

L'ANSE AREA SCHOOLS
L'ANSE, MICHIGAN

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL FINANCIAL INFORMATION

June 30, 2009



WELCOME TO
L'Anse Area Schools

L'ANSE AREA SCHOOLS

JUNE 30, 2009

ADMINISTRATION

Superintendent	Ray Pasquali
High School Principal	Carrie Meyer
Middle School Principal	Robert Willman
Elementary Principal	Thomas Sprague

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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, 2009, 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, 2009, 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 September 17, 2009 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 32, 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 34 to 46 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 non-major 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

September 17, 2009

**L'Anse Area Schools
Management's Discussion and Analysis
June 30, 2009**

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, 2009. Please read it in conjunction with the District's financial statements, which immediately follows this section.

Financial Highlights

In the 2008-2009 fiscal-year, the L'Anse Area Schools showed a decrease in student population, which reduced the full time equivalent (FTE) used for state funding calculations from 806.81 to 777.53 based on a three year blended average. This decrease of 29.28 FTE at \$ 7,316 per pupil decreased the state funding by \$214,212.48.

The District received Impact Aid payments for the 2007-2008 as well as 2008-2009 fiscal year due to the successful completion of a federal audit. The total of the Impact Aid payments was \$754,586.

The ending result of spending reductions and the increase in revenue provided for an increase in the fund balance of the District by \$477,155. The District is in compliance with board policy with regards to the fund balance.

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 Service, Capital Projects, 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 Service 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.

L'Anse Area Schools
Management's Discussion and Analysis
June 30, 2009

Summary of Net Assets

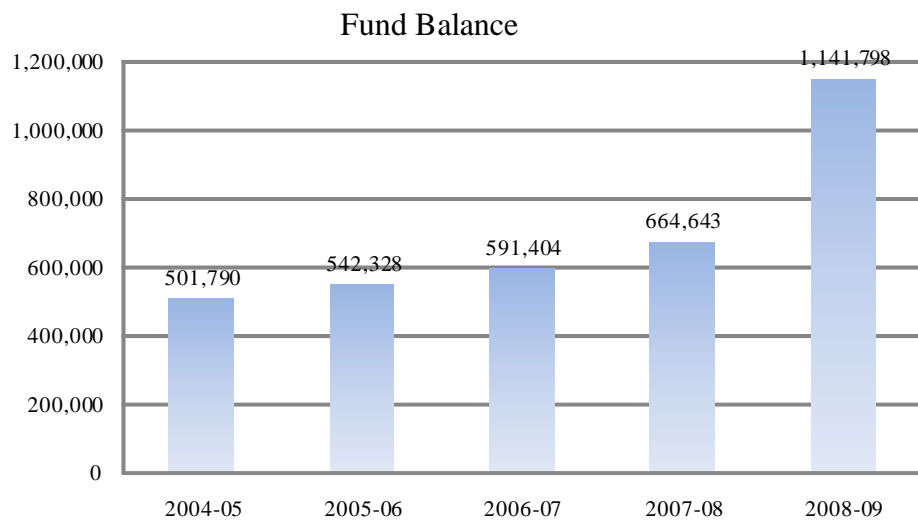
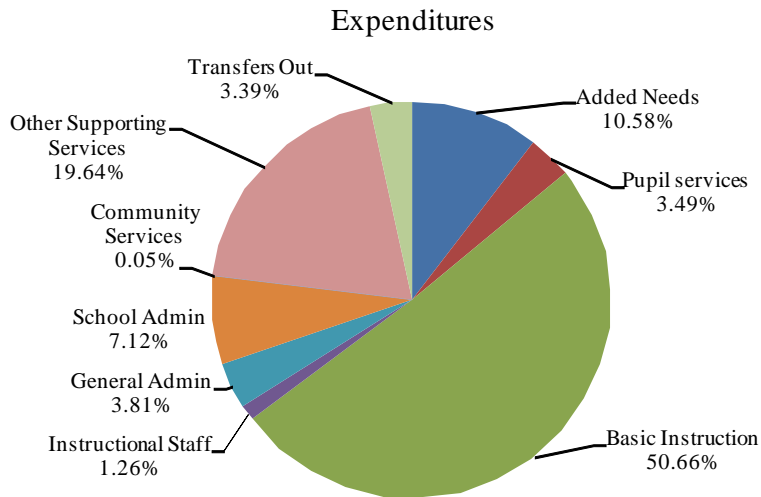
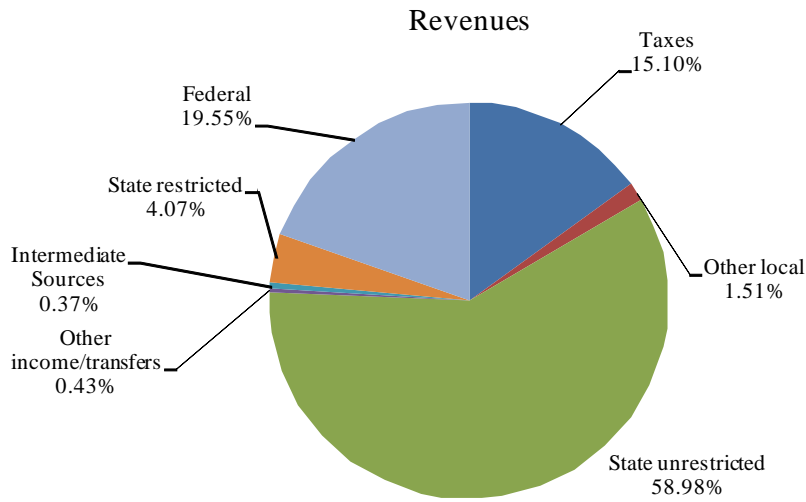
	<u>2009</u>	<u>2008</u>
Assets		
Current and other assets	\$ 3,168,671	\$ 2,586,014
Restricted cash and investments	152,100	198,322
Capital assets - Net of accumulated depreciation	<u>7,195,784</u>	<u>7,340,389</u>
Total Assets	<u>\$ 10,516,555</u>	<u>\$ 10,124,725</u>
Liabilities		
Current liabilities	\$ 2,197,303	\$ 2,114,145
Long-term liabilities	<u>7,588,724</u>	<u>7,933,640</u>
Total Liabilities	<u>9,786,027</u>	<u>10,047,785</u>
Net Assets		
Invested in property and equipment - net of related debt	(366,050)	(525,530)
Restricted	176,031	198,250
Reserved	52,402	56,870
Unrestricted	<u>868,145</u>	<u>347,350</u>
Total net assets	<u>730,528</u>	<u>76,940</u>
Total Liabilities and Net Assets	<u>\$ 10,516,555</u>	<u>\$ 10,124,725</u>

Results of Operations in Governmental Activities

	<u>2009</u>	<u>2008</u>
Program Revenue:		
Charges for services	\$ 141,603	\$ 145,526
Grants and contributions	1,953,830	948,764
General Revenue:		
Property taxes	1,658,448	1,800,469
State foundation allowance	4,224,472	4,536,719
Other	<u>197,445</u>	<u>280,238</u>
Total Revenue	<u>8,175,798</u>	<u>7,711,716</u>
Functions/Program Expenses		
Instruction	4,268,404	4,072,259
Support services	2,018,979	2,028,710
Capital projects	66,661	24,767
School food services	293,783	267,751
Athletics	154,046	122,669
Community services	113,019	102,810
Interest on long-term debt	310,741	325,064
Other debt	<u>296,577</u>	<u>267,075</u>
Total Expenses	<u>7,522,210</u>	<u>7,211,105</u>
Change in Net Assets	653,588	500,611
Net Assets - Beginning	<u>76,940</u>	<u>(423,671)</u>
Net Assets - Ending	<u>\$ 730,528</u>	<u>\$ 76,940</u>

**L'Anse Area Schools
Management's Discussion and Analysis
June 30, 2009**

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



**L'Anse Area Schools
Management's Discussion and Analysis
June 30, 2009**

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	\$ 7,162,996	\$ 6,628,634	\$ 534,362
Expenditures/Transfers	\$ 6,685,841	\$ 6,555,395	\$ 130,446
Fund Balance	\$ 1,141,798	\$ 664,643	\$ 477,155
Debt Service Fund:			
Revenues/Transfers	\$ 594,184	\$ 714,166	\$ (119,982)
Expenditures/Transfers	\$ 616,403	\$ 654,483	\$ (38,080)
Fund Balance	\$ 176,031	\$ 198,250	\$ (22,219)
Capital Projects Fund:			
Revenues/Transfers	\$ 92,615	\$ 98,903	\$ (6,288)
Expenditures/Transfers	\$ 66,661	\$ 24,767	\$ 41,894
Fund Balance	\$ 127,761	\$ 101,807	\$ 25,954
Community Service Fund:			
Revenues/Transfers	\$ 116,014	\$ 105,922	\$ 10,092
Expenditures/Transfers	\$ 116,014	\$ 105,922	\$ 10,092
Fund Balance	\$ 0	\$ 0	\$ 0
School Food Service Fund:			
Revenues/Transfers	\$ 284,140	\$ 256,766	\$ 27,374
Expenditures/Transfers	\$ 303,168	\$ 282,429	\$ 20,739
Fund Balance	\$ 40,785	\$ 59,813	\$ (19,028)
Athletic Fund:			
Revenues/Transfers	\$ 171,940	\$ 145,770	\$ 26,170
Expenditures/Transfers	\$ 171,940	\$ 145,770	\$ 26,170
Fund Balance	\$ 0	\$ 0	\$ 0

General Fund – The General Fund showed an increase in revenues by \$ 530,349. Local revenue decreased by \$ 129,271 with the majority of the decrease coming from the Non-homestead School Operating Tax. State revenue decreased by \$366,912, primarily due to the reduction in student population and a decrease in the State Discretionary Payment. Federal revenue increased by \$ 1,026,832. The major portion of this increase was a result of the increase in Impact Aid payments and the American Recovery and Reinvestment Act funding that was allocated to restore State Aid funding.

Total Expenditures in the General Fund increased by \$ 130,466. A major portion of the increase was in instruction in the amount of \$ 84,414 and \$ 46,376 in support services.

The General Fund's fund balance increased by \$ 477,155 during the fiscal year. This brings the total Fund Balance for the General Fund to \$ 1,141,798.

Debt Service Fund – The Debt Service fund showed a decrease in revenue due to a decrease in the debt millage levy from 5.25 mills to 4.50 mills.

Capital Projects Fund – The Board continued to transfer funds from the General Fund to set aside for a future elevator project. The District also completed a project replacing all the network switches in the district. This project increased expenditures by \$36,885. Expenses were also made to enable the district to proceed with the Sports Complex.

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

**L’Anse Area Schools
Management’s Discussion and Analysis
June 30, 2009**

Significant Transactions and Changes in Individual Funds (Continued)

Community Service Fund – The Community Service Fund increase expenditures by \$ 10,209 mainly due to a change in personnel.

School Food Service Fund – The School Food Service Fund showed an increase in revenue due to an increase in student lunch prices. Expenditures increased by \$ 20,739 because of employee benefit increases and food costs.

Athletic Fund – The Athletic Fund showed an increase in expenses of \$ 26,170. This increase was basically a combination of increased transportation costs charged to the fund and also increases in coaching salaries. This increased the amount necessary to be transferred from the General Fund by \$ 24,231.

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, 2009, the original budget was adopted on June 25, 2008. 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	\$ 6,504,560	\$ 7,135,693	\$ 7,132,395	\$ (8,217)	-0.1%
Expenditures					
Instruction	\$ 3,996,976	\$ 4,131,244	\$ 4,094,710	\$ 36,534	0.9%
Supporting services	2,604,855	2,495,567	2,364,505	131,062	5.5%
Total expenditures	\$ 6,601,831	\$ 6,626,811	\$ 6,459,215	\$ 167,596	2.6%
Other financing sources (uses)	\$ (185,089)	\$ (223,146)	\$ (196,025)	\$ (27,121)	13.8%

Capital Assets and Debt Administration

Capital Assets: The District’s net investment in capital assets increased by \$76,293 during the fiscal year. The additions were a bus, a computer switch project, copier and sports complex field improvements. No debt was issued for these additions. One bus was sold.

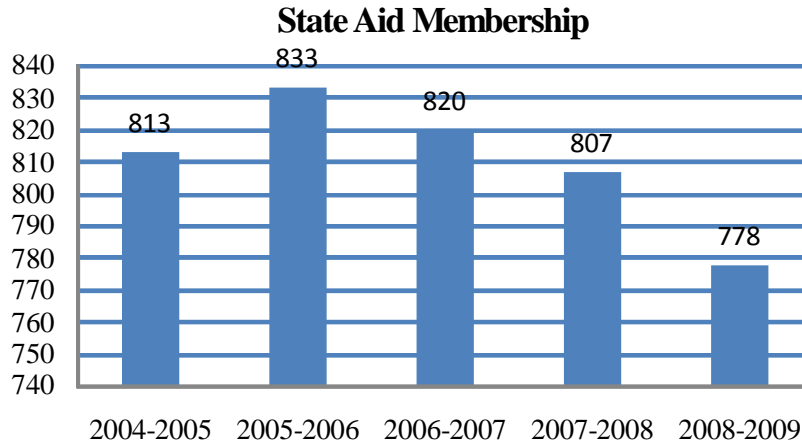
Additional information on the District’s capital assets can be found on page 26 of this report.

Long-term Debt: At the end of the current fiscal year, the Districts total debt was \$7,511,597. This total amount is backed by the full faith and credit of the District. The District’s total debt principal balance decreased by \$302,321 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 29 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 59% 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, 2009

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 1,302,586
Investments	690,379
Taxes receivable	130,222
Accounts receivable	45,438
Inventory	52,402
Prepaid expense	20,473
Due from other governmental units	<u>927,171</u>
TOTAL CURRENT ASSETS	<u>3,168,671</u>
NON-CURRENT ASSETS:	
Restricted cash	152,100
Capital assets	10,074,128
Less: Accumulated depreciation	<u>(2,878,344)</u>
Net Capital Assets	<u>7,195,784</u>
TOTAL NON-CURRENT ASSETS	<u>7,347,884</u>
TOTAL ASSETS	<u>\$ 10,516,555</u>
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	\$ 54,075
Accrued expenses	529,242
Accrued interest	50,237
Deferred revenue	479,457
Due to other government units	762,768
Other liabilities	8,854
Bonds payable within one year	<u>312,670</u>
TOTAL CURRENT LIABILITIES	<u>2,197,303</u>
NON-CURRENT LIABILITIES:	
Bonds payable, due in more than one year	7,198,927
Compensated absences	<u>389,797</u>
TOTAL NON-CURRENT LIABILITIES	<u>7,588,724</u>
TOTAL LIABILITIES	<u>9,786,027</u>
NET ASSETS:	
Invested in capital assets, net of related debt	(366,050)
Restricted for debt service	176,031
Reserved	52,402
Unreserved	<u>868,145</u>
TOTAL NET ASSETS	<u>730,528</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,516,555</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, 2009

				<u>Governmental Activities</u>
	<u>Program Revenues</u>			<u>Net (Expense)</u>
	<u>Charges for</u>	<u>Operating</u>	<u>Grants and</u>	<u>Revenue and</u>
<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Services</u>	<u>Contributions</u>	<u>Changes in Net</u>
				<u>Assets</u>
<u>Government Activities:</u>				
Instruction and instructional support	\$ 4,268,404	\$ 36	\$ 1,693,458	\$ (2,574,910)
Support services	2,018,979	-	-	(2,018,979)
Capital projects	66,661	-	29,565	(37,096)
School food service	293,783	104,942	178,343	(10,498)
Athletics	154,046	36,214	16,528	(101,304)
Community services	113,019	411	35,936	(76,672)
Interest on long-term debt	310,741	-	-	(310,741)
Other debt service	296,577	-	-	(296,577)
Total Governmental Activities	<u>\$ 7,522,210</u>	<u>\$ 141,603</u>	<u>\$ 1,953,830</u>	<u>(5,426,777)</u>
<u>General Revenues:</u>				
<u>Taxes</u>				
Property taxes, levied for general operations				1,081,468
Property taxes, levied for debt service				547,019
Other taxes				29,961
State school aid - unrestricted				4,224,472
State school aid - Durant				9,238
Interest and investment earnings				35,989
Other				125,854
Prior period adjustments				68
Transfers				<u>26,296</u>
Total general revenues and transfers				<u>6,080,365</u>
Change in Net Assets				653,588
Net Assets - Beginning				<u>76,940</u>
Net Assets - Ending				<u>\$ 730,528</u>

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

L'ANSE AREA SCHOOLS
GOVERNMENTAL FUNDS
BALANCE SHEET

June 30, 2009

	General	Other Non-major Governmental Funds	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 1,141,812	\$ 160,774	\$ 1,302,586
Investments	690,379	-	690,379
Taxes receivable	81,007	49,215	130,222
Accounts receivable	15,978	29,460	45,438
Prepaid expense	19,344	1,129	20,473
Inventory	47,632	4,770	52,402
Due from other governmental units	902,116	25,055	927,171
Due from other funds	20,691	3,106	23,797
Restricted cash	-	152,100	152,100
TOTAL ASSETS	\$ 2,918,959	\$ 425,609	\$ 3,344,568
LIABILITIES:			
Accounts payable	\$ 38,302	\$ 15,773	\$ 54,075
Accrued expenses	510,937	18,305	529,242
Due to other funds	3,106	20,691	23,797
Due to other government units	762,765	3	762,768
Deferred revenue	453,197	26,260	479,457
Other liabilities	8,854	-	8,854
TOTAL LIABILITIES	1,777,161	81,032	1,858,193
FUND BALANCES:			
Reserved	47,632	180,801	228,433
Unreserved	1,094,166	163,776	1,257,942
TOTAL FUND BALANCES	1,141,798	344,577	1,486,375
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,918,959	\$ 425,609	

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.	7,195,784
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(7,901,394)
Accrued interest is not included as a liability in governmental funds	(50,237)
Net assets of governmental activities	\$ 730,528

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, 2009

	General Fund	Other Non-major Governmental Funds	Totals
REVENUES:			
Local sources	\$ 1,189,618	\$ 776,365	\$ 1,965,983
Intermediate sources	26,460	19,129	45,589
Unrestricted Political Subdivision	-	28,986	28,986
State sources	4,515,786	27,501	4,543,287
Federal sources	<u>1,400,531</u>	<u>166,068</u>	<u>1,566,599</u>
Total revenues	<u>7,132,395</u>	<u>1,018,049</u>	<u>8,150,444</u>
EXPENDITURES:			
Instruction	4,094,710	-	4,094,710
Supporting services	2,364,505	-	2,364,505
Athletics	-	171,940	171,940
Community services	-	113,019	113,019
School food service	-	286,698	286,698
Debt service	-	314,082	314,082
Capital projects	-	66,661	66,661
Total expenditures	<u>6,459,215</u>	<u>952,400</u>	<u>7,411,615</u>
Excess (deficiency) of revenue over expenditures	<u>673,180</u>	<u>65,649</u>	<u>738,829</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in (out)	(211,107)	211,107	-
Incoming transfers - other schools	30,533	13,267	43,800
Transfers to other districts	(14,509)	(2,995)	(17,504)
Bond payments	-	(302,321)	(302,321)
State Aid adjustment	(1,010)	-	(1,010)
Prior period adjustment	68	-	68
Total other financing sources (uses)	<u>(196,025)</u>	<u>80,942</u>	<u>(276,967)</u>
NET CHANGE IN FUND BALANCE	477,155	(15,293)	461,862
FUND BALANCES - BEGINNING OF YEAR	<u>664,643</u>	<u>359,870</u>	
FUND BALANCES - END OF YEAR	<u>\$ 1,141,798</u>	<u>\$ 344,577</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.	(144,605)
Accrued expenses are recorded in the statement of activities when incurred; it is not reported in governmental funds until paid.	34,010
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>302,321</u>
Change in net assets of governmental activities	<u>\$ 653,588</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, 2009

	<u>Fiduciary Fund</u>
ASSETS	
Cash and investments	\$ 92,843
Investments	253,328
TOTAL ASSETS	<u>\$ 346,171</u>
LIABILITIES	
Due to student groups	\$ 76,601
Due to other governmental units	16,242
Scholarship funds	253,328
TOTAL LIABILITIES	<u>\$ 346,171</u>

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

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 fund:

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.

Other non-major funds:

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

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.

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, 2009, the foundation allowance was based on pupil membership counts taken in February and September of 2008, 2007, and 2006 for a three year blended average.

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 2008 to August 2009. Thus, the unpaid portion at June 30 is reported as due from other governmental units.

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

Foundation		\$	7,316.00
Assumed Local Support	1,094,514		
Divided by State Aid Membership	<u>777.53</u>		
Calculated Local Support			<u>(1,407.68)</u>
Foundation Grant Allowance Per Pupil		\$	<u><u>5,908.32</u></u>

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, 2009, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund - Non-homestead	17.6464
Debt service fund - Homestead and non-homestead	4.500

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 \$47,632.

Inventory in the District's School Food Service Fund consists of food, non-food items, and USDA Commodities totaling \$4,770. 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 \$389,797 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, 2009 is \$10,920.

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, 2009 is \$378,877.

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.
5. 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, 2009

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	\$ 1,302,586	\$ 0	\$ 1,302,586
Restricted cash	152,100	92,843	244,943
Total cash and cash equivalents	1,454,686	92,843	1,547,529
Unrestricted investments	690,379	0	690,379
Restricted investments	0	253,328	253,328
Total investments	690,379	253,328	943,707
Total deposits and investments	\$ 2,145,065	\$ 346,171	\$ 2,491,236

As of June 30, 2009 the District had the following investments in both governmental and fiduciary funds:

Investment Type	Fair Value	Rating	%
MILAF - CMC	\$ 97	AAA	0.01%
MILAF - MAX	910,442	AAA	96.48%
Certificate of Deposit	10,000	AAA	1.06%
Trust Preferred Stock	2,625	AAA	0.28%
Trust Indices	17,240	AAA	1.83%
U.S. Treasury Notes	3,303	AAA	0.35%
Total fair value	\$ 943,707		100.00%

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, 2009, \$1,061,483 of the District's bank balance of \$1,685,041 was exposed to custodial credit risk because it was uninsured and collateralized.

L'ANSE AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS - June 30, 2009

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 at June 30, 2009 that are expected to be collected within one year consist of the following:

	General Fund	School Service	Athletic	Community Service	Debt Service	Total
State	\$ 581,955	\$ 0	\$ 0	\$ 14,527	\$ 0	\$ 596,482
Local	102,272	13,811	22,284	0	50,091	188,458
Federal	314,874	3,017	0	0	0	317,891
	<u>\$ 999,101</u>	<u>\$ 16,828</u>	<u>\$ 22,284</u>	<u>\$ 14,527</u>	<u>\$ 50,091</u>	<u>\$ 1,102,831</u>

L'ANSE AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS - June 30, 2009

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, 2009 are as follows:

<u>Fund</u>	Inter-fund <u>Receivable</u>	<u>Fund</u>	Inter-fund <u>Payable</u>
General	\$ 20,691	General	\$ 3,106
Debt Service	0	Debt Service	0
Capital Projects	0	School Food Service	7,137
Athletic	0	Athletic	7,412
Community Services	3,106	Community Services	6,142
TOTAL	<u>\$ 23,797</u>	TOTAL	<u>\$ 23,797</u>

<u>Fund</u>	Transfer In	<u>Fund</u>	Transfer Out
General	\$ 18,580	General	\$ 229,687
Capital Projects	42,756	Debt Service	0
School Food Service	2,110	School Food Service	18,580
Athletic	105,722	Athletic	0
Community Services	79,099	Community Services	0
TOTAL	<u>\$ 248,267</u>	TOTAL	<u>\$ 248,267</u>

NOTE F - FIXED ASSETS

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

	Balance <u>06/30/08</u>	Additions	Deletions	Balance <u>06/30/09</u>
Land	\$ 137,142	\$ 0	\$ 0	\$ 137,142
Building and additions	8,048,503	0	0	8,048,503
Improvements other than building	679,119	25,528	0	704,647
Equipment	390,026	42,734	0	432,760
Furniture	50,880	0	0	50,880
Software	36,529	0	0	36,529
Vehicles	43,043	0	0	43,043
School buses	612,593	69,410	61,379	620,624
Subtotal	<u>9,997,835</u>	<u>\$ 137,672</u>	<u>\$ 61,379</u>	<u>10,074,128</u>
Accumulated depreciation:				
Building and additions	1,611,929	\$ 161,415	\$ 0	1,773,344
Improvements other than building	254,746	34,064	0	288,810
Equipment	180,972	37,359	0	218,331
Furniture	21,894	2,872	0	24,766
Software	28,941	3,035	0	31,976
Vehicles	43,043	0	0	43,043
School buses	515,921	43,532	61,379	498,074
	<u>2,657,446</u>	<u>\$ 282,277</u>	<u>\$ 61,379</u>	<u>2,878,344</u>
Net capital assets	<u>\$ 7,340,389</u>			<u>\$ 7,195,784</u>

L'ANSE AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS - June 30, 2009

NOTE F - FIXED ASSETS (Continued)

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

Governmental activities	
Athletic Fund	\$ 7,634
School Food Service	7,085
General Fund:	
Instructional	205,940
Supporting Services	4,626
Operations	12,060
Transportation	<u>44,932</u>
Total governmental activities	<u>\$ 282,277</u>

NOTE G - PAYABLES

Accounts payable and accrued liabilities as of June 30, 2009, for the District's individual major funds and non-major funds in the aggregate, are as follows:

Fund Financial Statements:	General	Non-Major Funds	Total
Accounts payable	\$ 38,302	\$ 15,773	\$ 54,075
Salaries payable	319,123	14,371	333,494
Accrued expenses	191,814	3,934	195,748
Total accounts payable and accrued liabilities	<u>\$ 549,239</u>	<u>\$ 34,078</u>	<u>\$ 583,317</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, 2009

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>
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>\$ 1,595,859</u>	<u>\$ 1,595,859</u>	<u>\$ 7,465,000</u>	<u>\$ 10,656,718</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>
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>\$ 8,829</u>	<u>\$ 46,597</u>	<u>\$ 55,426</u>

The following is a summary of the changes in the general long-term debt for the year ended June 30, 2009:

	<u>Balance June 30, 2008</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2009</u>	<u>Current Portion</u>
2006 Refunding Bonds	\$ 7,760,000	\$ 0	\$ 295,000	\$ 7,465,000	\$ 305,000
Durant Bond	53,918	0	7,321	46,597	7,670
	<u>7,813,918</u>	<u>0</u>	<u>302,321</u>	<u>7,511,597</u>	<u>\$ 312,670</u>
Accrued Interest	52,001	0	1,764	50,237	
Accrued Benefits	422,443	0	32,646	389,797	
TOTAL	<u>\$ 8,288,362</u>	<u>\$ 0</u>	<u>\$ 336,731</u>	<u>\$ 7,951,631</u>	

NOTE H - LONG TERM DEBT (Continued)

As of June 30, 2009, the aggregate maturities of long-term debt for the next ten years and thereafter are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 7,511,597</u>	<u>\$ 3,200,547</u>	<u>\$ 10,712,144</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.

The District was required by the state statute to contribute 16.72% of covered compensation through September 30, 2008 and 16.54% 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, 2009, 2008, and 2007, were \$682,805, \$693,427, and \$647,070 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.

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

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 K - 403(b) RETIREMENT PLAN

The District established a 403(b) plan, a qualified, tax sheltered annuity or custodial account plan for the exclusive benefit of eligible employees and their beneficiaries. The plan is self administered by the District with a plan year ending each December 31. Participates in the plan must be an employee receiving compensation for personal service in covered employment.

The plan is intended to be a qualified tax sheltered annuity or custodial account plan in which payments are taxable to the recipient only upon actual distribution of benefits under Section 72 and 403(b) of the Internal Revenue Code of 1986, as amended (the Code).

The Employer is not required to make contributions. Accounts are established by the employee's investment provider for each type of contribution.

NOTE K - 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 L - ECONOMIC DEPENDENCY

The District received approximately 59% 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 M - 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, 2009, which can be obtained through the District.

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

L'ANSE AREA SCHOOLS
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variance Final to Actual
	Original	Final		
REVENUES:				
Local sources	\$ 1,190,821	\$ 1,192,058	\$ 1,216,078	\$ 24,020
State sources	4,760,300	4,530,477	4,515,786	(14,691)
Federal sources	553,439	1,413,158	1,400,531	(12,627)
TOTAL REVENUE	<u>6,504,560</u>	<u>7,135,693</u>	<u>7,132,395</u>	<u>(3,298)</u>
EXPENDITURES:				
Instruction	3,996,976	4,131,244	4,094,710	36,534
Supporting services	2,604,855	2,495,567	2,364,505	131,062
TOTAL EXPENDITURES	<u>6,601,831</u>	<u>6,626,811</u>	<u>6,459,215</u>	<u>167,596</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(97,271)	508,882	673,180	(164,298)
OTHER FINANCING SOURCES (USES):				
Incoming transfers and other transactions	28,899	23,922	30,533	6,611
Operating transfers in (out)	(203,068)	(234,449)	(211,107)	23,342
Outgoing transfers and other transactions	(10,920)	(12,619)	(15,519)	(2,900)
Prior period adjustment	-	-	68	68
Total other financing sources (uses)	(185,089)	(223,146)	(196,025)	27,121
NET CHANGE IN FUND BALANCE	<u>\$ (282,360)</u>	<u>\$ 285,736</u>	477,155	<u>\$ (137,177)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>664,643</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,141,798</u>	

OTHER SUPPLEMENTAL FINANCIAL INFORMATION

L'ANSE AREA SCHOOLS
GENERAL FUND
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2009

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2008</u>
REVENUES:				
Local sources:				
Taxes	\$ 1,073,504	\$ 1,081,468	\$ (7,964)	\$ 1,167,467
Other local sources:				
Investment revenue	25,000	27,987	(2,987)	41,788
Penalties and interest	4,000	5,883	(1,883)	5,697
Rentals	-	-	-	4,484
Contributions	-	1,613	(1,613)	5,664
Other	69,554	72,667	(3,113)	69,984
Total other local sources	<u>98,554</u>	<u>108,150</u>	<u>(9,596)</u>	<u>127,617</u>
Intermediate sources	<u>20,000</u>	<u>26,460</u>	<u>(6,460)</u>	<u>50,265</u>
Total local sources	<u>1,192,058</u>	<u>1,216,078</u>	<u>(24,020)</u>	<u>1,345,349</u>
State sources:				
Unrestricted grant - State Aid	<u>4,228,122</u>	<u>4,224,472</u>	<u>3,650</u>	<u>4,536,719</u>
Restricted grants:				
Special Education	143,958	143,958	-	180,215
Bilingual	24,194	16,877	7,317	5,336
At-Risk	127,460	123,656	3,804	125,860
Vocational Education	6,743	6,823	(80)	8,258
Durant settlement	-	-	-	26,310
Total restricted grants	<u>302,355</u>	<u>291,314</u>	<u>11,041</u>	<u>345,979</u>
Total state sources	<u>4,530,477</u>	<u>4,515,786</u>	<u>14,691</u>	<u>4,882,698</u>
Federal sources:				
Title I	125,670	124,750	920	106,631
Title II	57,226	43,678	13,548	27,011
Title III	29,306	13,325	15,981	19,512
Title V	-	-	-	1,876
Title VI	-	4,919	(4,919)	-
Title VII	54,355	54,355	-	54,456
American Recovery Reform Act	289,133	289,129	4	-
Impact Aid	754,586	754,586	-	51,088
Ottawa National Forest	88,000	100,907	(12,907)	98,253
Small Rural School Achievement	14,882	14,882	-	14,872
Total federal sources	<u>1,413,158</u>	<u>1,400,531</u>	<u>12,627</u>	<u>373,699</u>
TOTAL REVENUES	<u>7,135,693</u>	<u>7,132,395</u>	<u>3,298</u>	<u>6,601,746</u>
EXPENDITURES:				
Instruction:				
Basic program:				
Elementary School	1,320,466	1,308,316	12,150	1,371,891
Middle School	812,928	791,595	21,333	773,855
High School	1,286,946	1,287,147	(201)	1,206,901
Total basic program	<u>3,420,340</u>	<u>3,387,058</u>	<u>33,282</u>	<u>3,352,647</u>

L'ANSE AREA SCHOOLS
GENERAL FUND
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (Continued)
Year Ended June 30, 2009

	BUDGET	ACTUAL	VARIANCE	2008
Added needs:				
Special Education	448,697	449,116	(419)	436,719
Compensatory education	176,593	175,233	1,360	132,414
Vocational Education	85,614	83,303	2,311	88,515
Total added needs	710,904	707,652	3,252	657,648
Total instruction	4,131,244	4,094,710	36,534	4,010,295
Supporting services:				
Pupil:				
Attendance	10,478	7,688	2,790	20,989
Guidance	166,039	153,534	12,505	140,036
Health	18,175	15,256	2,919	17,684
Other pupil services	70,632	57,008	13,624	56,422
Total pupil services	265,324	233,486	31,838	235,131
Instructional staff:				
Improvement of instruction	21,032	5,203	15,829	5,237
Library	29,650	21,198	8,452	24,140
Supervision/direction instructional staff	65,975	57,751	8,224	66,611
Total instructional staff	116,657	84,152	32,505	95,988
General administration:				
Board of education	37,556	43,189	(5,633)	29,269
Executive administration	217,034	211,515	5,519	193,237
Total general administration	254,590	254,704	(114)	222,506
School administration	477,362	475,967	1,395	455,311
Community services	3,953	3,324	629	2,969
Other supporting services:				
Business-fiscal services	152,360	144,297	8,063	129,503
Operation & maintenance	715,343	694,897	20,446	687,746
Pupil transportation	381,629	357,259	24,370	379,802
Staff/Personnel services	1,017	-	1,017	3,286
Technology	127,332	116,419	10,913	114,095
Total other supporting services	1,377,681	1,312,872	64,809	1,314,432
Total supporting services	2,495,567	2,364,505	131,062	2,326,337
TOTAL EXPENDITURES	6,626,811	6,459,215	167,596	6,336,632
EXCESS OF REVENUES OVER EXPENDITURES	508,882	673,180	(164,298)	265,114

L'ANSE AREA SCHOOLS
GENERAL FUND
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (Continued)
Year Ended June 30, 2009

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2008</u>
OTHER FINANCING SOURCES (USES):				
Incoming transfers - other schools	23,922	30,533	(6,611)	23,502
Operating transfer in (out)	(234,449)	(211,107)	(23,342)	(209,793)
State Aid adjustment	(5,469)	(1,010)	4,459	-
Other outgoing transfers	(7,150)	(14,509)	7,359	(8,970)
Prior period adjustment	-	68	68	(3,386)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(223,146)</u>	<u>(196,025)</u>	<u>(27,121)</u>	<u>(191,875)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 285,736</u>	477,155	<u>\$ (191,419)</u>	73,239
FUND BALANCE, BEGINNING OF YEAR		<u>664,643</u>		<u>591,404</u>
FUND BALANCE, END OF YEAR		<u>\$ 1,141,798</u>		<u>\$ 664,643</u>

L'ANSE AREA SCHOOLS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
June 30, 2009

						Totals	
	Athletic	Community Services	School Food Service	Debt	Capital Projects	Memorandum Only	
						2009	2008
ASSETS AND OTHER DEBITS:							
Cash	\$ 1,087	\$ 241	\$ 25,702	\$ -	\$ 133,744	\$ 160,774	\$ 128,747
Restricted cash	-	-	-	152,100	-	152,100	198,322
Receivables	15,649	-	13,811	49,215	-	78,675	48,560
Inventory	-	-	4,770	-	-	4,770	4,348
Prepaid expenses	-	35	1,094	-	-	1,129	1,063
Due from other funds	-	3,106	-	-	-	3,106	54,956
Due from other governmental units	6,635	14,527	3,017	876	-	25,055	38,479
TOTAL ASSETS	\$ 23,371	\$ 17,909	\$ 48,394	\$ 202,191	\$ 133,744	\$ 425,609	\$ 474,475
LIABILITIES:							
Accounts payable	\$ 6,841	\$ 2,080	\$ 469	\$ 400	\$ 5,983	\$ 15,773	\$ 25,026
Accrued expenses	8,618	9,687	-	-	-	18,305	1,548
Deferred revenue	500	-	-	25,760	-	26,260	25,319
Due to other governmental units	-	-	3	-	-	3	-
Due to other funds	7,412	6,142	7,137	-	-	20,691	62,712
TOTAL LIABILITIES	23,371	17,909	7,609	26,160	5,983	81,032	114,605
FUND EQUITY:							
Fund balance - reserved	-	-	4,770	176,031	-	180,801	142,915
Fund balance - unreserved	-	-	36,015	-	127,761	163,776	216,955
TOTAL FUND EQUITY	-	-	40,785	176,031	127,761	344,577	359,870
TOTAL LIABILITIES AND FUND EQUITY	\$ 23,371	\$ 17,909	\$ 48,394	\$ 202,191	\$ 133,744	\$ 425,609	\$ 474,475

L'ANSE AREA SCHOOLS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
June 30, 2009

	Athletic	Community Services	School Food Service	Debt	Capital Projects	Totals	
						Memorandum Only	
						2009	2008
REVENUES:							
Local sources	\$ 52,951	\$ 30,927	\$ 105,797	\$ 584,946	\$ 49,859	\$ 824,480	\$ 918,365
State sources	-	5,988	12,275	9,238	-	27,501	15,000
Federal sources	-	-	166,068	-	-	166,068	149,712
TOTAL REVENUES	52,951	36,915	284,140	594,184	49,859	1,018,049	1,083,077
EXPENDITURES:							
Salaries	81,806	59,269	67,539	-	-	208,614	198,025
Employee benefits	19,902	38,988	57,002	-	-	115,892	100,608
Purchase services	40,396	4,209	1,166	-	3,600	49,371	29,663
Supplies, materials, and other	29,836	10,553	160,991	1,577	63,061	266,018	212,985
Interest expense	-	-	-	312,505	-	312,505	387,408
TOTAL EXPENDITURES:	171,940	113,019	286,698	314,082	66,661	952,400	928,689
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(118,989)	(76,104)	(2,558)	280,102	(16,802)	65,649	154,388
OTHER FINANCING SOURCES (USES)							
Operating transfers in (out)	105,722	79,099	(16,470)	-	42,756	211,107	209,793
Incoming transfers - other schools	13,267	-	-	-	-	13,267	12,087
Bond payments	-	-	-	(302,321)	-	302,321	265,000
Transfer to other entities	-	(2,995)	-	-	-	(2,995)	(3,112)
TOTAL OTHER FINANCING SOURCES (USES)	118,989	76,104	(16,470)	(302,321)	42,756	(80,942)	(46,232)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	-	-	(19,028)	(22,219)	25,954	(15,293)	108,156
FUND BALANCE, BEGINNING OF YEAR	-	-	59,813	198,250	101,807	359,870	251,714
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ 40,785	\$ 176,031	\$ 127,761	\$ 344,577	\$ 359,870

L'ANSE AREA SCHOOLS
ATHLETIC FUND
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2009

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2008</u>
REVENUES:				
Local sources:				
Gate receipts	\$ 26,500	\$ 26,923	\$ (423)	\$ 38,636
Interest income	200	209	(9)	529
Contributions	13,471	16,528	(3,057)	3,992
Other	7,080	9,291	(2,211)	8,935
TOTAL REVENUES	<u>47,251</u>	<u>52,951</u>	<u>(5,700)</u>	<u>52,092</u>
EXPENDITURES:				
Salaries	82,057	81,806	251	77,028
Employee benefits	20,312	19,902	410	19,736
Purchase services	41,100	40,396	704	23,880
Supplies, materials, and other	26,000	29,836	(3,836)	25,026
TOTAL EXPENDITURES	<u>169,469</u>	<u>171,940</u>	<u>(2,471)</u>	<u>145,670</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(122,218)	(118,989)	(3,229)	(93,578)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	116,218	105,722	10,496	81,491
Incoming transfers - other schools	6,000	13,267	(7,267)	12,087
TOTAL OTHER FINANCING SOURCES (USES)	<u>122,218</u>	<u>118,989</u>	<u>3,229</u>	<u>93,578</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, 2009

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2008</u>
REVENUES:				
Local sources:				
Contributions	\$ 900	\$ 962	\$ (62)	\$ 413
Interest income	200	189	11	392
Miscellaneous	600	790	(190)	946
Total local sources	<u>1,700</u>	<u>1,941</u>	<u>(241)</u>	<u>1,751</u>
Unrestricted political subdivision	<u>25,000</u>	<u>28,986</u>	<u>(3,986)</u>	<u>31,305</u>
State sources	<u>6,000</u>	<u>5,988</u>	<u>12</u>	<u>3,094</u>
TOTAL REVENUES	<u>32,700</u>	<u>36,915</u>	<u>(4,215)</u>	<u>36,150</u>
EXPENDITURES:				
Salaries	61,808	59,269	2,539	55,252
Employee benefits	46,362	38,988	7,374	37,234
Purchase services	4,771	4,209	562	3,949
Supplies, materials, and other	8,599	10,553	(1,954)	6,375
TOTAL EXPENDITURES	<u>121,540</u>	<u>113,019</u>	<u>8,521</u>	<u>102,810</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(88,840)	(76,104)	(12,736)	(66,660)
OTHER FINANCING SOURCES (USES)				
Transfer to other entities	(3,105)	(2,995)	(110)	(3,112)
Operating transfers in	91,945	79,099	12,846	69,772
TOTAL OTHER FINANCING SOURCES (USES)	<u>88,840</u>	<u>76,104</u>	<u>12,736</u>	<u>66,660</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
SCHOOL FOOD SERVICE FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2009

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2008</u>
REVENUES:				
Local sources:				
Adult lunches	\$ 8,350	\$ 9,851	\$ (1,501)	\$ 9,026
A-La-Carte	4,900	5,498	(598)	5,326
Student lunches	86,750	87,115	(365)	77,775
Interest	700	855	(155)	1,904
Miscellaneous	-	2,478	(2,478)	1,117
Total local sources	<u>100,700</u>	<u>105,797</u>	<u>(5,097)</u>	<u>95,148</u>
State sources	<u>11,900</u>	<u>12,275</u>	<u>(375)</u>	<u>11,906</u>
Federal sources:				
School lunch program	145,000	146,178	(1,178)	128,399
USDA entitlements	18,000	19,890	(1,890)	21,313
Total federal sources	<u>163,000</u>	<u>166,068</u>	<u>(3,068)</u>	<u>149,712</u>
TOTAL REVENUES	<u>275,600</u>	<u>284,140</u>	<u>(8,540)</u>	<u>256,766</u>
EXPENDITURES:				
Salaries	66,271	67,539	(1,268)	65,745
Employee benefits	51,080	57,002	(5,922)	43,638
Purchase services	3,500	1,166	2,334	1,834
Supplies, materials, and other	155,700	160,991	(5,291)	154,742
TOTAL EXPENDITURES	<u>276,551</u>	<u>286,698</u>	<u>(10,147)</u>	<u>265,959</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(951)	(2,558)	1,607	(9,193)
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	(16,470)	(16,470)	-	(16,470)
Prior period adjustment	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(16,470)</u>	<u>(16,470)</u>	<u>-</u>	<u>(16,470)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ (17,421)</u>	<u>(19,028)</u>	<u>\$ 1,607</u>	<u>(25,663)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>59,813</u>		<u>85,476</u>
FUND BALANCE, END OF YEAR		<u>\$ 40,785</u>		<u>\$ 59,813</u>

L'ANSE AREA SCHOOLS
DEBT SERVICE FUND
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2009

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2008</u>
REVENUES:				
Local sources:				
Current taxes	\$ 548,964	\$ 547,019	\$ 1,945	\$ 608,068
Interest income	4,500	5,584	(1,084)	78,591
Other taxes	24,000	29,961	(5,961)	24,934
State sources	9,238	9,238	-	-
Penalties & interest on delinquent taxes	-	2,382	(2,382)	2,573
TOTAL REVENUES	<u>586,702</u>	<u>594,184</u>	<u>(7,482)</u>	<u>714,166</u>
EXPENDITURES:				
Interest on bonds	312,505	312,505	-	387,408
Other expenses	5,000	1,577	3,423	2,075
TOTAL EXPENDITURES	<u>317,505</u>	<u>314,082</u>	<u>3,423</u>	<u>389,483</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	269,197	280,102	(10,905)	324,683
OTHER FINANCING SOURCES (USES):				
Redemption of bond principal	<u>(302,321)</u>	<u>(302,321)</u>	-	<u>(265,000)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (33,124)</u>	<u>(22,219)</u>	<u>\$ (10,905)</u>	<u>59,683</u>
FUND BALANCE, BEGINNING OF YEAR		<u>198,250</u>		<u>138,567</u>
FUND BALANCE, END OF YEAR		<u>\$ 176,031</u>		<u>\$ 198,250</u>

L'ANSE AREA SCHOOLS
CAPITAL PROJECTS FUND
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2009

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2008</u>
REVENUES:				
Contributions	\$ 27,500	\$ 28,759	\$ (1,259)	\$ 9,321
Intermediate sources	19,129	19,129	-	-
Sale of timber	-	806	(806)	13,679
Interest	1,000	1,165	(165)	903
TOTAL REVENUE	<u>47,629</u>	<u>49,859</u>	<u>(2,230)</u>	<u>23,903</u>
EXPENDITURES:				
Professional fees	3,600	3,600	-	-
Vehicles	53,285	63,061	(9,776)	24,767
TOTAL EXPENDITURES	<u>56,885</u>	<u>66,661</u>	<u>(9,776)</u>	<u>24,767</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(9,256)	(16,802)	7,546	(864)
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	<u>42,756</u>	<u>42,756</u>	<u>-</u>	<u>75,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ 33,500</u>	25,954	<u>\$ 7,546</u>	74,136
FUND BALANCE, BEGINNING OF YEAR		<u>101,807</u>		<u>27,671</u>
FUND BALANCE, END OF YEAR		<u>\$ 127,761</u>		<u>\$ 101,807</u>

L'ANSE AREA SCHOOLS
AGENCY FUND - STUDENT ACTIVITIES
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended June 30, 2009

	<u>Balance</u> <u>July 1, 2008</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2009</u>
ASSETS:				
Cash	\$ 66,851	\$ 136,727	\$ 126,977	\$ 76,601
LIABILITIES:				
Due to Student Groups:				
Elementary School	\$ 20,014	\$ 12,678	\$ 15,198	\$ 17,494
High School	46,837	124,049	111,779	59,107
TOTAL LIABILITIES	<u>\$ 66,851</u>	<u>\$ 136,727</u>	<u>\$126,977</u>	<u>\$ 76,601</u>

L'ANSE AREA SCHOOLS
SCHOLARSHIP TRUST FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended June 30, 2009

	<u>Balance</u> <u>July 1, 2008</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2009</u>
ASSETS:				
Investment	\$ 254,318	\$ 6,110	\$ 7,100	\$ 253,328
Accounts Receivable	100	0	100	0
TOTAL ASSETS	<u>\$ 254,418</u>	<u>\$ 6,110</u>	<u>\$ 7,200</u>	<u>\$ 253,328</u>
LIABILITIES:				
Due to General Fund	\$ 1,182	\$ 0	\$ 1,182	\$ 0
Due to Scholarship Funds				
Berg Memorial	3,761	56	0	3,817
BHK	0	500	500	0
Board of Education	10,903	163	0	11,066
Community Action	0	2,000	2,000	0
Dubuque	378	(46)	0	332
Guay	26,618	392	1,200	25,810
Groleau	0	500	500	0
Guy	4,007	60	0	4,067
Higgins	46,149	1,688	1,000	46,837
Juntunen	18,441	273	500	18,214
McKindles Award	841	12	100	753
Putula	(152)	152	0	0
Roth	33,637	1,187	1,655	33,169
St. John	108,653	1,610	1,000	109,263
Turpeinen	0	300	300	0
TOTAL LIABILITIES	<u>\$ 254,418</u>	<u>\$ 8,847</u>	<u>\$ 9,937</u>	<u>\$ 253,328</u>

L'ANSE AREA SCHOOLS
TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended June 30, 2009

	<u>Balance</u> <u>July 1, 2008</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2009</u>
ASSETS:				
Cash	\$ 16,091	\$ 3,436,907	\$ 3,436,756	\$ 16,242
LIABILITIES:				
Due to other governmental units	\$ 16,091	\$ 3,436,907	\$ 3,436,756	\$ 16,242

**L'ANSE AREA SCHOOLS
FEDERAL AWARDS
June 30, 2009**

**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, 2009, which collectively comprise L'Anse Area Schools' basic financial statements and have issued our report thereon dated September 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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.

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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of L'Anse Area Schools in a separate letter dated September 17, 2009.

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

September 17, 2009



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, 2009. 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, 2009.

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.

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

September 17, 2009

L'ANSE AREA SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) revenue July 1, 2008	Current Year Cash Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2009
<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	54,355	0	52,518	54,355	1,837
Small Rural Achievement Grant - REAP	84.358A	14,882	0	14,882	14,882	0
P.L. 874 - Impact Aid	84.041	754,586	0	754,586	754,586	0
Total Direct		<u>1,307,323</u>	<u>(1,000)</u>	<u>821,986</u>	<u>823,823</u>	<u>837</u>
Passed through Michigan Department of Education						
Title I Part A Grant 081530-0708	84.010	120,331	106,631	106,631	0	0
Title I Part A Grant 091530-0809	84.010	124,750	0	108,991	124,750	15,759
		<u>245,081</u>	<u>106,631</u>	<u>215,622</u>	<u>124,750</u>	<u>15,759</u>
Title IIA Improving Teacher Quality 080520-0708	84.367	38,916	11,173	11,173	0	0
Title IIA Improving Teacher Quality 090520-0809	84.367	43,678	0	36,162	43,678	7,516
		<u>82,594</u>	<u>11,173</u>	<u>47,335</u>	<u>43,678</u>	<u>7,516</u>
Title IID 84290-0708	84.367	<u>1,037</u>	<u>684</u>	<u>684</u>	<u>0</u>	<u>0</u>
Title III Limited English 080580-0708	84.365	28,688	3,757	3,757	0	0
Title III Limited English 090580-0809	84.365	13,325	0	12,690	13,325	635
		<u>42,013</u>	<u>3,757</u>	<u>16,447</u>	<u>13,325</u>	<u>635</u>
ARRA Education Stabilization Fund	84.394	<u>289,129</u>	<u>0</u>	<u>0</u>	<u>289,129</u>	<u>289,129</u>
Title V LEA Allocation 080250-0708	84.298	<u>1,876</u>	<u>1,876</u>	<u>1,876</u>	<u>0</u>	<u>0</u>
Total Passed through M.D.E.		<u>661,730</u>	<u>124,121</u>	<u>281,964</u>	<u>470,882</u>	<u>313,039</u>
Passed through Copper Country ISD						
Healthy Hearts for Life	84.215F	10,798	0	10,798	4,919	(5,879)
Total U.S. Dept of Education		<u>1,979,851</u>	<u>123,121</u>	<u>1,114,748</u>	<u>1,299,624</u>	<u>307,997</u>

L'ANSE AREA SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009
(Continued)

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) revenue July 1, 2008	Current Year Cash Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2009
<i>U.S. Department of Agriculture:</i>						
Passed Through Michigan Dept of Education						
National School Lunch						
Section 4 - All Lunches	10.555	21,062	147	21,209	21,062	0
Section 11 - Free & Reduced	10.555	92,416	686	92,599	92,416	503
Snacks	10.555	2,266	145	2,322	2,266	89
		<u>115,744</u>	<u>978</u>	<u>116,130</u>	<u>115,744</u>	<u>592</u>
Breakfast	10.533	30,434	180	30,355	30,434	259
		<u>146,178</u>	<u>1,158</u>	<u>146,485</u>	<u>146,178</u>	<u>851</u>
Food Distributions- Entitlement Commodities	10.550	13,302	0	13,302	13,302	0
Food Distributions- Bonus Commodities	10.550	6,588	0	6,588	6,588	0
		<u>19,890</u>	<u>0</u>	<u>19,890</u>	<u>19,890</u>	<u>0</u>
		<u>166,068</u>	<u>1,158</u>	<u>166,375</u>	<u>166,068</u>	<u>851</u>
Passed Through Houghton County						
Ottawa National Forest	10.670	100,907	0	100,907	100,907	0
		<u>266,975</u>	<u>1,158</u>	<u>267,282</u>	<u>266,975</u>	<u>851</u>
Total U.S. Dept of Agriculture		<u>266,975</u>	<u>1,158</u>	<u>267,282</u>	<u>266,975</u>	<u>851</u>
TOTALS		<u>\$ 2,246,826</u>	<u>\$ 124,279</u>	<u>\$ 1,382,030</u>	<u>\$ 1,566,599</u>	<u>\$ 308,848</u>

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

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 \$1,566,599. The amounts reported as current payments on the MDE grant auditor reports reconcile with the Schedule of Expenditures of Federal Awards as follows:

Total current payments per MDE grant auditor reports	\$	459,356
Prior year grants reported		(156,188)
Payments received through other sources		1,238,669
Accrued/deferred grant revenue		24,762
Schedule of Expenditures of Federal Awards	\$	<u>1,566,599</u>

L'ANSE AREA SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2009

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
- Significant deficiency(ies) 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
- Significant deficiency(ies) 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>
84.041	Impact Aid
84.394	Education Stabilization Fund

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

Auditee qualified as low-risk auditee? No

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.