

Lake Orion Community Schools

**Financial Report
with Supplemental Information
June 30, 2013**

Lake Orion Community Schools

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Independent Auditor's Report

To the Board of Education
Lake Orion Community Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Lake Orion Community Schools (the "School District") as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

To the Board of Education
Lake Orion Community Schools

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Lake Orion Community Schools as of June 30, 2013 and the respective changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, effective July 1, 2012 the School District adopted the provisions of Governmental Accounting Standards Board Statement Nos. 62, 63, and 65. Our opinion is not modified with respect to this matter.

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Lake Orion Community Schools' basic financial statements. The nonmajor governmental funds combining balance sheet, combining statement of revenue, expenditures, and changes in fund balance, and the schedule of bonded indebtedness are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

To the Board of Education
Lake Orion Community Schools

The nonmajor governmental funds combining balance sheet, combining statement of revenue, expenditures, and changes in fund balance, and the schedule of bonded indebtedness are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the accounting procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, nonmajor governmental funds combining balance sheet, combining statement of revenue, expenditures, and changes in fund balance, and the schedule of bonded indebtedness are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2013 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



September 23, 2013

Lake Orion Community Schools

Management's Discussion and Analysis

This section of Lake Orion Community Schools' (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2013. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Lake Orion Community Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant fund - the General Fund, with all other funds presented in one column as nonmajor funds. The School District's Proprietary Internal Service Fund is reported separately from the governmental funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

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

Basic Financial Statements

District-wide Financial Statements Fund Financial Statements
Proprietary Fund - Internal Service Fund Fiduciary Fund

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Fund

Other Supplemental Information

Lake Orion Community Schools

Management's Discussion and Analysis (Continued)

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

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

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

The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, food services, athletics, and community services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Community Service Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Lake Orion Community Schools

Management's Discussion and Analysis (Continued)

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

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

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

Lake Orion Community Schools

Management's Discussion and Analysis (Continued)

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table I provides a summary of the School District's net position as of June 30, 2013 and 2012.

TABLE I

	Governmental Activities	
	2013	2012
	(in millions)	
Assets		
Current and other assets	\$ 21.6	\$ 22.9
Capital assets	<u>151.0</u>	<u>151.9</u>
Total assets	172.6	174.8
Deferred Outflows of Resources - Deferred charges from refunding bonds	3.9	4.2
Liabilities		
Current liabilities	23.3	21.1
Long-term liabilities	<u>132.1</u>	<u>136.2</u>
Total liabilities	<u>155.4</u>	<u>157.3</u>
Net Position		
Net investment in capital assets	20.6	17.8
Restricted for debt service	0.3	0.6
Restricted for food service	0.7	0.8
Unrestricted	<u>(0.5)</u>	<u>2.5</u>
Total net position	<u>\$ 21.1</u>	<u>\$ 21.7</u>

The above analysis focuses on the net position (see Table I). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net position was \$21.1 million at June 30, 2013 and \$21.7 million at June 30, 2012. Net investment in capital assets totaling \$20.6 million, compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position of \$1.0 million is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position, (\$0.5) million, was unrestricted.

Lake Orion Community Schools

Management's Discussion and Analysis (Continued)

The (\$0.5) million in unrestricted net position of governmental activities represents the cumulated results of all past years' operations less a portion of the District's School Bond Loan Fund (SBLF) and the School Bond Loan Revolving Fund (SBLRF) liability as required for GASB compliance. This portion of the liability, \$8.2 million, represents the accumulated interest portion embedded within the total SBLF and SBLRF liability. The unrestricted net position, exclusive of the accumulated interest portion of the SBLF and SBLRF, would be \$7.7 million in 2013 and \$9.5 million in 2012. The unrestricted net position balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net position for fiscal years 2013 and 2012.

TABLE 2

	Governmental Activities	
	Year Ended June 30	
	2013	2012
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 4.2	\$ 4.3
Operating grants	15.4	15.5
General revenue:		
Property taxes	18.7	19.1
State foundation allowance	52.2	53.2
Federal unrestricted revenue	-	0.1
Other	1.2	1.1
Total revenue	91.7	93.3
Functions/Program Expenses		
Instruction	48.1	46.6
Support services	27.3	30.6
Food service	2.3	2.3
Athletics	1.2	1.1
Community services	2.0	2.0
Interest on long-term debt	6.1	5.8
Debt issuance costs	0.9	-
Depreciation (unallocated)	4.4	4.1
Total functions/program expenses	92.3	92.5
(Decrease) Increase in Net Position	\$ (0.6)	\$ 0.8

Lake Orion Community Schools

Management's Discussion and Analysis (Continued)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$92.3 million. Certain activities were partially funded from those who benefited from the programs, \$4.2 million, or by other governments and organizations that subsidized certain programs with grants and contributions of \$15.4 million. We paid for the remaining "public benefit" portion of our governmental activities with \$18.7 million in taxes, \$52.2 million in state foundation allowance, and with \$1.2 million of other revenue, i.e., interest and general entitlements.

As shown below, we have presented the cost of three of the School District's main functions - instructional programs, support programs, and athletics, as well as each program's net cost (total cost less revenue generated by the activities). As discussed above, net cost shows the financial burden that was placed on the School District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Year Ended June 30	Government-wide Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2013		2012	
	(in millions)		(in millions)	
Instruction	\$ 48.1	\$ 38.0	\$ 46.6	\$ 36.5
Support services	27.3	22.6	30.6	25.9
Athletics	1.2	0.7	1.1	0.7
All others	15.7	11.4	14.2	9.6
Total	\$ 92.3	\$ 72.7	\$ 92.5	\$ 72.7

The School District experienced a decrease in net position of \$0.6 million. The net position invested in capital assets (net of related debt) increased by \$2.8 million. Net position restricted for debt service decreased by \$0.3 million. The unrestricted net position balance decreased by \$3.0 million. Additionally, long-term debt decreased by \$4.1 million, and the net capital assets balance decreased by \$0.9 million.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

Lake Orion Community Schools

Management's Discussion and Analysis (Continued)

The School District's Funds

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$11.8 million, which is a decrease of \$2.6 million from last year. The changes by major and nonmajor funds are as follows:

	General Fund	Other Nonmajor Funds	Total
Fund balance - Beginning of year	\$ 12,467,515	\$ 1,910,793	\$ 14,378,308
(Decrease) increase	(2,728,739)	149,915	(2,578,824)
Fund balance - End of year	<u>\$ 9,738,776</u>	<u>\$ 2,060,708</u>	<u>\$ 11,799,484</u>

In the General Fund, our principal operating fund, the fund balance decreased by \$2.7 million from 2012. Revenue and other financing sources decreased by \$1.5 million from 2012, while expenditures decreased by \$0.6 million. The fund balance of the General Fund is available to fund costs related to allowable school operating purposes.

The other nonmajor funds increased slightly by \$0.1 million during the year ended June 30, 2013.

General Fund Budgetary Highlights

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

A budget is a fluid document. Therefore, as expected, there were revisions made to the 2012-2013 General Fund budget. Revisions to the expenditures were due to adjustments based on more accurate information.

Lake Orion Community Schools

Management's Discussion and Analysis (Continued)

There were five areas of significant variances between the final budget amounts and actual, based on dollar amount and percentages. Expenditures were less than budgeted for basic programs and added needs by \$0.8 million which is tied to teacher salary projections being less than actual. Pupil support services were less than budgeted by \$0.1 million which is tied to state grant funding. Operation and maintenance expenditures were more than budgeted by \$0.1 million related to higher than expected utility costs. Lastly, transportation services were less than budgeted by \$0.4 million and transfers out were more than budgeted by \$0.5 million due to the transfer of capital bus lease payments from the General Fund to the Operating Capital Projects Fund. No other areas of significance were noted.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2013, the School District had \$151.0 million invested in a broad range of capital assets, including land, buildings and improvements, transportation equipment, and furniture and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately \$0.1 million or 1.0 percent, from last year.

	2013	2012
Land	\$ 13,421,804	\$ 13,421,804
Buildings and building improvements	197,278,827	197,120,589
Buses and other vehicles	4,862,302	2,425,484
Furniture and equipment	10,055,368	9,357,586
Subtotal	225,618,301	222,325,463
Accumulated depreciation	(74,590,341)	(70,375,696)
Net capital assets	<u>\$ 151,027,960</u>	<u>\$ 151,949,767</u>

The decrease of \$0.9 million in the fiscal year 2013 (net of current year depreciation) is due to the current year's depreciation being greater than the amount of additions. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$103.5 million in bonds outstanding versus \$112.3 million in the previous year - a decrease of 7.8 percent. Those bonds consisted of the following:

	2013	2012
General obligation bonds	<u>\$ 103,505,000</u>	<u>\$ 112,260,000</u>

Lake Orion Community Schools

Management's Discussion and Analysis (Continued)

The School District's general obligation bond rating is "AA-" from Standard and Poor's Ratings Services and "Aa2" from Moody's Investor Services. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. The School District's outstanding qualified general obligation debt of \$103.5 million is below the \$230.9 million statutorily imposed limit.

Other obligations include the School Bond Loan Fund, School Bond Loan Revolving Fund, capital leases, accrued vacation pay, and sick leave. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration considered many factors when setting the School District's 2014 fiscal year budget. Two of the most important factors affecting the budget are the economic condition of the State of Michigan and our student count. The June 30, 2014 budget was adopted in June 2013, based on an estimate of property tax revenue, state aid, and grant funding. State law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations. Since the School District's revenue is primarily dependent on state aid from the School Aid Fund and local property taxes, the actual revenue received by the School District depends on the health of the School District's tax base and the State's ability to collect revenue to fund its appropriations to school districts. Under state law, the School District cannot assess additional property tax revenue for general operations.

The state foundation revenue is determined by multiplying the blended student count by foundation allowance per pupil. The blended count for the 2014 fiscal year has changed from the prior year to 90 percent of the September 2013 and 10 percent of the February 2014 student counts. The 2013-2014 budgets were adopted in June 2013, based on an estimate of students that will be enrolled in September 2013. Based on early enrollment data at the start of the 2013-2014 school year, we anticipate that the fall student count will be in line with the estimates used to create the 2013-2014 budget.

Lake Orion Community Schools

Management's Discussion and Analysis (Continued)

In the recent past, the State of Michigan has issued several executive orders prorating and reducing, midyear, the State's funding commitment to the School District. This possibility continues to exist for fiscal year 2013-2014. The extent to which possible funding prorating by the State of Michigan and how it affects Lake Orion Community Schools' budget has yet to be determined. While legislators must work toward balancing a budget in times of limited financial resources, the School District recognizes it must do the same. The School District has made every effort over the past decade to prepare for the challenges of the struggling economy. Program cost reduction, elimination, and avoidance in excess of \$20.0 million have been enacted over that time. The budgetary changes are the result of ongoing operational cost sharing, outsourcing, and restructuring activities. As a result of our past decisions, the School District can continue to afford itself the opportunity to make measured, intentional, systemic changes to its operations. We recognize and appreciate that to remain fiscally responsible, we must continue to make operational changes to realign our expenditures with our new level of revenue. For 2013-2014, it is the intention of the School District to absorb a modest level of expenditures beyond revenue with fund balance.

Contacting the School District's Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Lake Orion Community Schools
Business Office
315 N. Lapeer Street
Lake Orion, Michigan 48362

Lake Orion Community Schools

Statement of Net Position June 30, 2013

	Governmental Activities
Assets	
Cash and investments (Note 3)	\$ 8,772,484
Receivables (Note 4)	12,329,782
Other assets	174,635
Restricted assets (Notes 1 and 3)	324,197
Capital assets - Net (Note 5)	<u>151,027,960</u>
Total assets	172,629,058
Deferred Outflows of Resources - Deferred charges from refunding bonds (Note 7)	3,835,076
Liabilities	
Accounts payable	472,071
Accrued payroll and other liabilities	9,555,839
Due to other governmental units	16,448
Unearned revenue (Note 4)	494,339
Long-term liabilities (Note 7):	
Due within one year	12,774,901
Due in more than one year	<u>132,098,637</u>
Total liabilities	<u>155,412,235</u>
Net Position	
Net investment in capital assets	20,618,925
Restricted for debt service	318,499
Restricted for food service	674,138
Unrestricted	<u>(559,663)</u>
Total net position	<u><u>\$ 21,051,899</u></u>

Lake Orion Community Schools

Statement of Activities Year Ended June 30, 2013

	Program Revenue		Governmental	
	Charges for	Operating Grants/ Contributions	Activities	
Expenses	Services		Net (Expense) Revenue and Changes in Net Assets	
Functions/Programs				
Primary government - Governmental activities:				
Instruction	\$ 48,133,481	\$ -	\$ 10,145,398	\$ (37,988,083)
Support services	27,241,617	256,710	4,348,028	(22,636,879)
Food services	2,250,875	1,514,548	889,667	153,340
Athletics	1,214,370	476,235	-	(738,135)
Community services	2,009,162	1,958,455	-	(50,707)
Interest on long-term debt	6,119,171	-	-	(6,119,171)
Debt issuance costs	881,982	-	-	(881,982)
Depreciation (unallocated)	4,413,439	-	-	(4,413,439)
Total primary government - Governmental activities	<u>\$ 92,264,097</u>	<u>\$ 4,205,948</u>	<u>\$ 15,383,093</u>	(72,675,056)
General revenue:				
Taxes:				
Property taxes - Levied for general purposes				7,031,467
Property taxes - Levied for debt services				11,548,887
Property taxes - Delinquent				98,560
State aid not restricted to specific purposes				52,172,611
Interest and investment earnings				24,226
Other				1,159,184
			Total general revenue	<u>72,034,935</u>
Change in Net Position				(640,121)
Net Position - Beginning of year				<u>21,692,020</u>
Net Position - End of year				<u>\$ 21,051,899</u>

Lake Orion Community Schools

Governmental Funds Balance Sheet June 30, 2013

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and investments (Note 3)	\$ 7,476,468	\$ 1,296,016	\$ 8,772,484
Receivables (Note 4):			
Accounts receivable	143,474	3,407	146,881
Due from other governmental units	12,150,521	32,380	12,182,901
Due from other funds (Note 6)	20,856	528,306	549,162
Other assets	129,033	45,602	174,635
Restricted assets (Notes 1 and 3)	-	324,197	324,197
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 19,920,352</u>	<u>\$ 2,229,908</u>	<u>\$ 22,150,260</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 419,933	\$ 52,434	\$ 472,367
Accrued payroll and other liabilities	8,742,718	26,038	8,768,756
Due to other funds (Note 6)	578,306	20,560	598,866
Due to other governmental units	5,782	10,666	16,448
Unearned revenue (Note 4)	434,837	59,502	494,339
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	10,181,576	169,200	10,350,776
Fund Balances			
Nonspendable - Inventories and prepaid costs	129,033	45,602	174,635
Restricted:			
Debt service	-	318,499	318,499
Food service	-	654,823	654,823
Committed - Community services	-	540,203	540,203
Assigned:			
Capital projects	-	501,581	501,581
Long-term obligations - Compensated absences and self-insurance	2,464,502	-	2,464,502
2013-2014 budgeted deficit	920,378	-	920,378
Unassigned - General Fund	6,224,863	-	6,224,863
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	9,738,776	2,060,708	11,799,484
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 19,920,352</u>	<u>\$ 2,229,908</u>	<u>\$ 22,150,260</u>

Lake Orion Community Schools

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2013

Fund Balances - Total governmental funds	\$	11,799,484
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds:		
Cost of capital assets	\$ 225,618,301	
Accumulated depreciation	<u>(74,590,341)</u>	151,027,960
Deferred outflows of resources (deferred refunding costs) that do not benefit the current period are not reported in the governmental funds		
		3,835,076
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:		
Bonds payable and related premium -		
Net of amortization	(109,433,505)	
Capital lease obligations	(2,182,120)	
Compensated absences	(2,239,502)	
School Bond Loan Fund	(22,128,816)	
School Loan Revolving Fund	(8,664,595)	
Self-insurance and other	<u>(225,000)</u>	(144,873,538)
Internal Service Fund assets and liabilities are included in governmental activities in the statement of net position		
		50,000
Accrued interest payable is not included as a liability in governmental funds		
		<u>(787,083)</u>
Net Position - Governmental activities	\$	<u>21,051,899</u>

Lake Orion Community Schools

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2013

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue			
Local sources	\$ 8,875,582	\$ 15,130,940	\$ 24,006,522
State sources	59,312,713	89,522	59,402,235
Federal sources	2,457,727	800,145	3,257,872
Medicaid and ISD sources	4,895,597	-	4,895,597
Total revenue	<u>75,541,619</u>	<u>16,020,607</u>	<u>91,562,226</u>
Expenditures			
Current:			
Instruction	47,995,490	-	47,995,490
Support services	27,093,315	93,529	27,186,844
Food services	-	2,250,770	2,250,770
Athletics	1,216,356	-	1,216,356
Community services	305,665	1,704,305	2,009,970
Debt service:			
Principal	-	9,234,656	9,234,656
Interest	-	6,491,832	6,491,832
Other	-	191,500	191,500
Capital outlay	739,706	3,046,894	3,786,600
Total expenditures	<u>77,350,532</u>	<u>23,013,486</u>	<u>100,364,018</u>
Excess of Expenditures Over Revenue	(1,808,913)	(6,992,879)	(8,801,792)
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	11,750	-	11,750
Transfers in (Note 6)	360,000	1,291,576	1,651,576
Transfers out (Note 6)	(1,291,576)	(360,000)	(1,651,576)
School Bond Loan Fund debt issued	-	3,575,606	3,575,606
Proceeds from capital lease financing	-	2,635,612	2,635,612
Total other financing (uses) sources	<u>(919,826)</u>	<u>7,142,794</u>	<u>6,222,968</u>
Net Change in Fund Balances	(2,728,739)	149,915	(2,578,824)
Fund Balances - Beginning of year	<u>12,467,515</u>	<u>1,910,793</u>	<u>14,378,308</u>
Fund Balances - End of year	<u><u>\$ 9,738,776</u></u>	<u><u>\$ 2,060,708</u></u>	<u><u>\$ 11,799,484</u></u>

Lake Orion Community Schools

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2013

Net Change in Fund Balances - Total governmental funds \$ (2,578,824)

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

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

Depreciation expense	\$ (4,413,439)	
Capitalized capital outlay	<u>3,491,632</u>	(921,807)

School Bond Loan Fund and School Loan Revolving Fund proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of activities	(3,575,606)
--	-------------

Capital lease proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of activities	(2,635,612)
---	-------------

Deferred charges (interest) reported as expenditures in the governmental funds are capitalized and amortized in the statement of activities	(404,494)
---	-----------

Underwriter's premium is reported as revenue in the funds and amortization is recorded as an expense in the statement of activities	783,797
---	---------

Deferred issuance costs are expensed within the statement of activities	(881,982)
---	-----------

Repayment of bond principal and capital lease obligations is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	9,333,973
---	-----------

Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	(6,642)
--	---------

Internal Service Fund activity is not included in governmental funds	50,000
--	--------

Compensated absences, as well as the estimated self-insured liability claims and other liabilities, are recorded when earned in the statement of activities. In the current year, more was paid out than earned	<u>197,076</u>
---	----------------

Change in Net Position of Governmental Activities \$ (640,121)

Lake Orion Community Schools

Proprietary Fund - Internal Service Fund Statement of Net Position June 30, 2013

Assets - Due from other funds (Note 6)	\$ 50,000
Liabilities	<u>-</u>
Net Position - Unrestricted	<u><u>\$ 50,000</u></u>

Lake Orion Community Schools

Proprietary Fund - Internal Service Fund Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2013

Operating Revenue - Charges for services	<u>\$ 50,000</u>
Change in Net Position	50,000
Net Position - Beginning of year	<u>-</u>
Net Position - End of year	<u><u>\$ 50,000</u></u>

Lake Orion Community Schools

Proprietary Fund - Internal Service Fund Statement of Cash Flows Year Ended June 30, 2013

Cash Flows from Operating Activities	\$	-
Net Change in Cash		-
Cash - July 1, 2012		<u>-</u>
Cash - June 30, 2013	\$	<u>-</u>
Reconciliation of Operating Gain to Net Cash from Operating Activities		
Operating gain	\$	50,000
Adjustments to reconcile operating gain to net cash from operating activities - Increase in due from other funds		<u>(50,000)</u>
Net cash from operating activities	\$	<u>-</u>

Lake Orion Community Schools

Fiduciary Funds Statement of Fiduciary Assets and Liabilities June 30, 2013

	Student Activities <u>Agency Fund</u>
Assets - Cash and investments	<u>\$ 704,818</u>
Liabilities	
Due to other funds	\$ 296
Due to student and other groups	<u>704,522</u>
Total liabilities	<u>\$ 704,818</u>

Lake Orion Community Schools

Notes to Financial Statements June 30, 2013

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state and federal aid.

Lake Orion Community Schools

Notes to Financial Statements June 30, 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Revenue not meeting this definition is classified as a deferred inflow of resources. For this purpose, the School District considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Proprietary fund and fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The only proprietary fund maintained is an internal service fund that is used to account for a reserve of future workers' compensation claims.

The School District reports the following major governmental fund:

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

Additionally, the School District reports the following fund types:

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School District's special revenue funds include the Food Service and Community Services Funds. Revenue sources for the Food Service Fund include sales to customers, dedicated grants from the state and federal sources. Revenue sources for the Community Service Fund consist primarily of fees charged to participants. Any operating deficit generated by these funds is the responsibility of the General Fund.

Lake Orion Community Schools

Notes to Financial Statements June 30, 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

Debt Service Funds - The 2005, 2006, and 2012 Debt Service Funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on the 2005, 2006, and 2012 bond issues or bond refundings, respectively.

Capital Projects Fund - The Operating Capital Projects Fund is used to record management assigned revenue and the disbursement of monies specifically designated for acquiring equipment, technology, buses, and remodeling.

Internal Service Fund - This fund is a proprietary fund that is used to finance services provided to other funds on a cost-reimbursement basis. The Internal Service Fund was approved by the board during 2012-2013 and is authorized to account for workers' compensation, unemployment, terminal leave, compensated absences, and other similar obligations. During 2012-2013, it was used only to reserve funds for future workers' compensation claims.

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

Assets, Liabilities, and Net Position or Fund Balance

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

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

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

Lake Orion Community Schools

Notes to Financial Statements June 30, 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

Inventories and Prepaid Costs - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. United States Department of Agriculture Commodities inventory received by the Food Service Fund is recorded as inventory and expensed. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

Restricted Assets - The unspent property taxes levied in the debt service funds are required to be set aside for future bond principal and interest payments. These amounts have been classified as restricted assets.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

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

Buildings and improvements	20-40 years
Buses and other vehicles	5-10 years
Furniture and equipment	5-20 years

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

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

Lake Orion Community Schools

Notes to Financial Statements June 30, 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

Fund Balance - Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed:** Amounts that have been formally set aside by the Board of Education for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education.
- **Assigned:** Intent to spend resources on specific purposes expressed by the superintendent or designee, who is authorized by resolution approved by the Board of Education to make assignments
- **Unassigned:** Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund.

The Board of Education has adopted a fund balance policy. The fund balance policy prescribes the minimum fund balance as a range equal to 10 percent to 15 percent of the General Fund's expected total expenditures and transfers. This is deemed to be the prudent amount to maintain the School District's ability to meet obligations as they come due throughout the year.

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

Lake Orion Community Schools

Notes to Financial Statements June 30, 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

Accounting Change - Effective July 1, 2012, the School District implemented the provisions of Governmental Accounting Standards Board No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB statements and interpretations, APB opinions, and accounting research bulletins of the AICPA Committee on Accounting Procedure. This statement did not have a significant impact on the School District's financial statements.

Effective July 1, 2012, the School District implemented the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provided a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. This statement impacted the format and report of the balance sheet at the government-wide and also at the fund level.

Also effective July 1, 2012, the School District implemented the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources.

Note 2 - Stewardship, Compliance, and Accountability

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

The budget document presents information by fund and function for the General Fund. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level for the General Fund. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. There were no significant amendments during the year.

Lake Orion Community Schools

Notes to Financial Statements June 30, 2013

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

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year. There were no encumbrances outstanding at year end.

Excess of Expenditures Over Appropriations in Budgeted Funds - The School District did not have significant expenditure budget variances except for operating transfers within the General Fund which exceeded budget due to a change in reporting for the new capital lease of buses within the Capital Projects Fund rather than the General Fund, whereby the capital lease payments had originally been budgeted for in the transportation line item. There are differences between the classification of revenue and expenditures in the budgetary comparison schedule compared with the statement of revenue, expenditures, and changes in fund balance related to proceeds from the sale of assets and capital outlay expenditures.

Note 3 - Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. For the 2012-2013 school year, the School District designated 12 banks for the deposit of its funds. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

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

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level be used for the School District's deposits for custodial credit risk. At year end, the School District's deposit balance of \$10,941,931 had \$9,073,625 of bank deposits (checking accounts) that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

Note 3 - Deposits and Investments (Continued)

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

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. The School District's policy minimizes interest rate risk by requiring the structuring of the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

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

Foreign Currency Risk - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law prohibits investment in foreign currency.

Lake Orion Community Schools

Notes to Financial Statements June 30, 2013

Note 4 - Receivables and Unavailable/Unearned Revenue

Receivables as of year end for the School District's individual major fund and the nonmajor funds in the aggregate are as follows:

	General Fund	Nonmajor Governmental Funds	Total
Receivables:			
Accounts	\$ 143,474	\$ 3,407	\$ 146,881
Intergovernmental	<u>12,150,521</u>	<u>32,380</u>	<u>12,182,901</u>
Net receivables	<u>\$ 12,293,995</u>	<u>\$ 35,787</u>	<u>\$ 12,329,782</u>

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

	Liability - Unearned
Food service pre-paid revenue	\$ 59,502
Grant and categorical aid payment received prior to meeting all eligibility requirements	<u>434,837</u>
Total	<u>\$ 494,339</u>

Lake Orion Community Schools

Notes to Financial Statements June 30, 2013

Note 5 - Capital Assets

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

	Balance July 1, 2012	Additions	Disposals	Balance June 30, 2013
Capital assets not being depreciated -				
Land	\$ 13,421,804	\$ -	\$ -	\$ 13,421,804
Capital assets being depreciated:				
Building and building improvements	197,120,589	158,238	-	197,278,827
Furniture and equipment	9,357,586	697,782	-	10,055,368
Buses and other vehicles	2,425,484	2,635,612	(198,794)	4,862,302
Subtotal	208,903,659	3,491,632	(198,794)	212,196,497
Accumulated depreciation:				
Building and building improvements	60,752,062	3,408,846	-	64,160,908
Furniture and equipment	8,056,709	426,825	-	8,483,534
Buses and other vehicles	1,566,925	577,768	(198,794)	1,945,899
Subtotal	70,375,696	4,413,439	(198,794)	74,590,341
Net capital assets being depreciated	138,527,963	(921,807)	-	137,606,156
Net governmental capital assets	<u>\$ 151,949,767</u>	<u>\$ (921,807)</u>	<u>\$ -</u>	<u>\$ 151,027,960</u>

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

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From			Total
	General Fund	Nonmajor Governmental Funds	Fiduciary Fund	
General Fund	\$ -	\$ 20,560	\$ 296	\$ 20,856
Internal Service Fund	50,000	-	-	50,000
Nonmajor governmental funds	528,306	-	-	528,306
Total	<u>\$ 578,306</u>	<u>\$ 20,560</u>	<u>\$ 296</u>	<u>\$ 599,162</u>

Interfund balances represent routine and temporary cash flow assistance from the General Fund until amounts are transferred from fund accounts. Interfund balances owed to other funds represent reimbursement for allocated expenditures.

Lake Orion Community Schools

Notes to Financial Statements June 30, 2013

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund Transfers

	Transfers Out		
	Nonmajor Governmental		
	General Fund	Funds	Total
Transfer in - General Fund	\$ -	\$ 360,000	\$ 360,000
Transfer in - Operating Capital Projects Fund	1,291,576	-	1,291,576
Total	<u>\$ 1,291,576</u>	<u>\$ 360,000</u>	<u>\$ 1,651,576</u>

The transfers represent indirect costs reimbursed to the General Fund from the Community Service Fund and the Food Service Fund and costs paid to the Operating Capital Projects Fund from the General Fund.

Note 7 - Long-term Debt

The School District issues bonds and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include capital lease obligations, compensated absences, School Bond Loan Fund, School Loan Revolving Fund, and certain risk liabilities.

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds	\$ 112,260,000	\$ -	\$ 8,755,000	\$ 103,505,000	\$ 9,265,000
Less deferred amounts:					
Bond premium	6,712,302	-	783,797	5,928,505	783,797
Bond issuance costs	(881,982)	-	(881,982)	-	-
Deferred outflows - Deferred charges from refunding bonds	(4,239,570)	-	(404,494)	(3,835,076)	-
Total bonds payable	113,850,750	-	8,252,321	105,598,429	10,048,797
Capital lease obligations	125,481	2,635,612	578,973	2,182,120	486,602
Other obligations	29,879,383	4,559,665	1,181,135	33,257,913	2,239,502
Total governmental activities	<u>\$ 143,855,614</u>	<u>\$ 7,195,277</u>	<u>\$ 10,012,429</u>	<u>\$ 141,038,462</u>	<u>\$ 12,774,901</u>

Lake Orion Community Schools

Notes to Financial Statements June 30, 2013

Note 7 - Long-term Debt (Continued)

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

Years Ending June 30	Governmental Activities		
	Principal	Interest	Total
2014	\$ 9,265,000	\$ 4,821,175	\$ 14,086,175
2015	9,735,000	4,357,925	14,092,925
2016	9,820,000	3,919,025	13,739,025
2017	9,860,000	3,438,025	13,298,025
2018	10,065,000	3,053,535	13,118,535
2019-2023	41,275,000	8,830,992	50,105,992
2024-2027	13,485,000	1,115,422	14,600,422
Total	<u>\$ 103,505,000</u>	<u>\$ 29,536,099</u>	<u>\$ 133,041,099</u>

The School District has entered into lease agreements as a lessee for financing the purchase of buses and copiers. The lease agreements qualify as capital leases for accounting purposes. The present value of the net minimum lease payments have been capitalized and are being amortized over the useful life of the assets. The future minimum lease payments under the capital leases are as follows:

Years Ending June 30	Amount
2014	\$ 535,396
2015	506,576
2016	506,576
2017	506,576
2018	253,288
Total	2,308,412
Less amount representing interest	<u>126,292</u>
Present value of net minimum lease payments	<u>\$ 2,182,120</u>
Current obligation	<u>\$ 486,602</u>

Lake Orion Community Schools

Notes to Financial Statements June 30, 2013

Note 7 - Long-term Debt (Continued)

Governmental Activities

General obligation bonds consist of the following:

\$71,500,000 - 2005 refunding bonds due in annual installments of \$1,140,000 to \$4,955,000 through May 2023; interest at 3.80 to 5.00 percent	\$ 38,175,000
\$45,275,000 - 2006 refunding bonds due in annual installments of \$840,000 to \$5,940,000 through May 2027; interest at 4.00 to 5.00 percent	45,275,000
\$23,880,000 - 2012 refunding bonds due in annual installments of \$3,785,000 to \$4,325,000 through May 2018; interest at 4.00 to 5.00 percent	<u>20,055,000</u>
Total bonded debt	<u>\$ 103,505,000</u>

Other governmental activities long-term obligations include the following:

Employee compensated absences	\$ 2,239,502
School Bond Loan Fund	22,128,816
School Loan Revolving Fund	8,664,595
Workers' compensation and other	<u>225,000</u>
Total	<u>\$ 33,257,913</u>

School Bond Loan Fund - The School Bond Loan Fund payable represents notes payable to the State of Michigan for loans made to the School District, as authorized by the 1963 State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the School District issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. Interest, at the annual rate ranging from 3.53328 to 4.62500 percent through June 30, 2013, has been assessed for the year ended June 30, 2013. Repayment is required when the millage rate necessary to cover the annual bonded debt service falls below 7.491 mills. The School District is required to levy 7.491 mills and repay to the State any excess of the amount levied over the bonded debt service requirements. Due to the variability of the factors that affect the timing of repayment, including the future amount of taxable value of property in the School District, no provision for repayment has been included in the above amortization schedule.

Lake Orion Community Schools

Notes to Financial Statements June 30, 2013

Note 7 - Long-term Debt (Continued)

School Loan Revolving Fund - The School Loan Revolving Fund payable represents notes payable to the State of Michigan for loans made to the School District, as authorized by the 1963 State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the School District issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board in accordance with Section 9 of Act No. 92 of the Public Acts of 2005, as amended. Interest rates went into effect beginning October 1, 2005 pursuant to Public Act 92. Interest at the annual rate ranging from 3.00000 to 3.66862 percent through June 30, 2013 has been assessed for the year ended June 30, 2013. Repayment begins as soon as annual tax collections exceed annual debt service payment requirements. The predetermined mandatory final loan repayment date is May 1, 2033. Due to the variability of the factors that affect the timing of repayment, including the future amount of taxable value of property in the School District, no provision for repayment has been included in the above amortization schedule.

Defeased Debt - In prior years, the School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2013, \$107,670,000 of bonds outstanding is considered defeased.

Note 8 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for health claims for employees. The School District participates in the Metropolitan Association for Improved School Legislation (MAISL) risk pool for claims relating to property loss, torts, and errors and omissions. The School District is self-insured for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The School District estimates the liability for other employee health claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. The obligation is not material to the financial statements.

The shared-risk pool program, MAISL, in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Lake Orion Community Schools

Notes to Financial Statements June 30, 2013

Note 8 - Risk Management (Continued)

The MAISL risk pool operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts.

Although premiums are paid annually to the service pool that the service pool uses to pay claims up to the retention limits, excess claims above the pool retention limit are covered by a fully insured policy purchased by the pool premiums.

The School District estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the government-wide statements.

Changes in the estimated liability for the past two fiscal years were as follows:

	2013	2012
Estimated liability - Beginning of year	\$ 352,000	\$ 305,000
Estimated claims incurred - Including changes in estimates	164,839	332,082
Claim payments	<u>291,839</u>	<u>285,082</u>
Estimated liability - End of year	<u>\$ 225,000</u>	<u>\$ 352,000</u>

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits

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

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

Lake Orion Community Schools

Notes to Financial Statements June 30, 2013

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits (Continued)

Pension Benefits - Employer contributions to the pension system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. The employer contribution rate for basic plan members was 15.96 percent of covered payroll for the period from July 1, 2012 through September 30, 2012. The employer contribution rate for pension plus plan members was 14.73 percent for the period from July 1, 2012 through September 30, 2012. Beginning October 1, 2012 through January 31, 2013, employees were given the following plan options with the corresponding employer contribution rates:

	First Worked on or After July 1, 2010 Through September 3, 2012**	First Worked on or After September 4, 2012 and Remain Pension Plus	First Worked on or After September 4, 2012 and Elect DC
Pension contributions	16.25%	15.02%	12.78%
Health contributions	9.11%	9.11%	8.18%

* Basic, MIP Fixed, MIP Graded, MIP Plus

** Pension Plus

For the period from February 1, 2013 through June 30, 2013, employees could transition to a defined contribution plan (DC) and could also elect out of the healthcare premium subsidy and into the Personal Healthcare Fund (PHF) depending upon their date of hire and retirement plan election. Employees had the following plan options with the corresponding employer contribution rates:

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

* First worked September 4, 2012 or later

Lake Orion Community Schools

Notes to Financial Statements June 30, 2013

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits (Continued)

Depending on the plan selected, plan member contributions range from 0.0 percent up to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

The School District's required and actual contributions to the plan for the years ended June 30, 2013, 2012, and 2011 were \$6,686,810, \$6,783,283, and \$5,179,065, respectively.

Postemployment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate was 8.5 percent of covered payroll for the period from July 1, 2012 through September 30, 2012. For the period from October 1, 2012 through June 30, 2013, the employer contribution rate ranged from 8.18 percent to 9.11 percent dependent upon the employee's date of hire and plan election as noted above. Effective February 1, 2013, members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 401(k) account.

The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2013, 2012, and 2011 were \$3,812,421, \$3,854,044, and \$3,551,691, respectively.

Lake Orion Community Schools

Notes to Financial Statements June 30, 2013

Note 10 - Upcoming Accounting Pronouncement

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

Required Supplemental Information

Lake Orion Community Schools

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 8,700,150	\$ 8,855,944	\$ 8,887,332	\$ 31,388
State sources	59,126,358	59,584,328	59,312,713	(271,615)
Federal sources	2,470,662	2,506,204	2,457,727	(48,477)
Medicaid and ISD sources	4,857,269	4,863,151	4,895,597	32,446
Other revenue	300,000	360,000	360,000	-
Total revenue	75,454,439	76,169,627	75,913,369	(256,258)
Expenditures - Current				
Instruction:				
Basic programs	36,959,753	38,212,034	37,772,304	(439,730)
Added needs	10,805,635	10,923,860	10,500,765	(423,095)
Support services:				
Pupil support services	6,238,670	6,531,204	6,447,064	(84,140)
Instructional staff support services:				
Instruction improvement	282,141	387,660	384,220	(3,440)
Educational media services	1,031,119	909,309	849,605	(59,704)
Technology assisted instruction	392,296	428,042	398,723	(29,319)
Instructional staff supervision	663,645	654,972	627,549	(27,423)
General administration	793,577	845,617	835,937	(9,680)
School administration	4,222,213	4,289,786	4,243,713	(46,073)
Business services	1,182,862	1,081,283	1,060,085	(21,198)
Operation and maintenance	6,280,088	6,275,468	6,378,844	103,376
Transportation services	4,427,452	4,414,875	4,015,110	(399,765)
Human resources	774,906	971,550	937,465	(34,085)
Technology services	1,726,836	1,396,544	1,373,888	(22,656)
Athletics	1,126,625	1,165,281	1,216,356	51,075
Community services	329,456	318,890	308,904	(9,986)
Total expenditures	77,237,274	78,806,375	77,350,532	(1,455,843)
Other Financing Uses - Transfers out	-	(785,000)	(1,291,576)	(506,576)
Net Change in Fund Balance	(1,782,835)	(3,421,748)	(2,728,739)	693,009
Fund Balance - July 1, 2012	12,467,515	12,467,515	12,467,515	-
Fund Balance - June 30, 2013	<u>\$ 10,684,680</u>	<u>\$ 9,045,767</u>	<u>\$ 9,738,776</u>	<u>\$ 693,009</u>

Other Supplemental Information

Lake Orion Community Schools

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2013

	Special Revenue Funds		Debt Funds			Capital Projects Fund	Total
	Food Service	Community	2005 Debt	2006 Debt	2012 Debt	Operating Capital	
		Services				Projects Fund	
Assets							
Cash and investments	\$ 697,509	\$ 598,507	\$ -	\$ -	\$ -	\$ -	\$ 1,296,016
Accounts receivable	3,407	-	-	-	-	-	3,407
Due from other governmental units	28,523	-	1,866	581	1,410	-	32,380
Due from other funds	5,970	-	-	-	-	522,336	528,306
Other assets	19,315	5,073	-	-	-	21,214	45,602
Restricted assets	-	-	157,128	49,055	118,014	-	324,197
Total assets	\$ 754,724	\$ 603,580	\$ 158,994	\$ 49,636	\$ 119,424	\$ 543,550	\$ 2,229,908
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 11,008	\$ 20,671	\$ -	\$ -	\$ -	\$ 20,755	\$ 52,434
Accrued payroll and other liabilities	8,965	17,073	-	-	-	-	26,038
Due to other funds	-	20,560	-	-	-	-	20,560
Due to other governmental units	1,111	-	4,577	1,402	3,576	-	10,666
Unearned revenue	59,502	-	-	-	-	-	59,502
Total liabilities	80,586	58,304	4,577	1,402	3,576	20,755	169,200
Fund Balances							
Nonspendable - Inventories and prepaid costs	19,315	5,073	-	-	-	21,214	45,602
Restricted:							
Debt service	-	-	154,417	48,234	115,848	-	318,499
Food service	654,823	-	-	-	-	-	654,823
Committed - Community services	-	540,203	-	-	-	-	540,203
Assigned - Capital projects	-	-	-	-	-	501,581	501,581
Total fund balances	674,138	545,276	154,417	48,234	115,848	522,795	2,060,708
Total liabilities and fund balances	\$ 754,724	\$ 603,580	\$ 158,994	\$ 49,636	\$ 119,424	\$ 543,550	\$ 2,229,908

Lake Orion Community Schools

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2013

	Special Revenue Funds		Debt Funds			Capital Projects Fund	Total
	Food Service	Community	2005 Debt	2006 Debt	2012 Debt	Operating Capital Projects Fund	
		Services					
Revenue							
Local sources	\$ 1,515,296	\$ 1,959,006	\$ 5,611,757	\$ 1,748,087	\$ 4,230,336	\$ 66,458	\$ 15,130,940
State sources	89,522	-	-	-	-	-	89,522
Federal sources	800,145	-	-	-	-	-	800,145
Total revenue	2,404,963	1,959,006	5,611,757	1,748,087	4,230,336	66,458	16,020,607
Expenditures							
Current:							
Support services	-	-	-	-	-	93,529	93,529
Food services	2,250,770	-	-	-	-	-	2,250,770
Community services	-	1,704,305	-	-	-	-	1,704,305
Debt service:							
Principal	-	-	4,930,000	-	3,825,000	479,656	9,234,656
Interest	-	-	2,577,540	2,323,479	1,563,893	26,920	6,491,832
Other	-	-	92,970	26,473	72,057	-	191,500
Capital outlay	174,969	1,179	-	-	-	2,870,746	3,046,894
Total expenditures	2,425,739	1,705,484	7,600,510	2,349,952	5,460,950	3,470,851	23,013,486
Excess of Revenue (Under) Over Expenditures	(20,776)	253,522	(1,988,753)	(601,865)	(1,230,614)	(3,404,393)	(6,992,879)
Other Financing Sources (Uses)							
Transfers in (Note 6)	-	-	-	-	-	1,291,576	1,291,576
Transfers out (Note 6)	(160,000)	(200,000)	-	-	-	-	(360,000)
School bond loan funds debt issued	-	-	1,873,794	576,408	1,125,404	-	3,575,606
Proceeds from capital lease financing	-	-	-	-	-	2,635,612	2,635,612
Total other financing (uses) sources	(160,000)	(200,000)	1,873,794	576,408	1,125,404	3,927,188	7,142,794
Net Change in Fund Balances	(180,776)	53,522	(114,959)	(25,457)	(105,210)	522,795	149,915
Fund Balances - Beginning of year	854,914	491,754	269,376	73,691	221,058	-	1,910,793
Fund Balances - End of year	\$ 674,138	\$ 545,276	\$ 154,417	\$ 48,234	\$ 115,848	\$ 522,795	\$ 2,060,708

Lake Orion Community Schools

Other Supplemental Information Schedule of Bonded Indebtedness Year Ended June 30, 2013

June 30	2005 Refunding		2006 Refunding	
	Principal	Interest	Principal	Interest
2014	\$ 4,940,000	\$ 1,783,961	\$ -	\$ 2,153,064
2015	4,950,000	1,536,961	1,000,000	2,153,064
2016	4,950,000	1,289,461	1,000,000	2,113,064
2017	4,955,000	1,041,961	1,000,000	2,073,064
2018	4,895,000	853,671	1,000,000	2,033,064
2019	4,825,000	663,990	5,330,000	1,993,064
2020	4,830,000	422,740	5,575,000	1,771,869
2021	1,520,000	181,241	5,560,000	1,493,119
2022	1,170,000	105,241	5,545,000	1,215,119
2023	1,140,000	46,741	5,780,000	937,868
2024	-	-	5,860,000	648,868
2025	-	-	5,940,000	355,868
2026	-	-	840,000	73,718
2027	-	-	845,000	36,968
Total	<u>\$ 38,175,000</u>	<u>\$ 7,925,968</u>	<u>\$ 45,275,000</u>	<u>\$ 19,051,781</u>
Principal payments due	May 1		May 1	
Interest payments due	May/November		May/November	
Interest rate	3.80% to 5.00%		4.00% to 5.00%	
Original issue	<u>\$ 71,500,000</u>		<u>\$ 45,275,000</u>	

Lake Orion Community Schools

Other Supplemental Information Schedule of Bonded Indebtedness (Continued) Year Ended June 30, 2013

June 30	2012 Refunding		Total Principal	Total Interest
	Principal	Interest		
2014	\$ 4,325,000	\$ 884,150	\$ 9,265,000	\$ 4,821,175
2015	3,785,000	667,900	9,735,000	4,357,925
2016	3,870,000	516,500	9,820,000	3,919,025
2017	3,905,000	323,000	9,860,000	3,438,025
2018	4,170,000	166,800	10,065,000	3,053,535
2019	-	-	10,155,000	2,657,054
2020	-	-	10,405,000	2,194,609
2021	-	-	7,080,000	1,674,360
2022	-	-	6,715,000	1,320,360
2023	-	-	6,920,000	984,609
2024	-	-	5,860,000	648,868
2025	-	-	5,940,000	355,868
2026	-	-	840,000	73,718
2027	-	-	845,000	36,968
Total	<u>\$ 20,055,000</u>	<u>\$ 2,558,350</u>	<u>\$ 103,505,000</u>	<u>\$ 29,536,099</u>
Principal payments due	May 1			
Interest payments due	May/November			
Interest rate	4.00% to 5.00%			
Original issue	<u>\$ 23,880,000</u>			