601</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(77,743)	(66,660)	(11,083)	(67,472)
OTHER FINANCING SOURCES (USES)				
Transfer to other entities	(3,095)	(3,112)	17	(3,768)
Operating transfers in	80,838	69,772	11,066	71,240
TOTAL OTHER FINANCING SOURCES (USES)	<u>77,743</u>	<u>66,660</u>	<u>11,083</u>	<u>67,472</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
FUND BALANCE, BEGINNING OF YEAR		<u>-</u>		<u>-</u>
FUND BALANCE, END OF YEAR		<u>\$ -</u>		<u>\$ -</u>

L'ANSE AREA SCHOOLS
AGENCY FUND - STUDENT ACTIVITIES
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended June 30, 2008

	Balance July 1, 2007	Receipts	Disbursements	Balance June 30, 2008
ASSETS:				
Cash	\$ 72,840	\$ 139,912	\$ 145,901	\$ 66,851
LIABILITIES:				
Due to Student Groups:				
Elementary School	\$ 20,198	\$ 16,771	\$ 16,955	\$ 20,014
High School	52,642	123,141	128,946	46,837
TOTAL LIABILITIES	\$ 72,840	\$ 139,912	\$145,901	\$ 66,851

L'ANSE AREA SCHOOLS
SCHOLARSHIP TRUST FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended June 30, 2008

	<u>Balance</u> <u>July 1, 2007</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2008</u>
ASSETS:				
Investment	\$ 243,682	\$ 15,780	\$ 5,144	\$ 254,318
Accounts Receivable	400	100	400	100
TOTAL ASSETS	<u>\$ 244,082</u>	<u>\$ 15,880</u>	<u>\$ 5,544</u>	<u>\$ 254,418</u>
LIABILITIES:				
Due to General Fund	\$ 0	\$ 1,282	\$ 100	\$ 1,182
Due to Scholarship Funds				
Berg Memorial	3,611	150	0	3,761
BHK	0	500	500	0
Board of Education	10,470	433	0	10,903
Community Action	0	1,000	1,000	0
Dubuque	364	14	0	378
Guay	25,560	1,058	0	26,618
Groleau	0	500	500	0
Guy	3,848	159	0	4,007
Higgins	44,309	2,840	1,000	46,149
Juntunen	17,707	734	0	18,441
McKindles Award	904	37	100	841
Putula	(39)	187	300	(152)
Roth	32,039	2,342	744	33,637
St. John	105,309	4,344	1,000	108,653
Turpeinen	0	300	300	0
TOTAL LIABILITIES	<u>\$ 244,082</u>	<u>\$ 15,880</u>	<u>\$ 5,544</u>	<u>\$ 254,418</u>

L'ANSE AREA SCHOOLS
TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended June 30, 2008

	<u>Balance</u> <u>July 1, 2007</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2008</u>
ASSETS:				
Cash	\$ 7,004	\$ 4,203,074	\$ 4,193,987	\$ 16,091
LIABILITIES:				
Due to other governmental units	\$ 7,004	\$ 3,567,399	\$ 3,558,312	\$ 16,091

**L'ANSE AREA SCHOOLS
FEDERAL AWARDS
June 30, 2008**



Bruce A. Rukkila, CPA, PC

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

To the Board of Education
L'Anse Area Schools
L'Anse, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of L'Anse Area Schools as of and for the year then ended June 30, 2008, which collectively comprise L'Anse Area Schools' basic financial statements and have issued our report thereon dated November 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the L'Anse Area Schools' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the L'Anse Area Schools' financial statements is more than inconsequential and will not be prevented or detected by the L'Anse Area Schools' internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2008-1 and 2008-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the L'Anse Area Schools' internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether L'Anse Area Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2008-1 and 2008-2.

We noted certain other matters that we reported to management of L'Anse Area Schools in a separate letter dated November 12, 2008.

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

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

November 12, 2008



Bruce A. Rukkila, CPA, PC

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

To the Board of Education
L'Anse Area Schools
L'Anse, Michigan

Compliance

We have audited the compliance of L'Anse Area Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. L'Anse Area Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of L'Anse Area Schools' management. Our responsibility is to express an opinion on L'Anse Area Schools' compliance based on our audit.

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

In our opinion, L'Anse Area Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of L'Anse Area Schools as of and for the year then ended June 30, 2008, and have issued our report thereon dated November 12, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the L'Anse Area Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

November 12, 2008

L'ANSE AREA SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) revenue July 1, 2007	Current Year Cash Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2008
<i>U.S. Department of Education:</i>						
Direct						
Indian Education - E-T003E000999	84.003E	\$ 483,500	\$ (1,000)	\$ 0	\$ 0	\$ (1,000)
Title VII - S060A040658	84.060A	54,456	0	54,456	54,456	0
Small Rural Achievement Grant - REAP	84.358A	14,872	0	14,872	14,872	0
P.L. 874 - Impact Aid S041Z-2443	84.041	51,088	0	51,088	51,088	0
Total Direct		<u>603,916</u>	<u>(1,000)</u>	<u>120,416</u>	<u>120,416</u>	<u>(1,000)</u>
Passed through M.D.E.						
Title I Part A Grant 081530-0708	84.010	120,331	0	0	106,631	106,631
Title I Part A Grant 071530-0607	84.010	108,713	15,078	15,078	0	0
		<u>229,044</u>	<u>15,078</u>	<u>15,078</u>	<u>106,631</u>	<u>106,631</u>
Title IIA Improving Teacher Quality 070520-0607	84.367	38,916	11,173	11,173	0	0
Title IIA Improving Teacher Quality 080520-0708	84.367	42,669	0	0	26,327	26,327
		<u>81,585</u>	<u>11,173</u>	<u>11,173</u>	<u>26,327</u>	<u>26,327</u>
Title IID 84290-0708	84.367	1,037	0	0	684	684
Title III English Language 070550-0607	84.365	28,688	3,757	3,757	0	0
Title III English Language 080580-0708	84.365	31,070	0	0	19,512	19,512
		<u>59,758</u>	<u>3,757</u>	<u>3,757</u>	<u>19,512</u>	<u>19,512</u>
Title V LEA Allocation 070550-0607	84.298	3,485	387	387	0	0
Title V LEA Allocation 080250-0708	84.298	1,876	0	0	1,876	1,876
		<u>5,361</u>	<u>387</u>	<u>387</u>	<u>1,876</u>	<u>1,876</u>
Total Passed through M.D.E.		<u>405,473</u>	<u>34,152</u>	<u>34,152</u>	<u>155,030</u>	<u>155,030</u>
Total U.S. Dept of Education		<u>1,009,389</u>	<u>33,152</u>	<u>154,568</u>	<u>275,446</u>	<u>154,030</u>
<i>U.S. Department of Agriculture:</i>						
Passed Through Michigan Dept of Education						
National School Lunch						
Section 4 - All Lunches	10.555	19,924	0	19,924	19,924	0
Section 11 - Free & Reduced	10.555	81,266	0	81,266	82,424	1,158
Snacks	10.555	572	0	572	572	0
		<u>101,762</u>	<u>0</u>	<u>101,762</u>	<u>102,920</u>	<u>1,158</u>
Breakfast	10.533	25,479	0	25,479	25,479	0

		<u>127,241</u>	<u>0</u>	<u>127,241</u>	<u>128,399</u>	<u>1,158</u>
Food Distributions- Entitlement Commodities	10.550	13,678	0	13,678	13,678	0
Food Distributions- Bonus Commodities	10.550	<u>7,635</u>	<u>0</u>	<u>7,635</u>	<u>7,635</u>	<u>0</u>
		<u>21,313</u>	<u>0</u>	<u>21,313</u>	<u>21,313</u>	<u>0</u>
		<u>148,554</u>	<u>0</u>	<u>148,554</u>	<u>149,712</u>	<u>1,158</u>
Passed Through Houghton County Ottawa National Forest	10.670	<u>98,253</u>	<u>0</u>	<u>98,253</u>	<u>98,253</u>	<u>0</u>
Total U.S. Dept of Agriculture		<u>246,807</u>	<u>0</u>	<u>246,807</u>	<u>247,965</u>	<u>1,158</u>
<i>U.S. Department of Labor:</i>						
Passed Through Western U.P. Manpower Consortium Workforce Investment Act (WIA)	17.250	<u>22,632</u>	<u>11,649</u>	<u>11,649</u>	<u>0</u>	<u>0</u>
TOTALS		<u>\$ 1,278,828</u>	<u>\$ 44,801</u>	<u>\$ 413,024</u>	<u>\$ 523,411</u>	<u>\$ 155,188</u>

The accompanying notes to financial statements are an integral part of this statement.

L'ANSE AREA SCHOOLS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - June 30, 2008

NOTE A - OVERSIGHT AGENCY

The U. S. Department of Education is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the school's expenditures of federal awards.

NOTE B - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

NOTE C - FINAL COST REPORT - FORM DS4044

The final cost reports are not due until 60 days after the end of the grant period. The reports for the current year grants were not completed as of the date of our report. However, we reviewed the reports filed for the prior year grants and noted that they agreed with either the prior year audited figures or the prior year and current year audit figures combined.

NOTE D - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RECONCILIATION

A reconciliation of expenditures on the Schedule of Expenditures of Federal Awards to federal revenue recognized on page 17 of these financial statements is \$523,411. The amounts reported as current payments on the MDE grant reports reconcile with the Schedule of Expenditures of Federal Awards as follows:

Total current payments per MDE reports	\$	169,391
Prior year grants reported		(42,150)
Payments received through other sources		239,982
Accrued/deferred grant revenue		156,188
Schedule of Expenditures of Federal Awards		<u>\$ 523,411</u>

L'ANSE AREA SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2008

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal Control over financial reporting:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 520(a) of Circular A-133?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

L'ANSE AREA SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2008
(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

2008-1 – Preparation of Financial Statements in Accordance with GAAP

Criteria: All entities are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of management. The preparation of financial statements in accordance with GAAP requires internal controls over both recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and reporting government-wide financial statements, including related footnotes.

Condition, Cause and Effect: As is the case with many entities, L'Anse Area Schools has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the District's ability to prepare financial statements in accordance with GAAP is based, in part, on its external auditors, who cannot by definition be considered a part of the internal controls. As a result of this condition, L'Anse Area Schools lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials: L'Anse Area Schools have evaluated the benefits of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the District to out source this task to its external auditors. The finance department has the knowledge to understand GAAP financial statements and will carefully review the draft financials statements and notes prior to approving them and accepting responsibility for their content and presentation.

2008-2 – Capital Assets Records Maintained by the Auditor

Criteria: Purchases, additions, disposals, and sale of assets must have prior approval from the appropriate officials. In addition, the financial statements must accurately report all capital assets and accumulated depreciation along with capital expenditures and depreciation expense.

Condition, Cause and Effect: The District has relied on its external auditor to maintain and update capital assets. Management has made the decision that it is in their best interest to have their external auditor maintain capital assets and compute depreciation rather than incur the time and expense of obtaining the necessary training and expertise required for the District to perform this task internally.

View of Responsible Officials: The District finds it advantageous to apply the auditor's capital asset reports for GASB 34 reporting. Based on the technical depreciation software that is utilized by the auditor, the District has decided to review the capital asset reports on an annual basis and retain them.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.