

# **Lake Shore Public Schools**

---

**Financial Report  
with Supplemental Information  
June 30, 2016**

# Lake Shore Public Schools

---

## Contents

<b>Independent Auditor's Report</b>	1-3
<b>Management's Discussion and Analysis</b>	4-13
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	16-17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	18
Statement of Revenue, Expenditures, and Changes in Fund Balances	19-20
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Proprietary Fund - Internal Service Fund:	
Statement of Net Position	22
Statement of Revenue, Expenses, and Changes in Net Position	23
Statement of Cash Flows	24
Fiduciary Funds - Statement of Fiduciary Assets and Liabilities	25
Notes to Financial Statements	26-46
<b>Required Supplemental Information</b>	47
Budgetary Comparison Schedule - General Fund	48
Budgetary Comparison Schedule - Special Revenue Fund - Adult and Community Education Fund	49
Budgetary Comparison Schedule - Special Revenue Fund - International Program Fund	50
Schedule of Lake Shore Public Schools' Proportionate Share of the MSPERS Net Pension Liability Determined as of the Plan Year Ended September 30	51
Schedule of Lake Shore Public Schools' Contributions to MSPERS Determined as of the Year Ended June 30	52
Notes to Pension Required Supplemental Information Schedules	53

# Lake Shore Public Schools

---

## Contents (Continued)

<b>Other Supplemental Information</b>	54
Nonmajor Governmental Funds:	
Combining Balance Sheet	55
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	56
Schedule of Bonded Indebtedness	57
<b>Federal Awards Supplemental Information</b>	Issued Under Separate Cover

## 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, 2016 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, 2016 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, the major fund budgetary comparison schedules, the schedules of the School District's pension contributions and proportionate share of the net pension liability, and the notes to required supplemental information, 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 opinions 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 19, 2016 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 19, 2016

# Lake Shore Public Schools

## Management's Discussion and Analysis

This section of Lake Shore Public 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, 2016. 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, 2016 Capital Projects 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 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  
Pension Plan Schedules

### Other Supplemental Information

# Lake Shore Public 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 deferred outflows of resources) and liabilities (and deferred inflows of resources), 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

---

## 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	
	2016	2015
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 44.5	\$ 14.4
Capital assets	<u>25.4</u>	<u>27.6</u>
Total assets	69.9	42.0
<b>Deferred Outflows of Resources</b>	<u>9.2</u>	<u>3.8</u>
Total assets and deferred outflows of resources	79.1	45.8
<b>Liabilities</b>		
Current liabilities	7.1	6.1
Long-term liabilities	48.6	22.3
Net pension liability	<u>66.7</u>	<u>57.5</u>
Total liabilities	122.4	85.9
<b>Deferred Inflows of Resources</b>	<u>2.4</u>	<u>4.6</u>
Total liabilities and deferred inflows of resources	<u>124.8</u>	<u>90.5</u>
<b>Net Position</b>		
Net investment in capital assets	6.0	6.4
Restricted	0.1	0.3
Unrestricted (deficit)	<u>(51.8)</u>	<u>(51.4)</u>
Total net position	<u>\$ (45.7)</u>	<u>\$ (44.7)</u>

# Lake Shore Public Schools

## Management's Discussion and Analysis (Continued)

The above analysis focuses on the net position (see Table 1). 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 a deficit of \$45.7 million at June 30, 2016, an increase in the deficit of \$1.0 million over June 30, 2015. The deficit increased as a result of the pension and long-term liabilities increasing more than the assets increased. The net investment in capital assets of \$6.0 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 debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remainder was an unrestricted net deficit of \$51.8 million.

As required by the Government Accounting Standards Board (GASB), the School District adopted GASB Statements No. 68 and No. 71 during 2015. These standards required the inclusion of the School District's proportionate share of the Michigan Public School Employees Retirement Plan within the School District's financial statements, effective July 1, 2014. Since adoption of the new standards, the net pension liability has increased to \$66.7 million at June 30, 2016. The net position is impacted by the pension related deferred inflows and outflows of resources in the June 30, 2016 financial statements. All governments participating in the retirement plan were required to adopt these new standards.

The \$51.8 million in unrestricted net position deficit of governmental activities represents the accumulated results of all past years' operations and the impact from adoption of Statement No. 68. Unrestricted net position would enable 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 and change in the pension liability will have a significant impact on the change in unrestricted net position (deficit) from year to year.

# Lake Shore Public Schools

## Management's Discussion and Analysis (Continued)

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 2015 and 2016.

Table 2

	Governmental Activities	
	Year Ended June 30	
	2016	2015
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 3.0	\$ 3.2
Operating grants	12.3	8.9
General revenue:		
Property taxes	5.3	5.1
State foundation allowance	24.6	29.2
Other	0.4	0.3
Total revenue	<u>45.6</u>	<u>46.7</u>
<b>Functions/Program Expenses</b>		
Instruction	26.1	25.4
Support services	14.3	14.0
Adult and community services	1.1	1.2
Food services	1.6	1.5
Athletics	0.5	0.5
Interest on long-term debt	0.6	0.6
Bond issuance costs	0.4	-
Depreciation (unallocated)	2.0	2.0
Total functions/program expenses	<u>46.6</u>	<u>45.2</u>
<b>Change in Net Position</b>	(1.0)	1.5
<b>Net Position - Beginning of year</b>	<u>(44.7)</u>	<u>(46.2)</u>
<b>Net Position - End of year</b>	<u>\$ (45.7)</u>	<u>\$ (44.7)</u>

# Lake Shore Public 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 \$46.6 million, an increase of \$1.40 million. There was an increase of \$1.0 million in instruction and support services and \$0.40 million increase in bond issuance costs. Certain activities were partially funded from those who benefited from the programs (\$3.0 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$12.3 million). We paid for the remaining "public benefit" portion of our governmental activities with \$5.3 million in taxes, \$24.6 million in state foundation allowance, and with our other revenue (i.e., interest and general entitlements).

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 the 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 \$36.1 million. This includes a new 2016 Capital Projects Fund of \$28.5 million. The General Fund showed a fund balance increase of \$1.0 million, which is the result of an operating transfer from the International Program Fund.

The debt service funds showed a combined fund balance increase of \$156,000. Millage rates increased .550 mills from the previous year for a rate of 7.0 mills. Like other municipalities, Lake Shore is recovering from multiple years of taxable value base decline. In 2015-2016, the School District experienced a slight increase of 0.1 percent in taxable value. We estimate a conservative 0.5 percent increase in 2016-2017. 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 non-bonded capital projects fund is the Building and Site Fund. This fund balance increased from the prior year by \$360,000. The Building and Site Fund will continue to be in existence going forward and will be utilized to fund major capital needs, so that these expenditures are not a financial burden on the General Fund.

# Lake Shore Public 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 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.

### Capital Assets and Debt Administration

#### *Capital Assets*

As of June 30, 2016, the School District had \$25.3 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 \$2.2 million from the previous year (including additions, disposals, and depreciation).

Capital assets consist of the following:

Table 3

	2016	2015
	(in thousands)	
Land	\$ 308	\$ 308
Building and building improvements	20,540	22,225
Site improvements	2,955	3,228
Buses and other vehicles	423	430
Furniture and equipment	1,156	1,408
Total capital assets - Net of accumulated depreciation	<u>\$ 25,382</u>	<u>\$ 27,599</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 \$45.85 million in general obligation bonds outstanding, versus \$20.49 million in the previous year. The increase is attributable to the bond proposal approved by the voters in May 2016.

# Lake Shore Public Schools

## Management's Discussion and Analysis (Continued)

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. All of the bonds issued by the School District are qualified.

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

### **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 net position 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 2016-2017 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 2016-2017 fiscal year is based on 90 and 10 percent of the October 2016 and February 2016 student counts, respectively. The 2016-2017 budget, adopted in June 2016, was based on an estimate of students that will be enrolled in October 2016. 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 70 percent of total General Fund revenue is from the foundation allowance. Unfortunately, the Michigan economy is slowly rebound, and funding for the State's School Aid Fund continues to struggle. The 2016-2017 budget is based on an increase in the base foundation allowance of \$49, from \$8,169 to \$8,218.

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.

# Lake Shore Public Schools

---

## Management's Discussion and Analysis (Continued)

### *Expense Projection*

Wages, taxes, and benefits comprise approximately 88 percent of all General Fund expenditures.

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 2016-2017 school year is 36.64 percent, an 8.68 percent increase. The State is helping schools pay for this increase by allocating additional funding to be used toward the retirement rate increase. With the additional funding, the retirement rate will be artificially reduced to approximately 24.94 percent.

Each percentage increase in the retirement rate equates to an increase in retirement benefit expenses of approximately \$200,000.

### *2016-2017 Bottom Line*

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. Services to the School District's students include, but are not limited to, instruction, support services, athletics, community education, food services, and the maintenance and safety of our school buildings.

In May 2016, voters agreed with the board's position and approved a bond proposal that will pay for improving and equipping school and athletic facilities as well as instructional technology. This project will continue for approximately three years.

Although there has been a wage freeze for a number of years, it is important to the board to retain and attract qualified staff, both instructional and noninstructional. To that end, the board authorized salary increases to acknowledge employees' hard work and dedication. We anticipate the use of fund equity to cover a portion of these costs.

Fund equity will play an important role in maintaining a strong fiscal position. The School District will reevaluate the appropriate amount of fund equity to ensure a level of cash flow needed during the period from August 21 to October 19. This is the time period when there is no state foundation revenue coming to the School District; however, the School District has payroll and operational expenses which must be paid. Based on these financial obligations, it is a best practice that a minimum of 10 percent fund balance be maintained.

Lake Shore Public Schools will continue to take action, as it has historically, so that its fiscal position remains strong.

# Lake Shore Public Schools

## Statement of Net Position June 30, 2016

	Governmental Activities
<b>Assets</b>	
Cash and investments (Note 3)	\$ 7,512,785
Receivables (Note 4)	7,341,252
Inventories	14,397
Prepaid costs	704,001
Restricted assets (Note 1)	28,973,459
Capital assets - Net (Note 5)	25,381,945
Total assets	69,927,839
<b>Deferred Outflows of Resources -</b>	
Deferred outflows related to pensions (Note 9)	9,167,748
Total assets and deferred outflows of resources	79,095,587
<b>Liabilities</b>	
Accounts payable	497,998
Accrued payroll-related liabilities	4,608,166
Accrued interest	230,017
Provision for uninsured losses and accrued insurance premiums	271,082
Unearned revenue (Note 4)	1,396,435
Long-term obligations (Note 7):	
Due within one year	2,903,104
Due in more than one year	45,759,845
Net pension liability (Note 9)	66,730,328
Total liabilities	122,396,975
<b>Deferred Inflows of Resources</b>	
Revenue in support of pension contributions made subsequent to measurement date	1,829,711
Deferred charges on bond refunding	353,542
Deferred inflows related to pensions (Note 9)	221,577
Total deferred inflows of resources	2,404,830
Total liabilities and deferred inflows of resources	124,801,805
<b>Net Position</b>	
Net investment in capital assets	6,042,857
Restricted - Debt service	119,162
Unrestricted (deficit)	(51,868,237)
Total net position	<u>\$ (45,706,218)</u>

# Lake Shore Public Schools

## Statement of Activities Year Ended June 30, 2016

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	\$ 26,055,935	\$ 90,427	\$ 7,363,776	\$ (18,601,732)
Support services	14,316,090	94,025	3,965,110	(10,256,955)
Athletics	471,636	51,442	-	(420,194)
Food services	1,596,518	778,703	74,283	(743,532)
Adult and community services	1,079,145	2,019,078	848,265	1,788,198
Interest on long-term debt	623,558	-	-	(623,558)
Other debt costs	401,990	-	-	(401,990)
Depreciation expense (unallocated)	2,021,197	-	-	(2,021,197)
Total primary government	<u>\$ 46,566,069</u>	<u>\$ 3,033,675</u>	<u>\$ 12,251,434</u>	(31,280,960)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				1,971,749
Property taxes, levied for debt service				3,339,848
State aid not restricted to specific purposes				24,592,159
Interest and investment earnings				17,422
Other				354,803
Total general revenue				<u>30,275,981</u>
<b>Change in Net Position</b>				(1,004,979)
<b>Net Position - Beginning of year</b>				<u>(44,701,239)</u>
<b>Net Position - End of year</b>				<u><b>\$ (45,706,218)</b></u>

# Lake Shore Public Schools

	General Fund	Adult and Community Education Fund	Building and Site Fund	International Program Fund
<b>Assets</b>				
Cash and investments (Note 3)	\$ 2,527,366	\$ 125,183	\$ 2,312,451	\$ 1,091,455
Receivables (Note 4)	6,707,547	574,247	-	-
Due from other funds (Note 6)	389,301	-	-	50,000
Inventories	-	-	-	-
Prepaid costs	489,555	40,849	12,640	68,663
Restricted assets (Note 1)	-	-	-	-
<b>Total assets</b>	<b>\$ 10,113,769</b>	<b>\$ 740,279</b>	<b>\$ 2,325,091</b>	<b>\$ 1,210,118</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 363,385	\$ 6,668	\$ -	\$ 211
Accrued payroll-related liabilities	4,364,593	218,608	-	287
Due to other funds (Note 6)	459,830	426,881	50,000	18,886
Unearned revenue (Note 4)	316,925	86,504	-	979,289
<b>Total liabilities</b>	<b>5,504,733</b>	<b>738,661</b>	<b>50,000</b>	<b>998,673</b>
<b>Fund Balances</b>				
Nonspendable:				
Inventories	-	-	-	-
Prepaid costs	489,555	40,849	12,640	68,663
Restricted:				
Capital projects	-	-	-	-
Debt service	-	-	-	-
Food services	-	-	-	-
Committed:				
Technology plan	-	-	185,636	-
Deferred maintenance plan	267,500	-	185,636	-
Vehicle replacement plan	-	-	90,000	-
Capital projects	-	-	1,801,179	-
International program operations	-	-	-	142,782
Assigned (Note 10)	1,176,263	-	-	-
Unassigned	2,675,718	(39,231)	-	-
<b>Total fund balances</b>	<b>4,609,036</b>	<b>1,618</b>	<b>2,275,091</b>	<b>211,445</b>
<b>Total liabilities and fund balances</b>	<b>\$ 10,113,769</b>	<b>\$ 740,279</b>	<b>\$ 2,325,091</b>	<b>\$ 1,210,118</b>

**Governmental Funds  
Balance Sheet  
June 30, 2016**

2016 Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 188,455	\$ 6,244,910
-	59,458	7,341,252
-	-	439,301
-	14,397	14,397
-	-	611,707
<u>28,624,280</u>	<u>349,179</u>	<u>28,973,459</u>
<b><u>\$ 28,624,280</u></b>	<b><u>\$ 611,489</u></b>	<b><u>\$ 43,625,026</u></b>
\$ 86,912	\$ 40,822	\$ 497,998
-	24,678	4,608,166
126	4,119	959,842
-	13,717	1,396,435
<u>87,038</u>	<u>83,336</u>	<u>7,462,441</u>
-	14,397	14,397
-	-	611,707
28,537,242	-	28,537,242
-	349,179	349,179
-	164,577	164,577
-	-	185,636
-	-	453,136
-	-	90,000
-	-	1,801,179
-	-	142,782
-	-	1,176,263
-	-	2,636,487
<u>28,537,242</u>	<u>528,153</u>	<u>36,162,585</u>
<b><u>\$ 28,624,280</u></b>	<b><u>\$ 611,489</u></b>	<b><u>\$ 43,625,026</u></b>

# Lake Shore Public Schools

## Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2016

<b>Fund Balance Reported in Governmental Funds</b>	\$	36,162,585
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	\$ 65,943,974	
Accumulated depreciation	<u>(40,562,029)</u>	25,381,945
Deferred outflows related to pensions		4,241,635
Deferred outflows related to pension payments made subsequent to the measurement date		4,926,113
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:		
Bonds payable including unamortized premiums and discounts	(47,522,788)	
Compensated absences	(990,161)	
Deferred charges on bond refunding	<u>(353,542)</u>	(48,866,491)
Accrued interest payable is not included as a liability in governmental funds		(230,017)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position		(1,829,711)
Internal Service Fund assets and liabilities are included in governmental activities in the statement of net position		1,459,628
Net pension obligations do not present a claim on current financial resources and are not reported as fund liabilities		(66,730,328)
Deferred inflows related to pensions		<u>(221,577)</u>
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>(45,706,218)</u></b>

# Lake Shore Public Schools

	General Fund	Adult and Community Education Fund	Building and Site Fund	International Program Fund
<b>Revenue</b>				
Local sources	\$ 2,823,951	\$ 622,250	\$ 4,832	\$ 1,166,402
State sources	31,288,115	1,915,677	-	-
Federal sources	2,198,112	2,235,934	-	-
Interdistrict sources	262,906	18,679	-	-
Total revenue	36,573,084	4,792,540	4,832	1,166,402
<b>Expenditures</b>				
Current:				
Instruction	22,648,105	3,272,665	-	2,873
Support services	12,876,711	1,014,709	-	137,103
Athletics	464,143	-	-	-
Food services	-	-	-	-
Adult and community services	246,744	609,658	-	216,445
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Capital outlay	231,503	84	168,106	8,651
Total expenditures	36,467,206	4,897,116	168,106	365,072
<b>Excess of Revenue Over (Under) Expenditures</b>	105,878	(104,576)	(163,274)	801,330
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,007,368	103,000	523,415	-
Transfers out	(103,000)	-	-	(1,530,783)
Face value of debt issued	-	-	-	-
Premium on debt issued	-	-	-	-
Total other financing sources (uses)	904,368	103,000	523,415	(1,530,783)
<b>Net Change in Fund Balances</b>	1,010,246	(1,576)	360,141	(729,453)
<b>Fund Balances - Beginning of year</b>	3,598,790	3,194	1,914,950	940,898
<b>Fund Balances - End of year</b>	<b>\$ 4,609,036</b>	<b>\$ 1,618</b>	<b>\$ 2,275,091</b>	<b>\$ 211,445</b>

**Governmental Funds  
Statement of Revenue, Expenditures, and  
Changes in Fund Balances  
Year Ended June 30, 2016**

2016 Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 4,122,627	\$ 8,740,062
-	49,690	33,253,482
-	704,191	5,138,237
-	-	281,585
-	4,876,508	47,413,366
-	-	25,923,643
-	-	14,028,523
-	-	464,143
-	1,540,320	1,540,320
-	-	1,072,847
-	2,445,000	2,445,000
-	742,249	742,249
401,454	536	401,990
-	32,959	441,303
<u>401,454</u>	<u>4,761,064</u>	<u>47,060,018</u>
(401,454)	115,444	353,348
-	-	1,633,783
-	-	(1,633,783)
27,810,000	-	27,810,000
<u>1,128,696</u>	<u>-</u>	<u>1,128,696</u>
<u>28,938,696</u>	<u>-</u>	<u>28,938,696</u>
28,537,242	115,444	29,292,044
-	412,709	6,870,541
<u>\$ 28,537,242</u>	<u>\$ 528,153</u>	<u>\$ 36,162,585</u>

# 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, 2016

**Net Change in Fund Balances - Total Governmental Funds** \$ 29,292,044

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	\$ (2,411,929)	
Capitalized capital outlay	<u>217,116</u>	(2,194,813)

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 (22,565)

Revenue in support of pension contributions made subsequent to the measurement date (1,829,711)

Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of activities (27,810,000)

Underwriter's discount/premium reported as expenditures/revenue in the funds and amortized in the statement of activities (1,128,696)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 2,445,000

Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid 118,691

Change in pension expense related to deferred items 138,534

Compensated absences are recorded when earned in the statement of activities. In the current year, more was paid out than was earned 106,283

Internal Service Funds are included as part of governmental activities (119,746)

**Change in Net Position of Governmental Activities** **\$ (1,004,979)**

# Lake Shore Public Schools

## Proprietary Fund - Internal Service Fund Statement of Net Position June 30, 2016

<b>Assets - Current assets</b>	
Cash and investments (Note 3)	\$ 1,267,875
Due from other funds (Note 6)	520,541
Prepaid costs and other assets	<u>92,294</u>
Total assets	1,880,710
<b>Liabilities</b>	
Current liabilities - Provision for uninsured losses and accrued insurance premiums	271,082
Noncurrent liabilities - Other long-term insurance liabilities	<u>150,000</u>
Total liabilities	<u>421,082</u>
<b>Net Position - Unrestricted</b>	<b><u>\$ 1,459,628</u></b>

# Lake Shore Public Schools

## Proprietary Fund - Internal Service Fund Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2016

<b>Operating Revenue</b> - Charges to other funds	\$ 456,588
<b>Operating Expenses</b> - Claims, reinsurance, premiums, and administrative fees	
Medical	992
Dental	261,180
Workers' compensation and other	317,359
Total operating expenses	<u>579,531</u>
<b>Operating Loss</b>	(122,943)
<b>Nonoperating Revenue</b> - Interest and investment earnings	<u>3,197</u>
<b>Change in Net Position</b>	(119,746)
<b>Net Position</b> - Beginning of year	<u>1,579,374</u>
<b>Net Position</b> - End of year	<u><u>\$ 1,459,628</u></u>

# Lake Shore Public Schools

## Proprietary Fund - Internal Service Fund Statement of Cash Flows Year Ended June 30, 2016

<b>Cash Flows from Operating Activities</b>	
Receipts from other funds	\$ 527,294
Claims, prepayments, and premiums paid	<u>(423,448)</u>
Net cash provided by operating activities	103,846
<b>Cash Flows from Investing Activities</b> - Interest received on investments	<u>3,197</u>
<b>Net Increase in Cash and Investments</b>	107,043
<b>Cash and Investments</b> - Beginning of year	<u>1,160,832</u>
<b>Cash and Investments</b> - End of year	<u><u>\$ 1,267,875</u></u>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</b>	
Operating loss	\$ (122,943)
Adjustments to reconcile operating loss to net cash provided by operating activities - Changes in assets and liabilities:	
Due from other funds	(96,896)
Prepaid costs	(83,898)
Accrued liabilities and provision for uninsured losses	257,583
Other long-term liabilities	<u>150,000</u>
Net cash provided by operating activities	<u><u>\$ 103,846</u></u>

# Lake Shore Public Schools

---

## Fiduciary Funds Statement of Fiduciary Assets and Liabilities June 30, 2016

	<u>Agency Funds</u>
<b>Assets</b> - Cash and investments	<u>\$ 526,299</u>
<b>Liabilities</b> - Due to student activities	<u>\$ 526,299</u>

### **Note I - Nature of Business and 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 revenue, 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 revenue. 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 revenue 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 - Nature of Business and 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 - Nature of Business and 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. Any operating deficits of this fund are the responsibility of the General Fund.

**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. Any operating deficits of this fund are the responsibility of the General Fund.

**2016 Capital Projects Fund** - This fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for the voter-approved capital projects associated with the 2016 bond issue. The fund operates until the purpose for which it was created is accomplished.

### **Note I - Nature of Business and 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 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.

**Debt Service Funds** - The 2014 Refunding Bond and 2009 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 bond issues.

**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 except for the investment in the external investment pool which is valued at amortized cost. 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."

# Lake Shore Public Schools

## Notes to Financial Statements June 30, 2016

### Note 1 - Nature of Business and 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 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 unearned 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.

**Restricted Assets** - Remaining cash from property tax collections in the debt service funds totaling \$349,179 is required to be set aside for future repayments of bonded indebtedness. The 2016 Capital Projects Fund also has \$28,624,280 in cash which is restricted for use on voter-approved expenditures.

**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

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

**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.

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 Outflows/Inflows of Resources** - In addition to assets, the statement of net position reports deferred outflows of resources, which represents a consumption of net position or fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The School District reports deferred outflows related to pensions.

In addition to liabilities, the statement of net position reports deferred inflows of resources, which 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's deferred inflows of resources are related to deferred charges on a prior bond refunding (\$353,542), funding received through state appropriations for contributions to the MPSERS pension plan after the measurement date (\$1,829,711), and amounts related to the pension plan (\$221,577).

**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

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

- **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, or by the 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.

**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.

**Pension Plan** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS), and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

**Adoption of New Accounting Standard** - As of June 30, 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants*. Statement No. 79 provides guidance for determining whether certain investment pools can continue to be accounted for using amortized cost. The adoption did not have a significant impact on amounts reported in the 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 special revenue funds, with the following exceptions: (1) capital outlay is budgeted in other expenditure categories on a functional basis and (2) transfers into the General Fund are budgeted as interdistrict revenue. 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.

During the year, the School District incurred no significant unfavorable expenditure budget variances.

**Capital Projects Fund Compliance** - The capital projects funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District will be in compliance with the applicable provisions of §1351a of the State of Michigan's School Code.

### **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.

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

The School District has designated 10 institutions for the deposit or investment of its funds.

There are no limitations or restrictions on participant withdrawals for the investment pools in the Michigan Liquid Asset Fund that are recorded at amortized cost, except that investments may not be redeemed for at least 14 calendar days, with the exception of direct investments of funds distributed by the State of Michigan. Redemptions made prior to the of the applicable 14-day period are subject to a penalty equal to 15 days' interest on the amount so redeemed.

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 \$35,227,810 included \$32,965,730 of bank deposits 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.

# Lake Shore Public Schools

## Notes to Financial Statements June 30, 2016

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

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 - MAX Class	\$ 1,517,213	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.

### Note 4 - Receivables and Unearned Revenue

Receivables as of June 30, 2016 for the School District's individual major funds and the nonmajor funds in the aggregate are as follows:

	General Fund	Adult and Community Education	Nonmajor Funds	Total
Receivables:				
Accounts receivable	\$ 5,714	\$ 11,065	\$ 13,266	\$ 30,045
Due from other governmental units	6,701,833	563,182	46,192	7,311,207
Total receivables	<u>\$ 6,707,547</u>	<u>\$ 574,247</u>	<u>\$ 59,458</u>	<u>\$ 7,341,252</u>

Governmental funds report unearned revenue 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:

Cafeteria Fund - Student food sales	\$ 13,717
General Fund - Categorical state aid at-risk revenue received in excess of expenditures	302,667
International Program Fund - Prepaid participant fees	979,289
General Fund - Child care fees	14,258
Adult and Community Education Fund - Tuition	<u>86,504</u>
Total	<u>\$ 1,396,435</u>

# Lake Shore Public Schools

## Notes to Financial Statements June 30, 2016

### Note 5 - Capital Assets

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

Governmental Activities	Balance July 1, 2015	Additions	Disposals	Balance June 30, 2016
Capital assets not being depreciated -				
Land	\$ 307,684	\$ -	\$ -	\$ 307,684
Capital assets being depreciated:				
Site improvements	6,520,710	29,060	(24,900)	6,524,870
Buildings and building improvements	53,478,829	20,020	-	53,498,849
Furniture and equipment	4,283,900	82,476	-	4,366,376
Buses and other vehicles	1,295,706	85,560	(135,071)	1,246,195
Subtotal	65,579,145	217,116	(159,971)	65,636,290
Accumulated depreciation:				
Site improvements	3,292,478	293,892	(16,317)	3,570,053
Buildings and building improvements	31,253,837	1,704,593	-	32,958,430
Furniture and equipment	2,876,035	333,948	-	3,209,983
Buses and other vehicles	865,156	79,496	(121,089)	823,563
Subtotal	38,287,506	2,411,929	(137,406)	40,562,029
Net capital assets being depreciated	27,291,639	(2,194,813)	(22,565)	25,074,261
Net capital assets	\$ 27,599,323	\$ (2,194,813)	\$ (22,565)	\$ 25,381,945

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

Governmental activities:

Instruction	\$ 200,190
Support services	166,423
Food services	24,119
Unallocated	2,021,197
Total governmental activities	\$ 2,411,929

Unallocated depreciation expense was not charged to activities as the School District considers certain 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	Adult and Community Education Fund	Building and Site Fund	International Program Fund	2016 Capital Projects Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 370,178	\$ -	\$ 18,886	\$ 126	\$ 111	\$ 389,301
International Program Fund	-	-	50,000	-	-	-	50,000
Internal Service Fund	459,830	56,703	-	-	-	4,008	520,541
Total	\$ 459,830	\$ 426,881	\$ 50,000	\$ 18,886	\$ 126	\$ 4,119	\$ 959,842

# Lake Shore Public Schools

## Notes to Financial Statements June 30, 2016

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

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

The International Program Fund transferred \$523,415 to the Building and Site Fund to reimburse the Building and Site Fund for costs incurred in previous years related to the renovation of the Taylor facility for use by the International Program. This transfer fully reimbursed the Building and Site Fund for the remaining balance of the funds that were originally provided to the International Program Fund.

The International Program Fund transferred \$1,007,368 to the General Fund to fund certain compensation costs.

The General Fund transferred \$103,000 to the Adult and Community Education Fund to defray the operating deficit incurred during the 2015-2016 fiscal year.

### Note 7 - Long-term Obligations

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. Qualified bonds are fully guaranteed by the State of Michigan. All of the School District's bonds outstanding at June 30, 2016 are qualified bonds.

Long-term debt activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds	\$ 20,485,000	\$ 27,810,000	\$ 2,445,000	\$ 45,850,000	\$ 2,510,000
Issuance discounts	(6,713)	-	(839)	(5,874)	(839)
Issuance premiums	687,458	1,128,696	137,492	1,678,662	175,115
Total bonds payable	21,165,745	28,938,696	2,581,653	47,522,788	2,684,276
Other obligations	1,096,444	150,000	106,283	1,140,161	218,828
Total governmental activities	<u>\$ 22,262,189</u>	<u>\$ 29,088,696</u>	<u>\$ 2,687,936</u>	<u>\$ 48,662,949</u>	<u>\$ 2,903,104</u>

# Lake Shore Public Schools

## Notes to Financial Statements June 30, 2016

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

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

Years Ending June 30	Governmental Activities		
	Principal	Interest	Total
2017	\$ 2,510,000	\$ 1,394,904	\$ 3,904,904
2018	2,605,000	1,437,638	4,042,638
2019	2,715,000	1,356,908	4,071,908
2020	2,865,000	1,233,715	4,098,715
2021	5,775,000	1,167,681	6,942,681
2022-2026	11,305,000	4,223,055	15,528,055
2027-2031	9,385,000	2,108,775	11,493,775
2032-2036	6,690,000	707,138	7,397,138
2037-2041	1,000,000	248,438	1,248,438
2042-2046	1,000,000	89,375	1,089,375
Total	<u>\$ 45,850,000</u>	<u>\$ 13,967,627</u>	<u>\$ 59,817,627</u>

#### Governmental Activities

General obligation bonds consist of the following:

\$13,390,000 refunding bonds due in annual installments of \$2,060,000 to \$2,335,000 through May 1, 2020; interest at 2.00 percent to 4.00 percent	\$ 8,850,000
\$9,700,000 capital projects bonds due in annual installments of \$175,000 to \$2,560,000 through May 1, 2023; interest at 3.75 percent to 5.00 percent	9,190,000
\$27,810,000 capital projects bonds due in annual installments, commencing in 2021, of \$200,000 to \$3,440,000 through May 1, 2046; interest at 3.00 percent to 3.25 percent	<u>27,810,000</u>
Total bonded debt	<u>\$ 45,850,000</u>

Other governmental activities long-term obligations include the following:

Employee compensated absences	\$ 990,161
Long-term insurance benefits	<u>150,000</u>
Total	<u>\$ 1,140,161</u>

# Lake Shore Public Schools

## Notes to Financial Statements June 30, 2016

### 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.

	2016	2015
Estimated liability - Beginning of year	\$ 13,499	\$ 141,884
Estimated claims incurred - Including changes in estimates	429,530	230,404
Claim payments	(339,550)	(358,789)
Unpaid claims - End of year	<u>\$ 103,479</u>	<u>\$ 13,499</u>

### Note 9 - Michigan Public School Employees Retirement System

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

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

### Note 9 - Michigan Public School Employees Retirement System (Continued)

**Contributions** - Public Act 300 of 1980, as amended, required the School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

School districts' contributions are determined based on employee elections. There are seven different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS.

The range of rates is as follows:

**School District**

October 1, 2014 - September 30, 2015	18.76% - 23.07%
October 1, 2015 - June 30, 2016	14.56% - 18.95%

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 year ended June 30, 2016 were \$6,237,987. The School District's required and actual contributions include an allocation of \$1,829,711 in revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2016.

**Benefits Provided** - Benefit provisions of the defined benefit pension plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of service times a pension factor ranging from 1.25 to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

### **Note 9 - Michigan Public School Employees Retirement System (Continued)**

Members are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. For some members who do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

**Net Pension Liability, Deferrals, and Pension Expense** - At June 30, 2016, the School District reported a liability of \$66,730,328 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014, which used updated procedures to roll forward the estimated liability to September 30, 2015. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2015, the School District's proportion was 0.273205 percent.

# Lake Shore Public Schools

## Notes to Financial Statements June 30, 2016

### Note 9 - Michigan Public School Employees Retirement System (Continued)

For the year ended June 30, 2016, the School District recognized pension expense of \$6,247,625, exclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 221,030
Changes of assumptions	1,643,042	-
Net difference between projected and actual earnings on pension plan assets	340,604	-
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	2,257,989	547
The School District's contributions subsequent to the measurement date	4,926,113	-
Total	<u>\$ 9,167,748</u>	<u>\$ 221,577</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2017	\$ 794,735
2018	794,735
2019	705,675
2020	1,724,913
Total	<u>\$ 4,020,058</u>

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

### Note 9 - Michigan Public School Employees Retirement System (Continued)

**Actuarial Assumptions** - The total pension liability as of September 30, 2015 is based on the results of an actuarial valuation date of September 30, 2014 and rolled forward:

Actuarial cost method	Entry age normal cost actuarial cost method
Investment rate of return	7.00 to 8.00 percent, net of investment expenses based on the groups
Salary increases	3.50 to 12.3 percent, including wage inflation of 3.5 percent
Mortality basis	RP2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB
Cost of living pension adjustments	3 percent annual noncompounded for MIP members

The actuarial assumptions used for the September 30, 2014 valuation were based on the results of an actuarial experience study for the period from October 1, 2007 to September 30, 2012. As a result of this study, the actuarial assumptions were adjusted to more closely reflect actual experience.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.0 to 8.0 percent depending on the plan option. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# Lake Shore Public Schools

## Notes to Financial Statements June 30, 2016

### Note 9 - Michigan Public School Employees Retirement System (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.0 %	5.9 %
Private equity pools	18.0	9.2
International equity pools	16.0	7.2
Fixed-income pools	10.5	0.9
Real estate and infrastructure pools	10.0	4.3
Real return, opportunistic, and absolute pools	15.5	6.0
Short-term investment pools	2.0	-
Total	100.0 %	

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the School District calculated using the discount rate of 7.0 to 8.0 percent, depending on the plan option. The following also reflects what the School District's net pension liability would be if it were calculated using a discount rate that is 1.0 percentage point lower (6.0 to 7.0 percent) or 1.0 percentage point higher (8.0 to 9.0 percent) than the current rate:

1.0 Percent Decrease (6.0 to 7.0 Percent)	Current Discount Rate (7.0 to 8.0 Percent)	1.0 Percent Increase (8.0 to 9.0 Percent)
\$ 86,032,499	\$ 66,730,328	\$ 50,457,808

**Pension Plan Fiduciary Net Position** - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial report.

**Payable to the Pension Plan** - At June 30, 2016, the School District reported a payable of \$883,805 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

# Lake Shore Public Schools

## Notes to Financial Statements June 30, 2016

### Note 9 - Michigan Public School Employees Retirement System (Continued)

**Postemployment Benefits Other Than Pensions (OPEB)** - 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 2.2 to 2.71 percent of covered payroll for the period from July 1, 2015 to September 30, 2015 and from 6.4 percent to 6.83 percent of covered payroll for the period from October 1, 2015 through June 30, 2016 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 403(b) account.

The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2016, 2015, and 2014 were approximately \$1,223,000, \$785,000, and \$1,382,000, respectively. In addition, a portion ranging from 35-100 percent of the the MPSERS UAAL stabilization rate is considered a contribution to the retiree healthcare plan.

### 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	\$ 218,828
Employee compensated absences - Long term	771,333
Tax tribunal refunds	75,000
Retiree severance payouts	30,000
SACC program	<u>81,102</u>
Total assigned	<u>\$ 1,176,263</u>

### **Note 11 - Upcoming Accounting Pronouncement**

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This standard will require the School District to recognize in the basic financial statements its proportionate share of the net OPEB liability related to its participation in the MPSERS plan. 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 the School District's financial statements for the year ending June 30, 2018.

## **Required Supplemental Information**

---

# Lake Shore Public Schools

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2016

	Original Budget	Final Amended Budget	Actual	(Under) Over Final Budget
<b>Revenue</b>				
Local sources	\$ 2,700,778	\$ 2,840,083	\$ 2,823,951	\$ (16,132)
State sources	30,916,760	32,353,843	31,288,115	(1,065,728)
Federal sources	1,222,481	1,752,609	2,198,112	445,503
Interdistrict sources	2,026,269	1,270,049	1,270,274	225
Total revenue	<u>36,866,288</u>	<u>38,216,584</u>	<u>37,580,452</u>	<u>(636,132)</u>
<b>Expenditures - Current</b>				
Instruction:				
Basic program	18,208,811	18,537,482	18,515,299	(22,183)
Added needs	3,960,402	4,172,128	4,163,987	(8,141)
Support services:				
Pupil	2,741,435	2,813,880	2,736,969	(76,911)
Instructional staff	806,439	905,462	708,828	(196,634)
General administration	801,937	853,736	882,428	28,692
School administration	2,239,996	2,261,512	2,099,072	(162,440)
Business services	533,484	592,443	594,573	2,130
Operations and maintenance	4,108,576	4,133,689	3,580,069	(553,620)
Transportation	1,019,498	995,257	917,061	(78,196)
Central	1,368,127	1,582,814	1,549,005	(33,809)
Athletics	471,049	475,527	473,171	(2,356)
Community services	273,868	283,185	246,744	(36,441)
Total expenditures	<u>36,533,622</u>	<u>37,607,115</u>	<u>36,467,206</u>	<u>(1,139,909)</u>
<b>Other Financing Uses - Transfers out</b>	<u>(250,000)</u>	<u>(83,000)</u>	<u>(103,000)</u>	<u>(20,000)</u>
<b>Net Change in Fund Balance</b>	82,666	526,469	1,010,246	483,777
<b>Fund Balance - July 1, 2015</b>	<u>3,598,790</u>	<u>3,598,790</u>	<u>3,598,790</u>	<u>-</u>
<b>Fund Balance - June 30, 2016</b>	<u><b>\$ 3,681,456</b></u>	<u><b>\$ 4,125,259</b></u>	<u><b>\$ 4,609,036</b></u>	<u><b>\$ 483,777</b></u>

# Lake Shore Public Schools

## Required Supplemental Information Budgetary Comparison Schedule - Special Revenue Fund Adult and Community Education Fund Year Ended June 30, 2016

	Original Budget	Final Amended Budget	Actual	(Under) Over Final Budget
<b>Revenue</b>				
Local sources	\$ 714,586	\$ 695,331	\$ 622,250	\$ (73,081)
State sources	1,099,652	1,072,032	1,915,677	843,645
Federal sources	3,324,654	3,277,646	2,235,934	(1,041,712)
Interdistrict sources	23,464	106,464	18,679	(87,785)
Total revenue	5,162,356	5,151,473	4,792,540	(358,933)
<b>Expenditures - Current</b>				
Instruction:				
Basic program	496,554	496,567	483,847	(12,720)
Adult/Continuing education	3,034,968	2,983,908	2,788,818	(195,090)
Support services:				
Pupil	112,253	107,483	113,101	5,618
Instructional staff	311,265	313,601	312,672	(929)
General administration	5,367	9,750	10,084	334
School administration	230,762	214,690	214,407	(283)
Fiscal	81,728	95,874	88,750	(7,124)
Operations and maintenance	74,154	87,670	69,316	(18,354)
Pupil transportation services	358	1,017	1,595	578
Central	231,422	234,053	204,868	(29,185)
Community services	575,536	608,930	609,658	728
Total expenditures	5,154,367	5,153,543	4,897,116	(256,427)
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	103,000	103,000
Transfers out	(8,051)	(1,000)	-	1,000
<b>Net Change in Fund Balance</b>	(62)	(3,070)	(1,576)	1,494
<b>Fund Balance - July 1, 2015</b>	3,194	3,194	3,194	-
<b>Fund Balance - June 30, 2016</b>	<b>\$ 3,132</b>	<b>\$ 124</b>	<b>\$ 1,618</b>	<b>\$ 1,494</b>

# Lake Shore Public Schools

## Required Supplemental Information Budgetary Comparison Schedule - Special Revenue Fund International Program Fund Year Ended June 30, 2016

	Original Budget	Final Amended Budget	Actual	Over (Under) Final Budget
<b>Revenue - Local sources</b>				
Investment earnings	\$ 3,500	\$ 2,290	\$ 2,794	\$ 504
Miscellaneous	-	353	353	-
Fees from participants	1,165,029	1,163,255	1,163,255	-
Total revenue	1,168,529	1,165,898	1,166,402	504
<b>Expenditures - Current</b>				
Salaries and benefits	29,816	47,459	47,742	283
Purchased services	182,324	291,212	278,269	(12,943)
Supplies, equipment, and other	19,730	26,444	30,410	3,966
Capital outlay	-	10,000	8,651	(1,349)
Total expenditures	231,870	375,115	365,072	(10,043)
<b>Excess of Revenue Over Expenditures</b>	936,659	790,783	801,330	10,547
<b>Other Financing Uses - Transfers out</b>	(936,633)	(1,580,783)	(1,530,783)	50,000
<b>Net Change in Fund Balance</b>	26	(790,000)	(729,453)	60,547
<b>Fund Balance - July 1, 2015</b>	940,898	940,898	940,898	-
<b>Fund Balance - June 30, 2016</b>	<u>\$ 940,924</u>	<u>\$ 150,898</u>	<u>\$ 211,445</u>	<u>\$ 60,547</u>

## Lake Shore Public Schools

---

### Required Supplemental Information Schedule of Lake Shore Public Schools Proportionate Share of the Michigan Public School Employees Retirement System Net Pension Liability Determined as of the Plan Year Ended September 30

	2015	2014
School District's proportion of the net pension liability	0.27320 %	0.26110 %
School District's proportionate share of the net pension liability	\$ 66,730,328	\$ 57,509,649
School District's covered employee payroll	\$ 22,710,905	\$ 21,535,853
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	293.83 %	267.00 %
Plan fiduciary net position as a percentage of the total pension liability	62.92 %	66.20 %

## Lake Shore Public Schools

---

### Required Supplemental Information Schedule of Lake Shore Public Schools' Contributions to Michigan Public School Employees Retirement System Determined as of the Year Ended June 30

	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 6,184,350	\$ 4,966,587
Contributions in relation to the statutorily required contribution	6,184,350	4,966,587
Contribution deficiency	-	-
School District's covered employee payroll	21,938,942	22,097,950
Contributions as a percentage of covered employee payroll	28.19 %	22.48 %

## **Lake Shore Public Schools**

---

### **Notes to Pension Required Supplemental Information Schedules Year Ended June 30, 2016**

**Benefit Changes** - There were no changes of benefit terms for 2015.

**Changes in Assumptions** - There were no changes of benefit assumptions for 2015.

## **Other Supplemental Information**

---

# Lake Shore Public Schools

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2016

	Special Revenue Fund	Debt Service Funds		Total Nonmajor Governmental Funds
	Cafeteria	2014 Refunding Issue	2009 Bond Issue	
		Cafeteria	2014 Refunding Issue	
<b>Assets</b>				
Cash and investments	\$ 188,455	\$ -	\$ -	\$ 188,455
Receivables	59,458	-	-	59,458
Inventories	14,397	-	-	14,397
Restricted assets	-	272,027	77,152	349,179
Total assets	<u>\$ 262,310</u>	<u>\$ 272,027</u>	<u>\$ 77,152</u>	<u>\$ 611,489</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 40,822	\$ -	\$ -	\$ 40,822
Accrued payroll-related liabilities	24,678	-	-	24,678
Due to other funds	4,119	-	-	4,119
Unearned revenue	13,717	-	-	13,717
Total liabilities	83,336	-	-	83,336
<b>Fund Balances</b>				
Nonspendable - Inventories	14,397	-	-	14,397
Restricted:				
Debt service	-	272,027	77,152	349,179
Food services	164,577	-	-	164,577
Total fund balances	<u>178,974</u>	<u>272,027</u>	<u>77,152</u>	<u>528,153</u>
Total liabilities and fund balances	<u>\$ 262,310</u>	<u>\$ 272,027</u>	<u>\$ 77,152</u>	<u>\$ 611,489</u>

# Lake Shore Public Schools

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2016

	Special Revenue Fund	Debt Service Funds		Total Nonmajor Governmental Funds
	Cafeteria	2014 Refunding Issue	2009 Bond Issue	
<b>Revenue</b>				
Local sources	\$ 779,320	\$ 2,791,186	\$ 552,121	\$ 4,122,627
State sources	49,690	-	-	49,690
Federal sources	704,191	-	-	704,191
Total revenue	1,533,201	2,791,186	552,121	4,876,508
<b>Expenditures</b>				
Current - Food services	1,540,320	-	-	1,540,320
Debt service:				
Principal	-	2,365,000	80,000	2,445,000
Interest	-	312,100	430,149	742,249
Other	-	536	-	536
Capital outlay	32,959	-	-	32,959
Total expenditures	1,573,279	2,677,636	510,149	4,761,064
<b>Net Change in Fund Balances</b>	(40,078)	113,550	41,972	115,444
<b>Fund Balances</b> - Beginning of year	219,052	158,477	35,180	412,709
<b>Fund Balances</b> - End of year	<u>\$ 178,974</u>	<u>\$ 272,027</u>	<u>\$ 77,152</u>	<u>\$ 528,153</u>

# Lake Shore Public Schools

## Other Supplemental Information Schedule of Bonded Indebtedness June 30, 2016

Years Ending June 30	2014 Refunding			Total
	Bond	2009 Bond Issue	2016 Bond Issue	
	Principal	Principal	Principal	
2017	\$ 2,335,000	\$ 175,000	\$ -	\$ 2,510,000
2018	2,290,000	315,000	-	2,605,000
2019	2,165,000	550,000	-	2,715,000
2020	2,060,000	805,000	-	2,865,000
2021	-	2,335,000	3,440,000	5,775,000
2022	-	2,450,000	590,000	3,040,000
2023	-	2,560,000	595,000	3,155,000
2024	-	-	1,670,000	1,670,000
2025	-	-	1,700,000	1,700,000
2026	-	-	1,740,000	1,740,000
2027	-	-	1,780,000	1,780,000
2028	-	-	1,825,000	1,825,000
2029	-	-	1,875,000	1,875,000
2030	-	-	1,925,000	1,925,000
2031	-	-	1,980,000	1,980,000
2032	-	-	2,040,000	2,040,000
2033	-	-	2,100,000	2,100,000
2034	-	-	2,150,000	2,150,000
2035	-	-	200,000	200,000
2036	-	-	200,000	200,000
2037	-	-	200,000	200,000
2038	-	-	200,000	200,000
2039	-	-	200,000	200,000
2040	-	-	200,000	200,000
2041	-	-	200,000	200,000
2042	-	-	200,000	200,000
2043	-	-	200,000	200,000
2044	-	-	200,000	200,000
2045	-	-	200,000	200,000
2046	-	-	200,000	200,000
<b>Total</b>	<b>\$ 8,850,000</b>	<b>\$ 9,190,000</b>	<b>\$ 27,810,000</b>	<b>\$ 45,850,000</b>
Principal payments due	May 1	May 1	May 1	
Interest payments due	May 1 and November 1	May 1 and November 1	May 1 and November 1	
Interest rate	2.00% to 4.00%	3.75% to 5.00%	3.00% to 3.25%	
Original issue	<b>\$ 13,390,000</b>	<b>\$ 9,700,000</b>	<b>\$ 27,810,000</b>	<b>\$ -</b>