

Lake Orion Community Schools

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

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, each 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, 2014 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Orion Community Schools as of June 30, 2014 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.

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 schedule, 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.

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, the 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.

To the Board of Education
Lake Orion Community Schools

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2014 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.

Plante & Moran, PLLC

October 6, 2014

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, 2014. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand 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 funds - the General Fund and the Energy Bond Capital Projects 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

Government-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 Services and Community Services 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, 2014 and 2013.

TABLE I

	Governmental Activities	
	June 30	
	2014	2013
	(in millions)	
Assets		
Current and other assets	\$ 26.5	\$ 21.6
Capital assets	<u>148.6</u>	<u>151.0</u>
Total assets	175.1	172.6
Deferred Outflows of Resources - Deferred charges from refunding bonds	3.4	3.9
Liabilities		
Current liabilities	24.7	23.3
Long-term liabilities	<u>132.9</u>	<u>132.1</u>
Total liabilities	<u>157.6</u>	<u>155.4</u>
Net Position		
Invested in capital assets - Net of related debt	21.8	20.6
Restricted for debt service	0.6	0.3
Restricted for food service	0.6	0.7
Unrestricted	<u>(2.1)</u>	<u>(0.5)</u>
Total net position	<u>\$ 20.9</u>	<u>\$ 21.1</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 \$20.9 million at June 30, 2014 and \$21.1 million at June 30, 2013. Net investment in capital assets totaling \$21.8 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 \$1.2 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, (\$2.1) million, was unrestricted.

Lake Orion Community Schools

Management's Discussion and Analysis (Continued)

The (\$2.1) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations less a portion of the School 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, \$9.3 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 have been \$7.5 million in 2014 and \$7.7 million in 2013. 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 2014 and 2013.

TABLE 2

	Governmental Activities	
	Year Ended June 30	
	2014	2013
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 3.9	\$ 4.2
Operating grants	16.9	15.4
General revenue:		
Property taxes	18.7	18.7
State foundation allowance	52.3	52.2
Other	1.0	1.2
Total revenue	92.8	91.7
Functions/Program Expenses		
Instruction	48.8	48.1
Support services	28.6	27.3
Food service	2.2	2.3
Athletics	1.2	1.2
Community services	2.1	2.0
Interest on long-term debt	5.6	6.1
Debt issuance costs	-	0.9
Depreciation (unallocated)	4.5	4.4
Total functions/program expenses	93.0	92.3
Decrease in Net Position	\$ (0.2)	\$ (0.6)

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 \$93.0 million. Certain activities were partially funded from those who benefited from the programs, \$3.9 million, or by other governments and organizations that subsidized certain programs with grants and contributions of \$16.9 million. We paid for the remaining "public benefit" portion of our governmental activities with \$18.7 million in taxes, \$52.3 million in state foundation allowance, and with \$1.0 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
	2014		2013	
	(in millions)		(in millions)	
Instruction	\$ 48.8	\$ 37.6	\$ 48.1	\$ 38.0
Support services	28.6	23.7	27.3	22.6
Athletics	1.2	0.8	1.2	0.7
All others	14.4	10.1	15.7	11.4
Total	<u>\$ 93.0</u>	<u>\$ 72.2</u>	<u>\$ 92.3</u>	<u>\$ 72.7</u>

The School District experienced a decrease in net position of \$0.2 million. The net position invested in capital assets (net of related debt) increased by \$1.2 million. Net position restricted for debt service increased by \$0.3 million and for food service decreased by \$0.1 million. The unrestricted net position balance decreased by \$1.6 million. Additionally, long-term debt increased by \$0.8 million, and the net capital assets balance decreased by \$2.4 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 \$16.3 million, which is an increase of \$4.5 million from last year. The changes by major and nonmajor funds are as follows:

	General Fund	Energy Bond Capital Projects Fund	Nonmajor Governmental Funds	Total
Fund balance - Beginning of year	\$ 9,738,776	\$ -	\$ 2,060,708	\$ 11,799,484
(Decrease) increase	(1,365,014)	4,253,714	1,569,042	4,457,742
Fund balance - End of year	<u>\$ 8,373,762</u>	<u>\$ 4,253,714</u>	<u>\$ 3,629,750</u>	<u>\$ 16,257,226</u>

In the General Fund, our principal operating fund, the fund balance decreased by \$1.4 million from 2013. Revenue and other financing sources increased by \$1.2 million from 2013, while expenditures and other financing uses decreased by \$0.2 million. The fund balance of the General Fund is available to fund costs related to allowable school operating purposes.

The Energy Bond Capital Projects Fund was established in 2013-2014 to make energy conservation improvements in various School District facilities. The ending fund balance was \$4.3 million.

The other nonmajor funds increased by \$1.6 million during the year ended June 30, 2014.

Lake Orion Community Schools

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. 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 2013-2014 General Fund budget. Revisions to the expenditures were due to adjustments based on more accurate information.

There were six 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, added needs, and pupil support services by \$1.1 million which is tied to teacher salary and benefit projections being less than actual. Operating and maintenance expenditures were more than budgeted by \$0.2 million related to higher than expected utility and repair and maintenance costs. Transportation services were more than budgeted by \$0.1 million which is tied to salary and benefit projections being less than actual. Lastly, transfers out were more than budgeted by \$0.3 million due to the transfer of funds to the Operating Capital Projects Fund to cover future installment purchase agreement payments. No other areas of significance were noted.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2014, the School District had \$148.6 million invested in a broad range of capital assets, including land, construction in progress, buildings and improvements, furniture and equipment, and transportation equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately \$2.4 million or 1.6 percent, from last year.

	2014	2013
Land	\$ 13,421,804	\$ 13,421,804
Construction in progress	1,632,905	-
Buildings and building improvements	197,392,321	197,278,827
Buses and other vehicles	4,856,084	4,862,302
Furniture and equipment	10,169,345	10,055,368
Subtotal	227,472,459	225,618,301
Accumulated depreciation	(78,823,668)	(74,590,341)
Net capital assets	<u>\$ 148,648,791</u>	<u>\$ 151,027,960</u>

Lake Orion Community Schools

Management's Discussion and Analysis (Continued)

The decrease of \$2.4 million in the fiscal year 2014 (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 \$99.5 million in bonds outstanding versus \$103.5 million in the previous year - a decrease of 3.9 percent. Those bonds consisted of the following:

	2014	2013
General obligation bonds	<u>\$ 99,520,000</u>	<u>\$ 103,505,000</u>

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 \$99.5 million is below the \$230.9 million statutorily imposed limit.

Other obligations include the School Bond Loan Fund, School Bond Loan Revolving Fund, installment purchase agreements, 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 fiscal year 2015 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, 2015 budget was adopted in June 2014, 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 2015 fiscal year is 90 percent of the September 2014 and 10 percent of the February 2015 student counts. The 2014-2015 budgets were adopted in June 2014, based on an estimate of students that will be enrolled in September 2014. Based on early enrollment data at the start of the 2014-2015 school year, we anticipate that the fall student count will be in line with the estimates used to create the 2014-2015 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 2014-2015. 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's recent budgetary history reflects how it has made every effort over the past decade to prepare for and excel programmatically while meeting the challenges of the state's 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 2014-2015, it is the intention of the School District to provide premium programming within a balanced operating budget.

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, 2014

	Governmental Activities
Assets	
Cash and investments (Note 3)	\$ 9,090,482
Receivables (Note 4)	11,728,368
Other assets	197,306
Restricted assets (Note 3)	5,399,315
Capital assets - Net (Note 5)	148,648,791
Total assets	175,064,262
Deferred Outflows of Resources - Deferred charges from refunding bonds (Note 7)	3,430,582
Liabilities	
Accounts payable	1,125,951
Accrued payroll and other liabilities	8,781,099
Due to other governmental units	597,378
Unearned revenue (Note 4)	310,581
Long-term liabilities (Note 7):	
Due within one year	13,941,760
Due in more than one year	132,898,310
Total liabilities	157,655,079
Net Position	
Net investment in capital assets	21,809,427
Restricted for debt service	576,392
Restricted for food service	614,549
Unrestricted	(2,160,603)
Total net position	\$ 20,839,765

Lake Orion Community Schools

Statement of Activities Year Ended June 30, 2014

	Program Revenue			Governmental Activities
				Net (Expense)
				Revenue and
				Changes in
				Net Assets
	Expenses	Charges for Services	Operating Grants/ Contributions	
Functions/Programs				
Primary government - Governmental activities:				
Instruction	\$ 48,803,813	\$ -	\$ 11,210,331	\$ (37,593,482)
Support services	28,584,748	82,933	4,804,428	(23,697,387)
Food services	2,236,921	1,420,237	937,844	121,160
Athletics	1,194,946	432,924	-	(762,022)
Community services	2,072,101	1,962,122	-	(109,979)
Interest on long-term debt	5,598,181	-	-	(5,598,181)
Depreciation (unallocated)	4,534,454	-	-	(4,534,454)
Total primary government - Governmental activities	<u>\$ 93,025,164</u>	<u>\$ 3,898,216</u>	<u>\$ 16,952,603</u>	(72,174,345)
General revenue:				
Taxes:				
Property taxes - Levied for general purposes				6,871,115
Property taxes - Levied for debt services				11,730,655
Property taxes - Delinquent				106,252
State aid not restricted to specific purposes				52,281,756
Interest and investment earnings				18,444
Other				953,989
Total general revenue				<u>71,962,211</u>
Change in Net Position				(212,134)
Net Position - Beginning of year				<u>21,051,899</u>
Net Position - End of year				<u>\$ 20,839,765</u>

Lake Orion Community Schools

Governmental Funds Balance Sheet June 30, 2014

	General Fund	Energy Bond Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments (Note 3)	\$ 6,396,184	\$ -	\$ 2,644,233	\$ 9,040,417
Receivables (Note 4):				
Accounts receivable	139,767	-	5,955	145,722
Due from other governmental units	11,499,893	-	82,753	11,582,646
Due from other funds (Note 6)	159,946	-	599,905	759,851
Other assets	166,425		30,881	197,306
Restricted assets (Note 3)	-	4,829,610	569,705	5,399,315
Total assets	<u>\$ 18,362,215</u>	<u>\$ 4,829,610</u>	<u>\$ 3,933,432</u>	<u>\$ 27,125,257</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 492,350	\$ 556,143	\$ 161,053	\$ 1,209,546
Accrued payroll and other liabilities	8,047,333	-	26,937	8,074,270
Due to other funds (Note 6)	599,905	19,753	56,598	676,256
Due to other governmental units	595,155	-	2,223	597,378
Unearned revenue (Note 4)	253,710	-	56,871	310,581
Total liabilities	9,988,453	575,896	303,682	10,868,031
Fund Balances				
Nonspendable - Inventories and prepaid costs	166,425		30,881	197,306
Restricted:		-		
Debt service	-		576,392	576,392
Food service	-	-	596,765	596,765
Committed - Community services	-	-	561,072	561,072
Assigned:				
Capital projects	-	4,253,714	1,864,640	6,118,354
Long-term obligations - Compensated absences and self-insurance	3,053,421	-	-	3,053,421
Math textbooks	283,163	-	-	283,163
Unassigned - General Fund	4,870,753	-	-	4,870,753
Total fund balances	<u>8,373,762</u>	<u>4,253,714</u>	<u>3,629,750</u>	<u>16,257,226</u>
Total liabilities and fund balances	<u>\$ 18,362,215</u>	<u>\$ 4,829,610</u>	<u>\$ 3,933,432</u>	<u>\$ 27,125,257</u>

Lake Orion Community Schools

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

Fund Balances - Total governmental funds	\$	16,257,226
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds:		
Cost of capital assets	\$ 227,472,459	
Accumulated depreciation	<u>(78,823,668)</u>	148,648,791
Deferred outflows of resources (deferred refunding costs) that do not benefit the current period are not reported in the governmental funds		
		3,430,582
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	(104,664,708)	
Installment purchase agreement obligations	(2,856,647)	
Capital lease obligations	(1,714,099)	
Compensated absences	(2,345,269)	
School Bond Loan Fund	(22,908,205)	
School Loan Revolving Fund	(11,642,990)	
Self-insurance and other	<u>(708,152)</u>	(146,840,070)
Internal Service Fund assets and liabilities are included in governmental activities in the statement of net position		
		50,065
Accrued interest payable is not included as a liability in governmental funds		
		<u>(706,829)</u>
Net Position - Governmental activities	\$	<u><u>20,839,765</u></u>

Lake Orion Community Schools

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

	General Fund	Energy Bond Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue				
Local sources	\$ 8,365,550	\$ 5,156	\$ 15,203,123	\$ 23,573,829
State sources	60,831,346	-	238,067	61,069,413
Federal sources	2,315,719	-	824,534	3,140,253
Medicaid and ISD sources	5,024,693	-	-	5,024,693
Total revenue	76,537,308	5,156	16,265,724	92,808,188
Expenditures				
Current:				
Instruction	48,295,997	-	-	48,295,997
Support services	26,863,457	-	48,149	26,911,606
Food services	-	-	2,226,884	2,226,884
Athletics	1,179,348	-	-	1,179,348
Community services	287,456	-	1,781,101	2,068,557
Debt service:				
Principal	-	-	9,871,160	9,871,160
Interest	-	-	6,057,738	6,057,738
Other	-	110,000	123,192	233,192
Capital outlay	531,667	921,442	2,303,714	3,756,823
Total expenditures	77,157,925	1,031,442	22,411,938	100,601,305
Excess of Expenditures Over Revenue	(620,617)	(1,026,286)	(6,146,214)	(7,793,117)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	206,137	-	4,569	210,706
Transfers in (Note 6)	349,596	-	1,300,130	1,649,726
Transfers out (Note 6)	(1,300,130)	-	(349,596)	(1,649,726)
School Bond Loan Fund debt issued	-	-	3,757,784	3,757,784
Proceeds from debt issuance	-	5,280,000	3,002,369	8,282,369
Total other financing (uses) sources	(744,397)	5,280,000	7,715,256	12,250,859
Net Change in Fund Balances	(1,365,014)	4,253,714	1,569,042	4,457,742
Fund Balances - Beginning of year	9,738,776	-	2,060,708	11,799,484
Fund Balances - End of year	<u>\$ 8,373,762</u>	<u>\$ 4,253,714</u>	<u>\$ 3,629,750</u>	<u>\$ 16,257,226</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, 2014**

Net Change in Fund Balances - Total governmental funds \$ 4,457,742

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	\$ (4,534,454)	
Capitalized capital outlay	<u>2,361,214</u>	(2,173,240)

The net effect of transactions involving capital assets that decreased net assets including disposals	(205,929)
---	-----------

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	(3,757,784)
--	-------------

Debt proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of activities	(8,301,481)
--	-------------

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
---	---------

Repayment of bond principal, capital lease obligations, and payments on installment purchase agreements are expenditures in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	9,897,855
--	-----------

Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	80,254
--	--------

Internal service activity is not included in governmental funds	65
---	----

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 earned than paid out	<u>(588,919)</u>
---	------------------

Change in Net Position of Governmental Activities **\$ (212,134)**

Lake Orion Community Schools

Proprietary Fund - Internal Service Fund Statement of Net Position June 30, 2014

Assets - Cash and investments (Note 3)	\$ 50,065
Liabilities	<u>-</u>
Net Position - Unrestricted	<u><u>\$ 50,065</u></u>

Lake Orion Community Schools

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

Nonoperating Revenue - Interest income	\$ <u>65</u>
Change in Net Position	65
Net Position - Beginning of year	<u>50,000</u>
Net Position - End of year	<u><u>\$ 50,065</u></u>

Lake Orion Community Schools

Proprietary Fund - Internal Service Fund Statement of Cash Flows Year Ended June 30, 2014

Cash Flows from Operating Activities	\$ -
Cash Flows from Noncapital Financing Activities - Transfer from General Fund	50,000
Cash Flows from Investing Activities - Interest	<u>65</u>
Net Change in Cash	50,065
Cash - July 1, 2013	<u>-</u>
Cash - June 30, 2014	<u><u>\$ 50,065</u></u>
Reconciliation of Operating Gain to Net Cash from Operating Activities	
Operating gain	\$ -
Adjustments to reconcile operating gain to net cash from operating activities - Increase in due from other funds	<u>-</u>
Net cash from operating activities	<u><u>\$ -</u></u>

Lake Orion Community Schools

Fiduciary Funds **Statement of Fiduciary Assets and Liabilities** **June 30, 2014**

	Student Activities <u>Agency Fund</u>
Assets - Cash and investments	<u>\$ 761,206</u>
Liabilities	
Due to other funds (Note 6)	\$ 83,595
Due to student and other groups	<u>677,611</u>
Total liabilities	<u>\$ 761,206</u>

Lake Orion Community Schools

Notes to Financial Statements June 30, 2014

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, 2014

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 funds:

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

Energy Bond Capital Projects Fund - The Energy Bond Capital Projects Fund is used to record management-assigned revenue and the disbursement of monies specifically for school facility energy conservation improvements.

Lake Orion Community Schools

Notes to Financial Statements June 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

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 Services and Community Services Funds. Revenue sources for the Food Services Fund include sales to customers, and dedicated grants from state and federal sources. Revenue sources for the Community Services Fund consist primarily of fees charged to participants. Any operating deficit generated by these funds is the responsibility of the General Fund.

Debt Service Funds - The 2005, 2006, 2012, and Energy Bond Debt Service Funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on the 2005, 2006, 2012, and Energy Bond bond issues or bond refundings, respectively. Any operating deficit in the Energy Bond Debt Fund is the responsibility of the General Fund.

Capital Projects Fund - The Operating Capital Projects Fund is used to record proceeds from debt arrangements, 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 is authorized to account for workers' compensation, unemployment, terminal leave, compensated absences, and other similar obligations. During 2013-2014, 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."

Lake Orion Community Schools

Notes to Financial Statements June 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and 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.

Other Assets - 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 Services 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 and bond proceeds in the debt service funds and Energy Bond Capital Projects Fund are required to be set aside for future bond principal, interest payments, and capital outlay. 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

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

Early Retirement Incentive - The School District has a liability for early termination benefits as reported in the government-wide statements that calls for yearly lump-sum payments of \$138,576 in September 2014 and 2015. The early termination benefits consist of early retirement incentive cash payments provided to 10 employees over a three-year period. The cost of the obligation is reported in long-term debt.

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

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

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

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

Lake Orion Community Schools

Notes to Financial Statements June 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

- 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.

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.

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 re-appropriated and honored during the subsequent year. There were no encumbrances outstanding at year end.

Lake Orion Community Schools

Notes to Financial Statements June 30, 2014

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

Excess of Expenditures Over Appropriations in Budgeted Funds - The School District did not have significant expenditure budget variances except that operations and maintenance expenditures were more than budgeted by \$0.2 million related to higher than expected utility and repair and maintenance costs, and operating transfers out within the General Fund which exceeded budget due to a transfer to the Operating Capital Projects Fund to cover future installment purchase debt payments. 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 2013-2014 school year, the School District designated 10 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 \$16,078,753 had \$15,712,210 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. At June 30, 2014, the School District has an investment in the MILAF+Max Class portfolio with a fair value of \$1,500,945. The investment has an AAAM rating from Standard & Poor's.

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, 2014

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	\$ 139,767	\$ 5,955	\$ 145,722
Intergovernmental	<u>11,499,893</u>	<u>82,753</u>	<u>11,582,646</u>
Net receivables	<u>\$ 11,639,660</u>	<u>\$ 88,708</u>	<u>\$ 11,728,368</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 prepaid revenue	\$ 56,871
Grant and categorical aid payment received prior to meeting all eligibility requirements	<u>253,710</u>
Total	<u>\$ 310,581</u>

Lake Orion Community Schools

Notes to Financial Statements June 30, 2014

Note 5 - Capital Assets

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

	Balance July 1, 2013	Additions	Transfers and Adjustments*	Disposals	Balance June 30, 2014
Capital assets not being depreciated:					
Land	\$ 13,421,804				\$ 13,421,804
Construction in progress		1,632,905			1,632,905
Capital assets being depreciated:					
Building and building improvements	197,278,827	113,494			197,392,321
Furniture and equipment	10,055,368	239,299	(88,672)	(36,650)	10,169,345
Buses and other vehicles	4,862,302	200,458	263,730	(470,406)	4,856,084
Subtotal	212,196,497	553,251	175,058	(507,056)	212,417,750
Accumulated depreciation:					
Building and building improvements	64,160,908	3,360,452		-	67,521,360
Furniture and equipment	8,483,534	493,630	(86,482)	(36,650)	8,854,032
Buses and other vehicles	1,945,899	505,314	261,540	(264,477)	2,448,276
Subtotal	74,590,341	4,359,396	175,058	(301,127)	78,823,668
Net capital assets being depreciated	137,606,156	(2,173,240)	-	(205,929)	133,594,082
Net governmental capital assets	\$ 151,027,960	\$ (2,173,240)	\$ -	\$ (205,929)	\$ 148,648,791

*An adjustment of \$175,058 was made to the buses and other vehicles category and the respective accumulated depreciation to properly reflect vehicle inventory at year end.

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	Energy Bond Capital Projects Fund	Nonmajor Governmental Funds	Fiduciary Fund	
General Fund	\$ -	\$ 19,753	\$ 56,598	\$ 83,595	\$ 159,946
Nonmajor governmental funds	599,905	-	-	-	599,905
Total	\$ 599,905	\$ 19,753	\$ 56,598	\$ 83,595	\$ 759,851

Lake Orion Community Schools

Notes to Financial Statements June 30, 2014

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

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.

Interfund Transfers

	Transfers Out		
	Nonmajor Governmental		Total
	General Fund	Funds	
Transfer in - General Fund	\$ -	\$ 349,596	\$ 349,596
Transfer in - Nonmajor governmental funds	1,300,130	-	1,300,130
Total	\$ 1,300,130	\$ 349,596	\$ 1,649,726

The transfers represent indirect costs reimbursed to the General Fund from the Community Services Fund and the Food Services Fund, costs paid to the Energy Bond Debt fund to fund interest payments, and a transfer 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 installment purchase agreements, capital lease obligations, compensated absences, School Bond Loan Fund, School Loan Revolving Fund, early retirement incentives, and certain risk liabilities.

Lake Orion Community Schools

Notes to Financial Statements June 30, 2014

Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds	\$ 103,505,000	\$ 5,280,000	\$ 9,265,000	\$ 99,520,000	\$ 9,925,000
Less deferred amounts:					
Bond premium	5,928,505	-	783,797	5,144,708	783,797
Deferred outflows - Deferred charges from refunding bonds	(3,835,076)	-	(404,494)	(3,430,582)	(404,494)
Total bonds payable	105,598,429	5,280,000	9,644,303	101,234,126	10,304,303
Capital lease obligations	2,182,120	19,112	487,133	1,714,099	477,274
Installment purchase agreements	-	3,002,369	145,722	2,856,647	271,844
Other obligations	33,257,913	5,359,541	1,012,838	37,604,616	2,483,845
Total governmental activities	<u>\$ 141,038,462</u>	<u>\$ 13,661,022</u>	<u>\$ 11,289,996</u>	<u>\$ 143,409,488</u>	<u>\$ 13,537,266</u>

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

Years Ending June 30	Governmental Activities		
	Principal	Interest	Total
2015	\$ 9,925,000	\$ 4,530,937	\$ 14,455,937
2016	10,015,000	4,088,237	14,103,237
2017	10,065,000	3,603,337	13,668,337
2018	10,280,000	3,214,747	13,494,747
2019	10,380,000	2,813,966	13,193,966
2020-2024	38,230,000	7,523,370	45,753,370
2025-2029	9,155,000	950,586	10,105,586
2030-2033	1,470,000	155,307	1,625,307
Total	<u>\$ 99,520,000</u>	<u>\$ 26,880,487</u>	<u>\$ 126,400,487</u>

Lake Orion Community Schools

Notes to Financial Statements June 30, 2014

Note 7 - Long-term Debt (Continued)

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. As of June 30, 2014, property under capital leases has a gross cost and accumulated depreciation of \$2,654,702 and \$659,062, respectively, and is included in capital assets in Note 5. The present value of the net minimum lease payments has been capitalized and is 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
2015	\$ 514,136
2016	514,136
2017	513,505
2018	253,288
Total	1,795,065
Less amount representing interest	80,966
Present value of net minimum lease payments	\$ 1,714,099
Current obligation	\$ 477,274

Lake Orion Community Schools

Notes to Financial Statements June 30, 2014

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 percent to 5.00 percent	\$ 33,235,000
\$45,275,000 - 2006 refunding bonds due in annual installments of \$840,000 to \$5,940,000 through May 2027; interest at 4.00 percent to 5.00 percent	45,275,000
\$23,880,000 - 2012 refunding bonds due in annual installments of \$3,785,000 to \$4,170,000 through May 2018; interest at 4.00 percent to 5.00 percent	15,730,000
\$5,280,000 - 2013 Energy Conservation Improvement Bonds due in annual installments of \$190,000 to \$390,000 through May 2033; interest at 2.00 percent to 4.25 percent	<u>5,280,000</u>
Total bonded debt	<u>\$ 99,520,000</u>

Other governmental activities long-term obligations include the following:

Employee compensated absences	\$ 2,345,269
School Bond Loan Fund	22,908,205
School Loan Revolving Fund	11,642,990
Workers' compensation and early retirement incentive	<u>708,152</u>
Total	<u>\$ 37,604,616</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 3.52268 to 3.53465 percent through June 30, 2014, has been assessed for the year ended June 30, 2014. 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, 2014

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 3.52268 percent to 3.53465 percent through June 30, 2014 has been assessed for the year ended June 30, 2014. 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.

Energy Conservation Improvement Bonds - During the year, the School District issued \$5,280,000 in general obligation Energy Conservation Improvement bonds with an average interest rate of 3.1 percent. The net proceeds of \$5,170,514 (after payment of \$109,486 in underwriting fees, insurance, and other issuance costs) are being used to fund energy conservation improvements to school facilities.

Installment Purchase Agreements - During the year, the School District entered into two installment purchase agreements for \$1,771,567 and \$1,230,802 to fund security, technology, and facility improvements. The debt agreements have a fixed interest rate of 2.34 percent. The installment purchase agreements will both be repaid in equal, semiannual installment payments of principal and interest over a 10-year period. Both loans mature in December 2023.

The annual debt service requirements to maturity for the installment purchase agreements are as follows:

Years Ending June 30	Amount
2015	\$ 271,844
2016	278,242
2017	284,791
2018	291,494
2019	298,355
2020-2024	1,431,921
Total	<u>\$ 2,856,647</u>

Lake Orion Community Schools

Notes to Financial Statements June 30, 2014

Note 7 - Long-term Debt (Continued)

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, 2014, \$98,135,000 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.

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.

Lake Orion Community Schools

Notes to Financial Statements June 30, 2014

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits

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

	2014	2013
Estimated liability - Beginning of year	\$ 225,000	\$ 352,000
Estimated claims incurred - Including changes in estimates	388,633	164,839
Claim payments	182,633	291,839
Estimated liability - End of year	<u>\$ 431,000</u>	<u>\$ 225,000</u>

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 health care benefits to retirees and beneficiaries who elect to receive those benefits.

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

Lake Orion Community Schools

Notes to Financial Statements June 30, 2014

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. For the period from July 1, 2013 through September 30, 2013, employees had the following plan options with the corresponding employer contribution rates:

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

* First worked September 4, 2012 or later

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

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

* First worked September 4, 2012 or later

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

The School District's required and actual contributions to the plan for the years ended June 30, 2014, 2013, and 2012 were \$9,855,847, \$6,686,810, and \$6,783,283, respectively.

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

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

The School District's required and actual contributions to the plan for retiree health care benefits for the years ended June 30, 2014, 2013, and 2012 were \$2,936,438, \$3,812,421, and \$3,854,044, respectively.

Note 10 - Upcoming Accounting Pronouncement

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

Required Supplemental Information

Lake Orion Community Schools

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

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 8,613,611	\$ 8,531,225	\$ 8,571,687	\$ 40,462
State sources	60,035,961	60,937,940	60,831,346	(106,594)
Federal sources	2,330,785	2,329,386	2,315,719	(13,667)
Medicaid and ISD sources	4,832,743	5,029,680	5,024,693	(4,987)
Other revenue	360,000	349,596	349,596	-
Total revenue	76,173,100	77,177,827	77,093,041	(84,786)
Expenditures - Current				
Instruction:				
Basic programs	37,792,713	38,777,217	38,292,426	(484,791)
Added needs	10,740,946	10,519,979	10,298,698	(221,281)
Support services:				
Pupil support services	6,400,901	6,662,114	6,481,946	(180,168)
Instructional staff support services:				
Instruction improvement	535,198	505,584	482,070	(23,514)
Educational media services	999,454	1,010,497	987,771	(22,726)
Technology assisted instruction	360,148	344,336	353,457	9,121
Instructional staff supervision	716,989	637,249	596,192	(41,057)
General administration	930,281	853,603	839,865	(13,738)
School administration	4,484,723	4,522,299	4,522,890	591
Business services	1,021,173	963,800	944,939	(18,861)
Operation and maintenance	5,393,912	5,739,882	5,923,635	183,753
Transportation services	3,853,109	3,641,651	3,745,638	103,987
Communication services	-	157,833	167,255	9,422
Human resources	881,267	741,763	753,209	11,446
Technology services	1,348,310	1,347,552	1,287,791	(59,761)
Athletics	1,183,125	1,191,442	1,188,847	(2,595)
Community services	332,729	298,819	291,296	(7,523)
Total expenditures	76,974,978	77,915,620	77,157,925	(757,695)
Other Financing Uses - Transfers out	(118,500)	(958,785)	(1,300,130)	(341,345)
Net Change in Fund Balance	(920,378)	(1,696,578)	(1,365,014)	331,564
Fund Balance - July 1, 2013	9,738,776	9,738,776	9,738,776	-
Fund Balance - June 30, 2014	<u>\$ 8,818,398</u>	<u>\$ 8,042,198</u>	<u>\$ 8,373,762</u>	<u>\$ 331,564</u>

Other Supplemental Information

Lake Orion Community Schools

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

	Special Revenue Funds		Debt Funds			Capital Projects Fund		
	Food Services	Community Services	2005 Debt	2006 Debt	2012 Debt	Energy Bond Debt	Operating Capital Projects Fund	Total
Assets								
Cash and investments	\$ 657,209	\$ 591,486	\$ -	\$ -	\$ -	\$ -	\$ 1,395,538	\$ 2,644,233
Accounts receivable	2,660	3,295	-	-	-	-	-	5,955
Due from other governmental units	61,439	-	3,649	1,159	2,822	-	13,684	82,753
Due from other funds	-	14,025	-	-	-	-	585,880	599,905
Other assets	17,784	-	-	-	-	-	13,097	30,881
Restricted assets	-	-	271,851	87,007	210,847	-	-	569,705
Total assets	<u>\$ 739,092</u>	<u>\$ 608,806</u>	<u>\$ 275,500</u>	<u>\$ 88,166</u>	<u>\$ 213,669</u>	<u>\$ -</u>	<u>\$ 2,008,199</u>	<u>\$ 3,933,432</u>
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ 1,392	\$ 29,199	\$ -	\$ -	\$ -	\$ -	\$ 130,462	\$ 161,053
Accrued payroll and other liabilities	8,864	18,073	-	-	-	-	-	26,937
Due to other funds	56,598	-	-	-	-	-	-	56,598
Due to other governmental units	818	462	450	144	349	-	-	2,223
Unearned revenue	56,871	-	-	-	-	-	-	56,871
Total liabilities	124,543	47,734	450	144	349	-	130,462	303,682
Fund Balances								
Nonspendable - Inventories and prepaid costs	17,784	-	-	-	-	-	13,097	30,881
Restricted:								
Debt service	-	-	275,050	88,022	213,320	-	-	576,392
Food service	596,765	-	-	-	-	-	-	596,765
Committed - Community services	-	561,072	-	-	-	-	-	561,072
Assigned - Capital projects	-	-	-	-	-	-	1,864,640	1,864,640
Total fund balances	<u>614,549</u>	<u>561,072</u>	<u>275,050</u>	<u>88,022</u>	<u>213,320</u>	<u>-</u>	<u>1,877,737</u>	<u>3,629,750</u>
Total liabilities and fund balances	<u>\$ 739,092</u>	<u>\$ 608,806</u>	<u>\$ 275,500</u>	<u>\$ 88,166</u>	<u>\$ 213,669</u>	<u>\$ -</u>	<u>\$ 2,008,199</u>	<u>\$ 3,933,432</u>

Lake Orion Community Schools

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

	Special Revenue Funds		Debt Funds				Capital Projects Fund	
	Food Services	Community Services	2005 Debt	2006 Debt	2012 Debt	Energy Bond Debt	Operating Capital Projects Fund	Total
Revenue								
Local sources	\$ 1,420,549	\$ 1,962,435	\$ 5,637,682	\$ 1,803,875	\$ 4,370,987	\$ -	\$ 7,595	\$ 15,203,123
State sources	113,310	38,157	-	-	-	-	86,600	238,067
Federal sources	824,534	-	-	-	-	-	-	824,534
Total revenue	2,358,393	2,000,592	5,637,682	1,803,875	4,370,987	-	94,195	16,265,724
Expenditures								
Current:								
Support services	-	-	-	-	-	-	48,149	48,149
Food services	2,226,884	-	-	-	-	-	-	2,226,884
Community services	-	1,781,101	-	-	-	-	-	1,781,101
Debt service:								
Principal	-	-	4,940,000	-	4,325,000	-	606,160	9,871,160
Interest	-	-	2,310,434	2,321,544	1,292,390	64,399	68,971	6,057,738
Other	-	-	59,319	18,281	45,467	125	-	123,192
Capital outlay	52,677	3,695	-	-	-	-	2,247,342	2,303,714
Total expenditures	2,279,561	1,784,796	7,309,753	2,339,825	5,662,857	64,524	2,970,622	22,411,938
Excess of Revenue Over (Under) Expenditures	78,832	215,796	(1,672,071)	(535,950)	(1,291,870)	(64,524)	(2,876,427)	(6,146,214)
Other Financing Sources (Uses)								
Proceeds from sale of capital assets	4,569	-	-	-	-	-	-	4,569
Transfers in	6,606	-	-	-	-	64,524	1,229,000	1,300,130
Transfers out	(149,596)	(200,000)	-	-	-	-	-	(349,596)
School bond loan funds debt issued	-	-	1,792,704	575,738	1,389,342	-	-	3,757,784
Proceeds from debt issuance	-	-	-	-	-	-	3,002,369	3,002,369
Total other financing (uses) sources	(138,421)	(200,000)	1,792,704	575,738	1,389,342	64,524	4,231,369	7,715,256
Net Change in Fund Balances	(59,589)	15,796	120,633	39,788	97,472	-	1,354,942	1,569,042
Fund Balances - Beginning of year	674,138	545,276	154,417	48,234	115,848	-	522,795	2,060,708
Fund Balances - End of year	<u>\$ 614,549</u>	<u>\$ 561,072</u>	<u>\$ 275,050</u>	<u>\$ 88,022</u>	<u>\$ 213,320</u>	<u>\$ -</u>	<u>\$ 1,877,737</u>	<u>\$ 3,629,750</u>

Lake Orion Community Schools

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

	2005 Refunding		2006 Refunding	
June 30	Principal	Interest	Principal	Interest
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
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
Total	\$ 33,235,000	\$ 6,142,007	\$ 45,275,000	\$ 16,898,717
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, 2014

June 30	2012 Refunding		2013 Energy Conservation Improvement Bond		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 3,785,000	\$ 667,900	\$ 190,000	\$ 173,012	\$ 9,925,000	\$ 4,530,937
2016	3,870,000	516,500	195,000	169,212	10,015,000	4,088,237
2017	3,905,000	323,000	205,000	165,312	10,065,000	3,603,337
2018	4,170,000	166,800	215,000	161,212	10,280,000	3,214,747
2019	-	-	225,000	156,912	10,380,000	2,813,966
2020	-	-	230,000	152,412	10,635,000	2,347,021
2021	-	-	240,000	147,238	7,320,000	1,821,598
2022	-	-	250,000	141,238	6,965,000	1,461,598
2023	-	-	260,000	133,738	7,180,000	1,118,347
2024	-	-	270,000	125,938	6,130,000	774,806
2025	-	-	280,000	117,500	6,220,000	473,368
2026	-	-	295,000	108,400	1,135,000	182,118
2027	-	-	305,000	98,444	1,150,000	135,412
2028	-	-	320,000	86,244	320,000	86,244
2029	-	-	330,000	73,444	330,000	73,444
2030	-	-	345,000	60,244	345,000	60,244
2031	-	-	360,000	46,444	360,000	46,444
2032	-	-	375,000	32,044	375,000	32,044
2033	-	-	390,000	16,575	390,000	16,575
Total	\$ 15,730,000	\$ 1,674,200	\$ 5,280,000	\$ 2,165,563	\$ 99,520,000	\$ 26,880,487
Principal payments due	May 1		May 1			
Interest payments due	May/November		May/November			
Interest rate	4.00% to 5.00%		2.00% to 4.25%			
Original issue	<u>\$ 23,880,000</u>		<u>\$ 5,280,000</u>			