

# **Lake Shore Public Schools**

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

# Lake Shore Public Schools

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## Independent Auditor's Report

To the Board of Education  
Lake Shore Public 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 Shore Public 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 Lake Shore Public Schools' 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 Shore Public 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, each major fund, and the aggregate remaining fund information of Lake Shore Public Schools as of June 30, 2014 and the respective changes in its financial position and, where applicable, cash flows, 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 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 GASB, 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 Shore Public Schools' basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing 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 other supplemental information, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Education  
Lake Shore Public Schools

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2014 on our consideration of Lake Shore Public Schools' 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 Lake Shore Public Schools' internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

October 13, 2014

# Lake Shore Public Schools

## Management's Discussion and Analysis

This section of Lake Shore Public Schools' 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 Shore Public 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, Adult and Community Education Fund, International Program Fund, and Building and Site Fund - with all other funds presented in one column as nonmajor funds. The Internal Service Fund statement of net position, statement of revenue, expenses, and changes in fund net position, and statement of cash flows present financial information about activities for which the School District provides services to other 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

Notes to the Basic Financial Statements

Required Supplemental Information -  
Budgetary Information for Major Funds

Other Supplemental Information

# Lake Shore Public Schools

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## 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 revenues 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 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 condition 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 condition 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, athletics, adult and community education, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), state and federal grants, tuition, and fees finance most of these activities.

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

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Cafeteria and Building and Site 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 Shore Public Schools

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## Management's Discussion and Analysis (Continued)

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

The School District also maintains a proprietary fund, which utilizes the full accrual basis of accounting. The proprietary fund maintained is an Internal Service Fund used to account for the financing of risk management services provided to other funds on a cost-reimbursement basis.

### ***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 Shore Public 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:

Table I

	Governmental Activities	
	June 30	
	2014	2013
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 14.3	\$ 12.8
Capital assets	<u>29.7</u>	<u>31.6</u>
Total assets	44.0	44.4
<b>Liabilities</b>		
Current liabilities	6.9	6.9
Long-term liabilities	<u>24.7</u>	<u>27.5</u>
Total liabilities	31.6	34.4
<b>Deferred Inflows of Resources -</b>		
Gain on bond defeasance	<u>0.5</u>	<u>-</u>
<b>Net Position</b>		
Net investment in capital assets	6.2	5.3
Restricted	0.3	0.9
Unrestricted	<u>5.4</u>	<u>3.8</u>
Total net position	<u><u>\$ 11.9</u></u>	<u><u>\$ 10.0</u></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 \$11.9 million at June 30, 2014. The net investment in capital assets, totaling \$6.2 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 is reported separately to show legal constraints from enabling legislation that limit the School District's ability to use those net position for day-to-day operations. The remaining amount of net position (\$5.4 million) was unrestricted.

# Lake Shore Public Schools

## Management's Discussion and Analysis (Continued)

The \$5.4 million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. 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 2014.

Table 2

	Governmental Activities	
	Year Ended June 30	
	2014	2013
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 2.8	\$ 2.6
Operating grants	8.8	10.5
General revenue:		
Property taxes	4.8	5.1
State foundation allowance	28.0	25.2
Other	0.9	0.4
Total revenue	<u>45.3</u>	<u>43.8</u>
<b>Functions/Program Expenses</b>		
Instruction	24.2	26.0
Support services	13.7	13.8
Adult and community services	0.9	1.0
Food services	1.3	1.3
Athletics	0.4	0.4
Interest on long-term debt	0.8	1.3
Bond issuance costs	0.1	-
Depreciation (unallocated)	2.0	2.0
Total functions/program expenses	<u>43.4</u>	<u>45.8</u>
<b>Increase (Decrease) in Net Position</b>	<u>\$ 1.9</u>	<u>\$ (2.0)</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$43.4 million. Certain activities were partially funded from those who benefited from the programs (\$2.8 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$8.8 million). We paid for the remaining "public benefit" portion of our governmental activities with \$4.8 million in taxes, \$28.0 million in state foundation allowance, and with our other revenue (i.e., interest and general entitlements).

# Lake Shore Public Schools

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## Management's Discussion and Analysis (Continued)

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 School District's operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

### The School District's Funds

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

As the School District completed the year, the governmental funds reported a combined fund balance of \$6.1 million. The General Fund showed a fund balance increase of \$1.1 million from the prior year.

The debt service funds showed a combined fund balance decrease of \$256,000. Millage rates increased .125 mills from the previous year for a rate of 6.325 mills, and continue to be higher than the original levy of 4.60 mills. Like other municipalities, Lake Shore has seen its taxable value base decline. Over the last three years, the taxable value base for Lake Shore has declined approximately 21.8 percent, but is estimated to increase a conservative .80 mills in 2014-2015. Millage rates are determined when appropriate to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. The debt service funds' fund balances are restricted since they can only be used to pay debt service obligations.

The School District's capital projects funds consists of the Building and Site Fund. This fund balance increased from the prior year by \$103,000. The Building and Site Fund will continue to be in existence going forward and will be utilized to fund major capital needs so these expenditures are not a financial burden on the General Fund.

### General Fund Budgetary Highlights

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

# Lake Shore Public Schools

## Management's Discussion and Analysis (Continued)

### Capital Assets and Debt Administration

#### *Capital Assets*

As of June 30, 2014, the School District had \$29.76 million invested in a broad range of capital assets, including land, construction in progress, buildings, vehicles, furniture, and equipment. This amount represents a decrease of \$1.8 million from the previous year (including additions, disposals, and depreciation).

Capital assets consist of the following:

Table 3

	2014	2013
	(in thousands)	
Land	\$ 308	\$ 290
Construction in progress	-	8
Building and building improvements	23,891	25,310
Site improvements	3,496	3,788
Buses and other vehicles	380	359
Furniture and equipment	1,685	1,844
Total capital assets - Net of accumulated depreciation	<u>\$ 29,760</u>	<u>\$ 31,599</u>

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 \$22.74 million in general obligation bonds outstanding, versus \$25.47 million in the previous year.

The School District's general obligation bond rating continues to be AA- by Standard & Poor's. 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. If the School District issues "qualified debt," (i.e., debt backed by the State of Michigan), such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$22.74 million is significantly below this \$71.47 million statutory limit.

Other obligations include accrued vacation pay and sick leave. We present more detailed information about our long-term liabilities in the notes to the financial statements.

# Lake Shore Public Schools

## Management's Discussion and Analysis (Continued)

### Next Year's Budget Outlook for the General Fund

The operating results of the General Fund, the School District's principal operating fund, will have a significant impact on other funds and the change in unrestricted assets from year to year. The following budget outlook will focus on the General Fund.

#### *Revenue Projection*

Our elected officials and administration considered many factors when setting the School District's 2014-2015 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2014-2015 fiscal year is based on 90 percent and 10 percent of the October 2014 and February 2015 student counts, respectively. The 2014-2015 budget, adopted in June 2014, is based on an estimate of students that will be enrolled in October 2014. The estimate calls for the enrollment to remain flat due in large part to increased advertising for schools of choice to offset the loss of the graduating senior class and resident students.

Approximately 74 percent of total General Fund revenue is from the foundation allowance. Unfortunately, the Michigan economy continues to struggle, and funding for the State's School Aid Fund continues to decline. The 2014-2015 budget is based on an increase in the base foundation allowance of \$50, from \$7,983 to \$8,033. Continued for the 2014-2015 school year is a one-time funding through the Best Practices Incentive in the amount of \$50 per pupil. Not continued for the 2014-2015 school year is the Performance Incentive categorical of \$70 per pupil. The Best Practices Incentive is a one-time-only funding source, and should not be relied on for the 2015-2016 school year per the State's Budget Director.

Under state law, the School District cannot assess additional property tax revenue for general operations. Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to school districts. The State periodically holds revenue-estimating conferences, usually in January and May, to estimate annual revenue. As a result of the State's recent history of foundation allowance reductions in mid-year, once the final student count and related per-pupil funding are validated, state law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations.

#### *Expense Projection*

Wages, taxes, and benefits comprise of approximately 87.7 percent of all General Fund expenditures. With the unlikelihood of the State's School Aid Fund staying constant or increasing, all employee groups will again take a step freeze for 2014-2015. Only one unit labor contract has not been settled, the Lake Shore Federation of Support Staff. With the exception of this group, all employees, union and nonunion, saw a 5 percent pay decrease beginning July 1, 2013.

# Lake Shore Public Schools

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## Management's Discussion and Analysis (Continued)

With regard to pension costs, which are the biggest benefit expense for employees, the state retirement system has been reformed by the State. The reform will artificially keep the contribution rate at a lower rate than actual, and shift more retirement costs to employees.

The actual contribution rate schools will be paying for the 2014-2015 school year is 34.54 percent, a 5.19 percent increase. The State is helping schools pay for this increase by allocating additional funding to be used toward the retirement rate. With the additional funding, the retirement rate will be artificially reduced to approximately 25.78 percent, but still represents a budget increase of approximately 1 percent.

Each percentage increase in the retirement rate equates to an increase in retirement benefit expenses of approximately \$190,000.

### ***2014-2015 Bottom Line***

Although statewide, as school districts are finding it more difficult to make ends meet, Lake Shore Public Schools will continue to take action, as it has historically, so that its fiscal position remains strong.

Fund equity will play an important role in maintaining a strong fiscal position, as Lake Shore strives to maintain programs, maintain low class sizes, and provide services to students.

Lake Shore maintains the position that it is the School District's goal to provide services to our students through prudent expenditures and strategic planning, not to generate profits as commercial entities do. Services to the School District's students include, but are not limited to, instruction, support services, athletics, community education, food services, and the safety of the schools.

The School District determines what an appropriate amount of fund equity is by evaluating the level of cash flow needed during the period from August 21 to October 19. This is the time period when there are no state foundation dollars coming to the School District. During this time period, the School District has financial obligations, including four payrolls, as well as monthly operating bills for the start of a new school year. Based on these financial obligations, it is a best practice that an appropriate fund balance of approximately 15 percent be maintained. Actual fund balance has fallen below this targeted amount, and the School District will be taking additional steps to maintain an appropriate level of cash flow.

# **Lake Shore Public Schools**

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

Fund balance is often stated as a percentage of expenditures, and is sometimes published in the newspapers. Lake Shore Public Schools determines fund balance as a percentage of expenditures by including all expenditures of the School District. These expenditures include not only direct program costs, but also capital outlay, community services, and operating transfers. The Michigan Department of Education (MDE), however, does not include all expenditures of the School District when it computes fund balance as a percentage of expenditures. The MDE specifically excludes capital outlay, community services, and operating transfers, leading to a result where the fund balance as a percentage of expenditures is higher. This computation is misleading to readers of this information who are not familiar with School District operations and all of the expenditures incurred annually. Lake Shore Public Schools uses the total expenditures of the General Fund, cash flow needs, and other available information in order to determine an appropriate level of fund balance to ensure that the financial health of the School District remains strong.

# Lake Shore Public Schools

## Statement of Net Position June 30, 2014

	Governmental Activities
<b>Assets</b>	
Cash and investments (Note 3)	\$ 6,957,177
Receivables (Note 4)	6,944,309
Due from fiduciary fund (Note 6)	29,858
Inventories	8,821
Prepaid costs	263,350
Restricted assets (Note 1)	79,751
Capital assets - Net (Note 5)	<u>29,759,606</u>
Total assets	44,042,872
<b>Liabilities</b>	
Accounts payable	603,846
Accrued payroll-related liabilities	3,749,549
Accrued interest	143,978
Due to other governmental units	688,950
Provision for uninsured losses and accrued insurance premiums (Note 8)	141,884
Unearned revenue (Note 4)	1,622,559
Noncurrent liabilities (Note 7):	
Due within one year	2,673,237
Due in more than one year	<u>21,988,213</u>
Total liabilities	31,612,216
<b>Deferred Inflows of Resources</b> - Gain on bond defeasance	<u>530,314</u>
Total deferred inflows of resources and liabilities	<u>32,142,530</u>
<b>Net Position</b>	
Net investment in capital assets	6,207,208
Restricted:	
Cafeteria	137,537
Adult and community education	174,250
Unrestricted	<u>5,381,347</u>
Total net position	<u><u>\$ 11,900,342</u></u>



# Lake Shore Public Schools

## Statement of Activities Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenue		Governmental
		Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Position
Primary government - Governmental activities:				
Instruction	\$ 24,187,126	\$ 180,010	\$ 7,843,620	\$ (16,163,496)
Support services	13,733,933	88,741	-	(13,645,192)
Athletics	406,517	46,480	-	(360,037)
Food services	1,287,172	604,214	73,334	(609,624)
Adult and community services	936,096	1,878,792	921,263	1,863,959
Interest on long-term debt	820,867	-	-	(820,867)
Bond issuance costs	126,353	-	-	(126,353)
Depreciation expense (unallocated)	2,011,744	-	-	(2,011,744)
Total primary government	<u>\$ 43,509,808</u>	<u>\$ 2,798,237</u>	<u>\$ 8,838,217</u>	(31,873,354)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				1,931,767
Property taxes, levied for debt service				2,998,551
State aid not restricted to specific purposes				28,026,548
Interest and investment earnings				5,506
Loss on the sale of capital assets				(10,175)
Other				893,542
Total general revenue				<u>33,845,739</u>
<b>Change in Net Position</b>				1,972,385
<b>Net Position - Beginning of year</b>				<u>9,927,957</u>
<b>Net Position - End of year</b>				<u><u>\$ 11,900,342</u></u>

# Lake Shore Public Schools

## Governmental Funds Balance Sheet June 30, 2014

	General Fund	Adult and Community Education Fund	Building and Site Fund	International Program Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and investments (Note 3)	\$ 2,459,793	\$ 110,122	\$ 1,311,438	\$ 2,225,064	\$ 143,177	\$ 6,249,594
Receivables (Note 4)	6,543,474	351,260	-	-	49,575	6,944,309
Due from other funds (Note 6)	-	18,175	250,000	175,017	13,118	456,310
Inventories	-	-	-	-	8,821	8,821
Prepaid costs and other assets	206,534	40,851	-	600	-	247,985
Restricted assets (Note 1)	-	-	-	-	79,751	79,751
<b>Total assets</b>	<b>\$ 9,209,801</b>	<b>\$ 520,408</b>	<b>\$ 1,561,438</b>	<b>\$ 2,400,681</b>	<b>\$ 294,442</b>	<b>\$13,986,770</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 552,278	\$ 10,498	\$ -	\$ -	\$ 41,070	\$ 603,846
Accrued payroll-related liabilities	3,530,332	208,764	-	-	10,453	3,749,549
Due to other governmental units	688,950	-	-	-	-	688,950
Due to other funds (Note 6)	1,150,035	59,552	-	-	11,804	1,221,391
Unearned revenue (Note 4)	136,854	67,344	-	1,404,662	13,699	1,622,559
<b>Total liabilities</b>	<b>6,058,449</b>	<b>346,158</b>	<b>-</b>	<b>1,404,662</b>	<b>77,026</b>	<b>7,886,295</b>
<b>Fund Balances</b>						
Nonspendable:						
Inventories	-	-	-	-	8,821	8,821
Prepaid assets	206,534	40,851	-	600	-	247,985
Restricted:						
Debt service	-	-	-	-	79,879	79,879
Adult and community education	-	133,399	-	-	-	133,399
Food services	-	-	-	-	128,716	128,716
Committed:						
Technology plan	180,145	-	301,837	-	-	481,982
Deferred maintenance plan	250,000	-	51,836	-	-	301,836
Vehicle replacement plan	80,000	-	80,000	-	-	160,000
Capital projects	-	-	1,127,765	-	-	1,127,765
International Program operations	-	-	-	422,004	-	422,004
Repayment to Building and Site Fund	-	-	-	573,415	-	573,415
Assigned (Note 10)	1,214,052	-	-	-	-	1,214,052
Unassigned	1,220,621	-	-	-	-	1,220,621
<b>Total fund balances</b>	<b>3,151,352</b>	<b>174,250</b>	<b>1,561,438</b>	<b>996,019</b>	<b>217,416</b>	<b>6,100,475</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,209,801</b>	<b>\$ 520,408</b>	<b>\$ 1,561,438</b>	<b>\$ 2,400,681</b>	<b>\$ 294,442</b>	<b>\$13,986,770</b>

# Lake Shore Public Schools

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

**Fund Balance Reported in Governmental Funds** \$ 6,100,475

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 funds:

Cost of capital assets	\$ 65,650,685	
Accumulated depreciation	<u>(35,891,079)</u>	29,759,606

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

Bonds payable including premiums and deferred charges	(23,552,398)	
Compensated absences	(1,109,052)	
Gain on bond defeasance	<u>(530,314)</u>	(25,191,764)

Accrued interest payable is not included as a liability in governmental funds (143,978)

Internal service fund is included as part of governmental activities 1,376,003

**Net Position of Governmental Activities** **\$ 11,900,342**

# Lake Shore Public Schools

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

	General Fund	Adult and Community Education Fund	Building and Site Fund	International Program Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>						
Local sources	\$ 3,220,437	\$ 605,314	\$ 61,433	\$ 1,140,350	\$ 3,605,692	\$ 8,633,226
State sources	29,003,225	2,026,909	-	-	63,138	31,093,272
Federal sources	1,401,344	2,398,562	-	-	641,844	4,441,750
Interdistrict sources	1,316,091	13,652	-	-	-	1,329,743
<b>Total revenue</b>	<b>34,941,097</b>	<b>5,044,437</b>	<b>61,433</b>	<b>1,140,350</b>	<b>4,310,674</b>	<b>45,497,991</b>
<b>Expenditures</b>						
Current:						
Instruction	20,214,768	3,865,424	-	-	-	24,080,192
Support services	12,454,863	1,068,279	-	253,345	-	13,776,487
Athletics	406,517	-	-	-	-	406,517
Food services	-	-	-	-	1,264,309	1,264,309
Adult and community services	218,591	563,122	-	-	-	781,713
Debt service:						
Principal	-	-	-	-	2,035,000	2,035,000
Interest	-	-	-	-	879,310	879,310
Issuance costs	-	-	-	-	126,353	126,353
Capital outlay	297,763	15,105	258,557	6,777	2,965	581,167
<b>Total expenditures</b>	<b>33,592,502</b>	<b>5,511,930</b>	<b>258,557</b>	<b>260,122</b>	<b>4,307,937</b>	<b>43,931,048</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>1,348,595</b>	<b>(467,493)</b>	<b>(197,124)</b>	<b>880,228</b>	<b>2,737</b>	<b>1,566,943</b>
<b>Other Financing Sources (Uses)</b>						
Payment to escrow agent (Note 7)	-	-	-	-	(14,431,666)	(14,431,666)
Transfers in (Note 6)	-	-	300,000	-	343,069	643,069
Transfers out (Note 6)	(250,000)	-	-	(50,000)	(343,069)	(643,069)
Face value of debt issued (Note 7)	-	-	-	-	13,390,000	13,390,000
Premium on debt issued (Note 7)	-	-	-	-	824,950	824,950
<b>Total other financing (uses) sources</b>	<b>(250,000)</b>	<b>-</b>	<b>300,000</b>	<b>(50,000)</b>	<b>(216,716)</b>	<b>(216,716)</b>
<b>Net Change in Fund Balances</b>	<b>1,098,595</b>	<b>(467,493)</b>	<b>102,876</b>	<b>830,228</b>	<b>(213,979)</b>	<b>1,350,227</b>
<b>Fund Balances - Beginning of year</b>	<b>2,052,757</b>	<b>641,743</b>	<b>1,458,562</b>	<b>165,791</b>	<b>431,395</b>	<b>4,750,248</b>
<b>Fund Balances - End of year</b>	<b>\$ 3,151,352</b>	<b>\$ 174,250</b>	<b>\$ 1,561,438</b>	<b>\$ 996,019</b>	<b>\$ 217,416</b>	<b>\$ 6,100,475</b>

# Lake Shore Public 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** \$ 1,350,227

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

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

Depreciation expense	\$ (2,400,649)	
Capitalized capital outlay	<u>576,969</u>	(1,823,680)

Governmental funds report proceeds from sale of assets as revenue; in the statement of activities, these are recorded net of carrying value of the disposed assets (15,798)

Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of activities (13,390,000)

Underwriter's discount/premium reported as expenditures/revenue in the funds and amortized in the statement of activities (824,950)

Repayment of bond principal and payment to the escrow agent is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 16,466,666

Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid 58,443

Compensated absences are recorded when earned in the statement of activities. In the current year, more was paid out than earned 37,195

Internal service funds are included as part of governmental activities 114,282

**Change in Net Position of Governmental Activities** \$ 1,972,385

# Lake Shore Public Schools

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

<b>Assets - Current assets</b>	
Cash and investments (Note 3)	\$ 707,583
Due from other funds (Note 6)	794,939
Prepaid costs and other assets	<u>15,365</u>
Total assets	1,517,887
<b>Liabilities - Provision for uninsured losses and accrued premiums (Note 8)</b>	<u>141,884</u>
<b>Net Position - Unrestricted</b>	<u><u>\$ 1,376,003</u></u>

# Lake Shore Public Schools

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

<b>Operating Revenue</b> - Charges to other funds	\$ 674,171
<b>Operating Expenses</b> - Claims, reinsurance, premiums, and administrative fees	
Medical	131,352
Dental	255,025
Workers' compensation and other	173,512
Total operating expenses	<u>559,889</u>
<b>Change in Net Position</b>	114,282
<b>Net Position</b> - Beginning of year	<u>1,261,721</u>
<b>Net Position</b> - End of year	<u><u>\$ 1,376,003</u></u>

# Lake Shore Public Schools

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

<b>Cash Flows from Operating Activities</b>	
Receipts from other funds	\$ 1,490,012
Claims, contributions, and premiums paid	<u>(892,604)</u>
<b>Net Increase in Cash and Investments</b>	597,408
<b>Cash and Investments - Beginning of year</b>	<u>110,175</u>
<b>Cash and Investments - End of year</b>	<u><b>\$ 707,583</b></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating income	\$ 114,282
Adjustments to reconcile operating income to net cash provided by operating activities - Changes in assets and liabilities:	
Due from other funds	815,841
Prepaid costs	(1,264)
Provision for uninsured losses	<u>(331,451)</u>
Net cash provided by operating activities	<u><b>\$ 597,408</b></u>



# Lake Shore Public Schools

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

	<u>Agency Funds</u>
<b>Assets - Cash and investments</b>	<b><u>\$ 567,620</u></b>
<b>Liabilities</b>	
Due to student activities	\$ 537,762
Due to International Program Fund	<u>29,858</u>
Total liabilities	<b><u>\$ 567,620</u></b>

# Lake Shore Public Schools

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## Notes to Financial Statements June 30, 2014

### Note I - Summary of Significant Accounting Policies

The accounting policies of Lake Shore Public 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 (GASB) 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.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

#### 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 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 aid.

**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.

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

Proprietary fund and fiduciary fund statements are 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 in connection with a proprietary fund's principal ongoing operations. The proprietary fund maintained by the School District is the Internal Service Fund, which is used to account for the financing of risk management services provided to other funds on a cost-reimbursement basis. The Internal Service Fund includes transactions related to the School District's risk management programs for dental, optical, workers' compensation, and unemployment claims and other benefits. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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.

**Adult and Community Education Fund** - The Adult and Community Education Fund is a special revenue fund that is used to segregate, for administrative purposes, the transactions relating to the St. Clair Shores Adult and Community Education program. The main sources of revenue are state and federal grants.

**Building and Site Fund** - The Building and Site Fund is used to record revenue and the disbursement of invoices specifically designated for buildings, equipment, and for remodeling and repairs. The fund operates until the purpose for which it was created is accomplished.

**International Program Fund** - The purpose of this special revenue fund is to account for the activity of the School District's foreign exchange programs. The primary revenue source for this fund is fees charged to the participating families in China. Funds from the Building and Site Fund were used to renovate a district building into dormitories and classrooms for foreign students, with the intent that the International Fund would pay back over time the renovation expenses of approximately \$700,000.

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 nonmajor special revenue fund is the Cafeteria Fund. Any operating deficit generated by this activity is the responsibility of the General Fund. The purpose of this fund is to account for the activity of the School District's meal programs. The primary revenue sources are food sales to students and grants from the federal government.

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

**Debt Service Funds** - The 2014 Refunding Bond, 2009 Bond Issue, and 2004 Bond Issue Debt Service Funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on the 2014 Refunding Bonds and the 2009 Bonds.

**Internal Service Fund** - The Internal Service Fund accounts for risk management services provided to other funds of the School District on a cost-reimbursement basis. The net position of the fund has been set aside by management for the purpose of funding any future potential claims.

**Fiduciary Funds - Agency Funds** - Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of operations. The School District's fiduciary funds consist of student activities (agency) funds that are used to record the transactions of students and other groups for schools and school-related purposes. The student activities funds are segregated and held in trust for the students and other groups.

#### **Assets, Liabilities, and Net Position or Equity**

**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. Investment income is recorded in the fund for which the investment account was established.

**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 July 1 of the following year. Taxes are considered delinquent on February 15 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

**Inventories and Prepaid Costs** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture commodities inventory received by the Cafeteria Fund is recorded as inventory and deferred revenue until used. 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.

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

**Restricted Assets** - Remaining cash from property tax collections in the debt service funds totaling \$79,751 is required to be set aside for future repayments of bonded indebtedness.

**Capital Assets** - Capital assets, which include land, buildings and building improvements, site improvements, buses and other vehicles, and furniture and equipment, 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.

In the government-wide financial statements, capital assets are being depreciated over the following useful lives:

Buildings and building improvements	7-50 years
Site improvements	20 years
Buses and other vehicles	8-10 years
Furniture and equipment	5-20 years

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

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

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

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.

**Deferred Inflows of Resources** - In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School District has only one type of item that qualifies for reporting in this category. The item, gain on bond defeasance, is reported in the government-wide statement of net position. This amount is deferred and recognized as an inflow of resources over the outstanding life of the related bond.

**Fund Balance** - 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 by resolution of the Board of Education.
- **Assigned:** Intent to spend resources on specific purposes expressed by the Board of Education, superintendent, or assistant superintendent of finance and human resources, who are authorized 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. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

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

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Comparative Data** - Comparative data is not included in the School District's financial statements except within the management's discussion and analysis.

### **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 special revenue funds, except that capital outlay is budgeted in other expenditure categories on a functional basis, and in the Adult and Community Education Fund, payments to other districts have been budgeted as transfers out. The School District also adopted annual budgets for its nonmajor special revenue funds, debt service funds, capital projects funds, and the Internal Service Fund. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner.



# Lake Shore Public Schools

## Notes to Financial Statements June 30, 2014

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

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the School District incurred expenditures in budgeted funds that were in excess of the amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>
General Fund - Support Services - Pupil	\$ 2,509,304	\$ 2,543,957
General Fund - Support Services - School administration	1,990,396	2,030,490
General Fund - Support Services - Central	1,190,651	1,231,259
Adult and Community Education Fund - Instruction - Basic program	708,312	781,314
Adult and Community Education Fund - Support services - Pupil	39,379	41,894
Adult and Community Education Fund - Support services - Instructional Staff	283,475	313,707
Adult and Community Education Fund - Support services - General Administration	11,500	21,828
Adult and Community Education Fund - Support services - School administration	149,500	151,520
Adult and Community Education Fund - Support services - Business services	58,500	63,292
Adult and Community Education Fund - Support services - Operations and maintenance	81,900	103,882
Adult and Community Education Fund - Support Services - Central	349,236	386,494
International Program Fund - Salaries/Benefits	29,646	39,962
International Program Fund - Supplies/Equipment/Other	58,547	72,906

### Note 3 - Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is 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 School District has designated 11 institutions for the deposit or investment of its funds.

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

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 of bank deposits 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 does not have a deposit policy for custodial credit risk. At year end, the School District's deposit balance of \$5,081,826 included \$2,427,695 of bank deposits held entirely within 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. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Custodial Credit Risk of Investments** - Custodial credit risk of investments is the risk that, in the event of the 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 does not have a policy for custodial credit risk. The School District does not hold 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 be purchased within a 270-day maturity. At year end, the School District held no such investments.

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

At year end, the maturities of investments and the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Michigan Liquid Asset Fund	\$ 2,001,306	AAAm	S&P

**Concentration of Credit Risk** - The School District places no limit on the amount the School District may invest in any one issuer.

**Foreign Currency Risk** - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's policy prohibit investment in foreign currency.

# Lake Shore Public 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 funds and the nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Adult and Community Education	Nonmajor Funds	Total
Receivables:				
Accounts receivable	\$ 17,832	\$ 6,663	\$ 12,983	\$ 37,478
Due from other governmental units	6,525,642	344,597	36,592	6,906,831
	<u>\$ 6,543,474</u>	<u>\$ 351,260</u>	<u>\$ 49,575</u>	<u>\$ 6,944,309</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 components of unearned revenue are as follows:

Student food sales	\$ 13,699
Categorical state aid at-risk revenue received in excess of expenditures	103,467
Prepaid participant fees for international program	1,404,662
Child care fees	21,340
Adult education tuition	67,344
Grant and categorical aid payment received prior to meeting all eligibility requirements	<u>12,047</u>
Total	<u>\$ 1,622,559</u>

# Lake Shore Public 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:

<b>Governmental Activities</b>	Balance July 1, 2013	Additions	Disposals	Transfers	Balance June 30, 2014
Capital assets not being depreciated:					
Land	\$ 289,604	\$ 18,080	\$ -	\$ -	\$ 307,684
Construction in progress	7,830	-	-	(7,830)	-
Subtotal	297,434	18,080	-	(7,830)	307,684
Capital assets being depreciated:					
Site improvements	6,495,250	-	-	-	6,495,250
Buildings and building improvements	53,146,504	280,219	-	7,830	53,434,553
Furniture and equipment	4,059,635	171,172	(2,400)	-	4,228,407
Buses and other vehicles	1,211,277	107,498	(133,984)	-	1,184,791
Subtotal	64,912,666	558,889	(136,384)	7,830	65,343,001
Accumulated depreciation:					
Site improvements	2,706,960	292,286	-	-	2,999,246
Buildings and building improvements	27,836,004	1,707,826	-	-	29,543,830
Furniture and equipment	2,216,098	327,176	-	-	2,543,274
Buses and other vehicles	851,954	73,361	(120,586)	-	804,729
Subtotal	33,611,016	2,400,649	(120,586)	-	35,891,079
Net capital assets being depreciated	31,301,650	(1,841,760)	(15,798)	7,830	29,451,922
Net capital assets	<u>\$ 31,599,084</u>	<u>\$ (1,823,680)</u>	<u>\$ (15,798)</u>	<u>\$ -</u>	<u>\$ 29,759,606</u>

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

Governmental activities:

Instruction	\$ 199,254
Support services	165,645
Food services	24,006
Unallocated	2,011,744
Total governmental activities	<u>\$ 2,400,649</u>

Unallocated depreciation expense was not charged to activities as the School District considers certain assets to impact multiple activities and allocation is not practical.

# Lake Shore Public Schools

## Notes to Financial Statements June 30, 2014

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

The composition of interfund balances is as follows:

Fund Due To	Fund Due From			Agency Fund	Total
	General Fund	Adult and Community Education Fund	Nonmajor Governmental Funds		
Adult and Community Education Fund	\$ 12,547	\$ -	\$ 5,628	\$ -	\$ 18,175
Building and Site Fund	250,000	-	-	-	250,000
International Program Fund	145,159	-	-	29,858	175,017
Nonmajor governmental funds	13,118	-	-	-	13,118
Internal Service Fund	729,211	59,552	6,176	-	794,939
Total	<u>\$ 1,150,035</u>	<u>\$ 59,552</u>	<u>\$ 11,804</u>	<u>\$ 29,858</u>	<u>\$ 1,251,249</u>

Interfund balances represent routine and temporary cash flow assistance from the General Fund until amounts are transferred from investment accounts, as well as pooled investments held by the General Fund on behalf of other funds.

The International Program Fund transferred \$50,000 to the Building and Site Fund during 2014. During 2011 and 2012, the Building and Site Fund incurred costs related to the renovation of the Taylor facility for use of the International Program. The School District plans to transfer \$50,000 from the International Program Fund to the Building and Site Fund on an annual basis until the amount of resources initially funded by the Building and Site Fund is replenished.

The 2004 Bond Issue Debt Service Fund transferred \$343,069 to the 2014 Refunding Bond Debt Service Fund in connection with the refunding of the 2004 Bond Issue.

The General Fund transferred \$250,000 to the Building and Site Fund during 2014 for the repair and maintenance of various fixed assets and new fixed asset purchases.

### Note 7 - Long-term Debt

The School District issues bonds 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 compensated absences.

# Lake Shore Public Schools

## Notes to Financial Statements June 30, 2014

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

Long-term debt activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds	\$ 25,470,000	\$ 13,390,000	\$ 16,125,000	\$ 22,735,000	\$ 2,250,000
Issuance discounts	(8,391)	-	(839)	(7,552)	(839)
Issuance premiums	871,980	824,950	871,980	824,950	137,492
Total bonds payable	26,333,589	14,214,950	16,996,141	23,552,398	2,386,653
Other obligations - Compensated absences	1,146,247	-	37,195	1,109,052	286,584
Total governmental activities	<u>\$ 27,479,836</u>	<u>\$ 14,214,950</u>	<u>\$ 17,033,336</u>	<u>\$ 24,661,450</u>	<u>\$ 2,673,237</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	\$ 2,250,000	\$ 863,865	\$ 3,113,865
2016	2,445,000	742,013	3,187,013
2017	2,510,000	693,888	3,203,888
2018	2,605,000	599,213	3,204,213
2019	2,715,000	518,483	3,233,483
2020-2023	10,210,000	1,627,801	11,837,801
Total	<u>\$ 22,735,000</u>	<u>\$ 5,045,263</u>	<u>\$ 27,780,263</u>

### Governmental Activities

General obligation bonds consist of the following:

\$13,390,000 refunding bonds due in annual installments of \$2,060,000 to \$2,365,000 through May 1, 2020; interest at 2.00 percent to 4.00 percent	\$ 13,390,000
\$9,700,000 capital projects bonds due in annual installments of \$75,000 to \$2,560,000 through May 1, 2023; interest at 3.75 percent to 5.00 percent	<u>9,345,000</u>
Total bonded debt	<u>\$ 22,735,000</u>

# Lake Shore Public Schools

## Notes to Financial Statements June 30, 2014

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

**Current Refunding** - During May 2014, the School District issued \$13,390,000 in general obligation bonds with an average interest rate of 3 percent. The proceeds of these bonds were used to advance refund \$14,090,000 of outstanding 2004 Refunding Bonds with an average interest rate of 4.5 percent. The net proceeds of \$14,088,597 (after payment of \$126,353 in underwriting fees and insurance) plus an additional \$343,069 of other debt fund monies were deposited in an irrevocable trust with an escrow agent and subsequently used to redeem in full the 2004 refunding bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the School District's long-term obligations. The refunding reduced total debt service payments by approximately \$2,190,000, which represents an economic gain of approximately \$1,674,000.

### 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, dental, optical, and other benefits provided to employees. The School District has purchased commercial insurance for general liability, property/casualty, medical, and errors and omissions claims; the School District is self-insured for workers' compensation, dental, optical, and unemployment 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 workers' compensation, dental, optical, and unemployment 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 and in the Internal Service Fund. Changes in the estimated liability for the past two fiscal years were as follows in the table below.

	2014	2013
Estimated liability - Beginning of year	\$ 201,348	\$ 659,881
Estimated claims incurred - Including changes in estimates	539,889	4,129,768
Claim payments	(599,353)	(4,588,301)
Unpaid claims - End of year	<u>\$ 141,884</u>	<u>\$ 201,348</u>

# Lake Shore Public Schools

## Notes to Financial Statements June 30, 2014

### Note 9 - Defined Benefit Pension Plan and Postemployment Benefits

**Plan Description** - The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The system also provides postemployment 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 supplemental 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 System at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

**Pension Benefits** - Employer contributions to the pension system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. For the period from July 1, 2013, through September 30, 2013, employees were given 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 %



# Lake Shore Public Schools

## Notes to Financial Statements June 30, 2014

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

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 approximately \$6,656,000, \$4,716,000, and \$4,207,000, 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 approximately \$1,382,000, \$2,095,000, and \$2,941,000, respectively.

### Note 10 - Fund Balance Components

The details of the assigned component of fund balance in the General Fund are as follows:

Assigned:	
Employee compensated absences - Short term	\$ 286,584
Employee compensated absences - Long term	822,468
Tax tribunal refunds	75,000
Retiree severance payouts	<u>30,000</u>
Total assigned	<u>\$ 1,214,052</u>

# Lake Shore Public Schools

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## Notes to Financial Statements June 30, 2014

### **Note 11 - Upcoming Accounting Pronouncements**

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, 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 supplemental information. 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**

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# Lake Shore Public Schools

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

	Original Budget	Final Amended Budget	Actual
<b>Revenue</b>			
Local sources	\$ 3,466,121	\$ 3,394,301	\$ 3,220,437
State sources	27,390,871	29,043,602	29,003,225
Federal sources	1,151,194	1,559,600	1,401,344
Interdistrict sources	1,067,000	1,154,792	1,316,091
Total revenue	33,075,186	35,152,295	34,941,097
<b>Expenditures - Current</b>			
Instruction:			
Basic program	16,106,177	16,550,487	16,539,748
Added needs	3,727,048	3,952,022	3,714,132
Support services:			
Pupil	2,560,711	2,509,304	2,543,957
Instructional staff	949,299	1,038,600	950,642
General administration	741,912	838,514	771,244
School administration	2,043,161	1,990,396	2,030,490
Business services	451,194	478,764	456,104
Operations and maintenance	3,678,491	3,871,571	3,845,541
Transportation	938,639	927,103	882,941
Central	1,206,390	1,190,651	1,231,259
Athletics	413,982	416,385	407,853
Community services	228,986	221,845	218,591
Total expenditures	33,045,990	33,985,642	33,592,502
<b>Other Financing Uses - Transfers out</b>	-	(262,600)	(250,000)
<b>Net Change in Fund Balance</b>	29,196	904,053	1,098,595
<b>Fund Balance - July 1, 2013</b>	2,052,757	2,052,757	2,052,757
<b>Fund Balance - June 30, 2014</b>	<b>\$ 2,081,953</b>	<b>\$ 2,956,810</b>	<b>\$ 3,151,352</b>

# Lake Shore Public Schools

## Required Supplemental Information Budgetary Comparison Schedule - Special Revenue Fund Adult and Community Education Fund Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>
<b>Revenue</b>			
Local sources	\$ 778,950	\$ 741,536	\$ 605,314
State sources	1,045,032	1,102,899	2,026,909
Federal sources	3,991,486	3,528,455	2,398,562
Interdistrict sources	<u>21,359</u>	<u>21,359</u>	<u>13,652</u>
Total revenue	5,836,827	5,394,249	5,044,437
<b>Expenditures - Current</b>			
Instruction:			
Basic program	486,293	708,312	781,314
Adult/Continuing education	3,696,717	3,322,560	3,084,110
Support services:			
Pupil	36,136	39,379	41,894
Instructional staff	373,401	283,475	313,707
General administration	11,500	11,500	21,828
School administration	146,500	149,500	151,520
Business services	37,500	58,500	63,292
Operations and maintenance	114,400	81,900	103,882
Pupil transportation services	800	1,200	767
Central	303,299	349,236	386,494
Community services	<u>659,693</u>	<u>595,645</u>	<u>563,122</u>
Total expenditures	5,866,239	5,601,207	5,511,930
<b>Other Financing Uses - Transfers out</b>	<u>(16,000)</u>	<u>(10,000)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	(45,412)	(216,958)	(467,493)
<b>Fund Balance - July 1, 2013</b>	<u>641,473</u>	<u>641,743</u>	<u>641,743</u>
<b>Fund Balance - June 30, 2014</b>	<u><b>\$ 596,061</b></u>	<u><b>\$ 424,785</b></u>	<u><b>\$ 174,250</b></u>

# Lake Shore Public Schools

## Required Supplemental Information Budgetary Comparison Schedule - Special Revenue Fund International Program Fund Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenue - Local sources</b>			
Fees from participants	\$ 398,810	\$ 1,140,350	\$ 1,140,350
Investment earnings	3,000	-	-
Total revenue	<u>401,810</u>	<u>1,140,350</u>	<u>1,140,350</u>
<b>Expenditures - Current</b>			
Salaries and benefits	17,213	29,646	39,962
Purchased services	184,462	213,701	140,477
Supplies, equipment, and other	44,830	58,547	72,906
Capital outlay	-	18,000	6,777
Total expenditures	<u>246,505</u>	<u>319,894</u>	<u>260,122</u>
<b>Excess of Revenue Over Expenditures</b>	155,305	820,456	880,228
<b>Other Financing Uses - Transfers out</b>	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>
<b>Net Change in Fund Balance</b>	105,305	770,456	830,228
<b>Fund Balance - July 1, 2013</b>	<u>165,791</u>	<u>165,791</u>	<u>165,791</u>
<b>Fund Balance - June 30, 2014</b>	<u><u>\$ 271,096</u></u>	<u><u>\$ 936,247</u></u>	<u><u>\$ 996,019</u></u>

## **Other Supplemental Information**

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# Lake Shore Public Schools

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

	Special Revenue Fund	Debt Service Funds		Total Nonmajor Governmental Funds
	Cafeteria	2014 Refunding Issue	2009 Bond Issue	
<b>Assets</b>				
Cash and investments	\$ 143,177	\$ -	\$ -	\$ 143,177
Receivables	49,575	-	-	49,575
Due from other funds	12,990	109	19	13,118
Inventories	8,821	-	-	8,821
Restricted assets	-	65,249	14,502	79,751
Total assets	<u>\$ 214,563</u>	<u>\$ 65,358</u>	<u>\$ 14,521</u>	<u>\$ 294,442</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 41,070	\$ -	\$ -	\$ 41,070
Accrued payroll-related liabilities	10,453	-	-	10,453
Due to other funds	11,804	-	-	11,804
Unearned revenue	13,699	-	-	13,699
Total liabilities	77,026	-	-	77,026
<b>Fund Balances</b>				
Nonspendable - Inventories	8,821	-	-	8,821
Restricted:				
Debt service	-	65,358	14,521	79,879
Food services	128,716	-	-	128,716
Total fund balances	<u>137,537</u>	<u>65,358</u>	<u>14,521</u>	<u>217,416</u>
Total liabilities and fund balances	<u>\$ 214,563</u>	<u>\$ 65,358</u>	<u>\$ 14,521</u>	<u>\$ 294,442</u>

# Lake Shore Public Schools

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds

	Special Revenue Fund	Debt Service Funds			Total Nonmajor Governmental Funds
	Cafeteria	2004 Bond Issue	2009 Bond Issue	2014 Refunding Issue	
<b>Revenue</b>					
Local sources	\$ 604,762	\$ 2,496,377	\$ 439,195	\$ 65,358	\$ 3,605,692
State sources	63,138	-	-	-	63,138
Federal sources	641,844	-	-	-	641,844
Total revenue	1,309,744	2,496,377	439,195	65,358	4,310,674
<b>Expenditures</b>					
Current - Food services	1,264,309	-	-	-	1,264,309
Debt service:					
Principal	-	1,965,000	70,000	-	2,035,000
Interest	-	443,628	435,682	-	879,310
Bond issuance costs	-	-	-	126,353	126,353
Capital outlay	2,965	-	-	-	2,965
Total expenditures	1,267,274	2,408,628	505,682	126,353	4,307,937
<b>Other Financing Sources (Uses)</b>					
Payment to escrow agent	-	-	-	(14,431,666)	(14,431,666)
Transfers in	-	-	-	343,069	343,069
Transfers out	-	(343,069)	-	-	(343,069)
Face value of debt issued	-	-	-	13,390,000	13,390,000
Premium on debt issued	-	-	-	824,950	824,950
Total other financing (uses) sources	-	(343,069)	-	126,353	(216,716)
<b>Net Change in Fund Balances</b>	42,470	(255,320)	(66,487)	65,358	(213,979)
<b>Fund Balances - Beginning of year</b>	95,067	255,320	81,008	-	431,395
<b>Fund Balances - End of year</b>	<b>\$ 137,537</b>	<b>\$ -</b>	<b>\$ 14,521</b>	<b>\$ 65,358</b>	<b>\$ 217,416</b>

# Lake Shore Public Schools

## Other Supplemental Information Schedule of Bonded Indebtedness June 30, 2014

Years Ending June 30	2014 Refunding Bond	2009 Bond Issue
	Principal	Principal
2015	\$ 2,175,000	\$ 75,000
2016	2,365,000	80,000
2017	2,335,000	175,000
2018	2,290,000	315,000
2019	2,165,000	550,000
2020	2,060,000	805,000
2021	-	2,335,000
2022	-	2,450,000
2023	-	2,560,000
Total	<b>\$ 13,390,000</b>	<b>\$ 9,345,000</b>
Principal payments due	May I	May I
Interest payments due	May I and November I	May I and November I
Interest rate	2.00% to 4.00%	3.75% to 5.00%
Original issue	<b>\$ 13,390,000</b>	<b>\$ 9,700,000</b>