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# Lake Shore Public Schools

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**Financial Report  
with Supplemental Information  
June 30, 2018**

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## Independent Auditor's Report

To the Board of Education  
Lake Shore Public Schools

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of Lake Shore Public Schools (the "School District") as of and for the year ended June 30, 2018 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 opinions 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 opinions.

#### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major funds, and the aggregate remaining fund information of Lake Shore Public Schools as of June 30, 2018 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Emphasis of Matter**

As described in Note 2 to the basic financial statements, as of July 1, 2017, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The School District's unrestricted net position has been restated as of July 1, 2017 as a result of this change in accounting principle. Our opinion is not modified with respect to this matter.

To the Board of Education  
Lake Shore Public Schools

**Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and OPEB systems schedules of funding progress and employer contributions, the major fund budgetary comparison schedules, and the notes to the required supplemental information 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 Supplemental Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Lake Shore Public Schools' basic financial statements. The other supplemental information, as identified in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2018 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.



October 11, 2018

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, 2018. 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, International Program Fund, 2016 Capital Projects Fund, and the 2017 Capital Projects 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 Financial Statements

**Required Supplemental Information**

Budgetary Information for Major Funds

Schedules of Proportionate Share of the Net Pension and OPEB Liabilities

Schedules of Pension and OPEB Contributions

**Other Supplemental Information**

#### ***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/deferred outflows of resources and liabilities/deferred inflows of resources 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:

##### **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 the Internal Service Fund, which is used to account for the financing of certain 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. The following table provides a summary of the School District's net position as of June 30, 2018 and 2017:

	Governmental Activities	
	2018	2017
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 29.1	\$ 38.7
Capital assets	38.5	28.7
Total assets	67.6	67.4
<b>Deferred Outflows of Resources</b>	16.7	10.0
<b>Liabilities</b>		
Current liabilities	8.9	7.8
Noncurrent liabilities	47.9	46.5
Net pension liability	69.7	67.5
Net OPEB liability	23.8	-
Total liabilities	150.3	121.8
<b>Deferred Inflows of Resources</b>	8.1	3.1
<b>Net Position</b>		
Net investment in capital assets	3.7	5.7
Restricted	0.4	0.2
Unrestricted	(78.2)	(53.4)
Total net position	<u>\$ (74.1)</u>	<u>\$ (47.5)</u>

The above analysis focuses on the net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was a deficit of \$74.1 million at June 30, 2018, an increase in the deficit of \$26.6 million over June 30, 2017. The deficit primarily increased as a result of the first-year adoption of GASB Statement 75, as further discussed below. The net investment in capital assets of \$3.7 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 \$78.2 million.

The \$(78.2 million) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations and the impact from adoption of GASB Statement No. 68 and 75 (recording the School District's share of the net pension and OPEB liabilities from the state-managed retirement system). Unrestricted net position, when available, 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 the change in the net pension/OPEB liabilities will have significant impacts 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 condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2018 and 2017.

	Governmental Activities	
	2018	2017
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 2.6	\$ 2.7
Operating grants	12.8	11.2
General revenue:		
Taxes	5.7	5.5
State aid not restricted to specific purposes	26.3	26.9
Other	0.1	0.4
Total revenue	47.5	46.7
<b>Expenses</b>		
Instruction	27.2	27.2
Support services	16.7	15.2
Athletics	0.6	0.6
Food services	1.3	1.4
Adult and community services	1.0	1.0
Debt service	1.2	1.1
Depreciation expense (unallocated)	2.0	2.0
Total expenses	50.0	48.5
<b>Change in Net Position</b>	(2.5)	(1.8)
<b>Net Position</b> - Beginning of year	(47.5)	(45.7)
<b>Cumulative Effect of Change in Accounting</b>	(24.1)	-
<b>Net Position</b> - Beginning of year	(71.6)	(45.7)
<b>Net Position</b> - End of year	\$ (74.1)	\$ (47.5)

As required by the Governmental Accounting Standards Board (GASB), the School District adopted GASB Statement No. 75. This standard required the inclusion of the School District's proportionate share of the Michigan Public School Employees' Retiree Health Care Plan within the School District's financial statements, effective July 1, 2017. The effect of the adoption was to decrease July 1, 2017 beginning net position by \$24.1 million, and to include the net OPEB liability and related deferred inflows and outflows of resources in the June 30, 2018 financial statements. All governments participating in the plan were required to adopt this new standard.

As reported in the statement of activities, the cost of all of our governmental activities this year was \$50.0 million, an increase of \$1.5 million from 2017. There was an increase of \$1.5 million in support services and \$0.1 million increase in interest/bond issuance costs (debt service). Certain activities were partially funded from those who benefited from the programs (\$2.6 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$12.8 million). We paid for the remaining "public benefit" portion of our governmental activities with \$5.7 million in taxes, \$26.3 million in state foundation allowance, and with our other revenue (i.e., interest and general entitlements).

# Lake Shore Public Schools

## Management's Discussion and Analysis (Continued)

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of 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 \$19.4 million. This includes the 2016 Capital Projects Fund portion of 8.4 million and 2017 Capital Projects Fund portion of \$3.4 million. The General Fund showed a fund balance increase of approximately \$68,000.

The debt service funds showed a combined fund balance decrease of approximately \$13,000. Millage rates remained the same as the previous year at a rate of 7.0 mills. 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 nonbonded capital projects fund is the Building and Site Fund. This fund balance decreased from the prior year by approximately \$97,000. 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.

### **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, 2018, the School District had \$38.5 million invested in a broad range of capital assets, including land, construction in progress, buildings, vehicles, furniture, and equipment. This amount represents an increase of \$9.8 million from the previous year (including additions, disposals, and depreciation).

	Governmental Activities	
	2018	2017
Land	\$ 307,684	\$ 307,684
Construction in progress	8,311,148	4,884,464
Buildings and improvements	23,953,674	18,875,559
Furniture and equipment	2,485,287	1,570,912
Buses and other vehicles	414,619	421,401
Land improvements	2,993,937	2,661,339
Total capital assets - Net of accumulated depreciation	<u>\$ 38,466,349</u>	<u>\$ 28,721,359</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 \$44.09 million in general obligation bonds outstanding, versus \$43.34 million in the previous year.

The School District's general obligation bond rating continues to be AA- by Standard & Poor's. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," (i.e., debt backed by the State of Michigan), such obligations are not subject to this debt limit. All of the bonds issued by the School District are qualified.

Other obligations include accrued vacation pay, sick leave, termination benefits, 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 2018-2019 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 2018-2019 fiscal year is based on 90 and 10 percent of the October 2018 and February 2018 student counts, respectively. The 2018-2019 budget, adopted in June 2018, was based on an estimate of students that will be enrolled in October 2018. The estimate calls for the enrollment to decrease by 122 students. This is due to the loss of 72 International Program student FTEs resulting from new state funding legislation combined with a projected loss of 50 general education FTEs due to overall declining enrollment experienced by many Michigan school districts.

Approximately 70 percent of total General Fund revenue is from the foundation allowance. The 2018-2019 budget is based on net decrease in foundation allowance revenue of \$683,000 due to the projected loss of 122 student FTEs that is only partially offset with the \$120 per student foundation allowance increase for fiscal year 2018-2019.

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

#### **Expense Projection**

Wages, taxes, and benefits comprise approximately 89 percent of all General Fund expenditures.

With regard to pension and OPEB 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 2018-2019 school year is 38.39 percent, a 4.09 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 26.18 percent, a 2.43 percent increase.

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

#### 2018-2019 Bottom Line

Lake Shore Public Schools 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 two more years.

Although there had 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 continues to authorize 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 that 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 in 2018-2019 to ensure that all financial challenges are overcome. Despite the loss of over 100 students since June 30, 2016 combined with salary and benefit increases in 2016-2017 and 2017-2018, the School District reported a fund balance increase during those years of \$171,775 and \$67,651, respectively. General Fund fund balance as a percentage of expenditures is 12.6 percent as of June 30, 2018. These financial facts indicate that the School District has taken appropriate actions to ensure that its financial position remains strong despite adverse industry developments and necessary employee compensation increases.

#### **Contacting the School District's Management**

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office.

# Lake Shore Public Schools

## Statement of Net Position

June 30, 2018

	Governmental Activities
<b>Assets</b>	
Cash and investments (Note 4)	\$ 5,941,287
Receivables:	
Other receivables	19,166
Due from other governments	7,247,356
Inventories	7,568
Prepaid costs	746,865
Restricted assets	15,128,214
Capital assets - Net (Note 6)	38,466,349
Total assets	67,556,805
<b>Deferred Outflows of Resources</b>	
Deferred charges on bond refunding (Note 8)	401,073
Deferred pension costs (Note 10)	15,045,104
Deferred OPEB costs (Note 10)	1,292,084
Total deferred outflows of resources	16,738,261
<b>Liabilities</b>	
Accounts payable	3,746,896
Due to other governmental units	302,076
Accrued payroll-related liabilities	3,773,876
Unearned revenue (Note 5)	1,080,867
Provision for uninsured losses (Note 9)	19,499
Noncurrent liabilities:	
Due within one year (Note 8)	3,341,140
Due in more than one year (Note 8)	44,546,426
Net pension liability (Note 10)	69,660,617
Net OPEB liability (Note 10)	23,829,679
Total liabilities	150,301,076
<b>Deferred Inflows of Resources</b>	
Deferred charges on bond refunding (Note 8)	176,771
Revenue in support of pension contributions made subsequent to measurement date (Note 10)	2,772,533
Deferred pension cost reductions (Note 10)	4,391,880
Deferred OPEB cost reductions (Note 10)	805,617
Total deferred inflows of resources	8,146,801
<b>Net Position</b>	
Net investment in capital assets	3,697,336
Restricted - Capital projects	403,352
Unrestricted	(78,253,499)
Total net position	<u>\$ (74,152,811)</u>

# Lake Shore Public Schools

## Statement of Activities

Year Ended June 30, 2018

Functions/Programs	Program Revenue			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Position
Primary government - Governmental activities:				
Instruction	\$ 27,227,925	\$ 140,037	\$ 8,009,899	\$ (19,077,989)
Support services	16,713,309	44,380	4,485,613	(12,183,316)
Athletics	675,251	52,946	-	(622,305)
Food services	1,282,197	570,687	76,071	(635,439)
Adult and community services	963,986	1,814,000	244,453	1,094,467
Interest	994,149	-	-	(994,149)
Other debt costs	159,289	-	-	(159,289)
Depreciation expense (unallocated)	2,050,582	-	-	(2,050,582)
Total primary government	<b>\$ 50,066,688</b>	<b>\$ 2,622,050</b>	<b>\$ 12,816,036</b>	(34,628,602)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				2,062,239
Property taxes, levied for debt service				3,632,031
State aid not restricted to specific purposes				26,315,567
Interest and investment earnings				405,512
Loss on disposal of capital assets				(575,841)
Other				264,736
Total general revenue				<u>32,104,244</u>
<b>Change in Net Position</b>				(2,524,358)
<b>Net Position - Beginning of year, as previously reported</b>				(47,530,981)
<b>Cumulative Effect of Change in Accounting Principle (Note 2)</b>				<u>(24,097,472)</u>
<b>Net Position - Beginning of year</b>				<u>(71,628,453)</u>
<b>Net Position - End of year</b>				<b><u>\$ (74,152,811)</u></b>

# Lake Shore Public Schools

## Governmental Funds Balance Sheet

June 30, 2018

	General Fund	International Program Fund	2016 Capital Projects Fund	2017 Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>						
Cash and investments (Note 4)	\$ 1,470,298	\$ 1,003,582	\$ -	\$ -	\$ 2,416,685	\$ 4,890,565
Receivables:						
Other receivables	18,041	-	-	-	1,125	19,166
Due from other governments	6,766,403	-	-	-	480,953	7,247,356
Due from other funds (Note 7)	110,854	-	-	-	382	111,236
Inventories	-	-	-	-	7,568	7,568
Prepaid costs	699,656	20,000	-	-	6,850	726,506
Restricted assets (Note 2)	-	-	11,647,398	3,378,832	101,984	15,128,214
<b>Total assets</b>	<b>\$ 9,065,252</b>	<b>\$ 1,023,582</b>	<b>\$ 11,647,398</b>	<b>\$ 3,378,832</b>	<b>\$ 3,015,547</b>	<b>\$ 28,130,611</b>
<b>Liabilities</b>						
Accounts payable	\$ 436,850	\$ 74	\$ 3,268,551	\$ 924	\$ 40,497	\$ 3,746,896
Due to other governmental units	302,076	-	-	-	-	302,076
Due to other funds (Note 7)	-	8,508	-	-	98,197	106,705
Accrued payroll-related liabilities	3,412,746	3,312	-	-	111,227	3,527,285
Unearned revenue (Note 5)	65,118	881,913	-	-	133,836	1,080,867
<b>Total liabilities</b>	<b>4,216,790</b>	<b>893,807</b>	<b>3,268,551</b>	<b>924</b>	<b>383,757</b>	<b>8,763,829</b>
<b>Fund Balances</b>						
Nonspendable:						
Inventories	-	-	-	-	7,568	7,568
Prepaid costs	699,656	20,000	-	-	6,850	726,506
Restricted:						
Debt service	-	-	-	-	101,984	101,984
Capital projects	-	-	8,378,847	3,377,908	-	11,756,755
Adult and community education	-	-	-	-	170,996	170,996
Food service	-	-	-	-	245,985	245,985
Committed:						
Technology plan	-	-	-	-	58,614	58,614
Vehicle replacement plan	-	-	-	-	180,000	180,000
International program operations	-	109,775	-	-	-	109,775
Capital projects	-	-	-	-	1,801,179	1,801,179
Deferred maintenance plan	267,500	-	-	-	58,614	326,114
Assigned (Note 11)	1,360,319	-	-	-	-	1,360,319
Unassigned	2,520,987	-	-	-	-	2,520,987
<b>Total fund balances</b>	<b>4,848,462</b>	<b>129,775</b>	<b>8,378,847</b>	<b>3,377,908</b>	<b>2,631,790</b>	<b>19,366,782</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,065,252</b>	<b>\$ 1,023,582</b>	<b>\$ 11,647,398</b>	<b>\$ 3,378,832</b>	<b>\$ 3,015,547</b>	<b>\$ 28,130,611</b>

**Governmental Funds**

**Reconciliation of the Balance Sheet to the Statement of Net Position**

**June 30, 2018**

<b>Fund Balances Reported in Governmental Funds</b>	<b>\$ 19,366,782</b>
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	82,474,386
Accumulated depreciation	<u>(44,008,037)</u>
Net capital assets used in governmental activities	38,466,349
Deferred inflows and outflows related to bond refundings are not reported in the funds	224,302
Bonds payable (including unamortized premiums and discounts) and the School Loan Revolving Fund loan balance are not due and payable in the current period and are not reported in the funds	(46,346,718)
Accrued interest is not due and payable in the current period and is not reported in the funds	(246,591)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(1,084,687)
Long-term insurance benefits	(300,000)
Net pension liability and related deferred inflows and outflows	(59,007,393)
Net OPEB liability and related deferred inflows and outflows	(23,343,212)
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 and is not reported in the funds	(2,772,533)
Internal service funds are included as part of governmental activities	<u>890,890</u>
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ (74,152,811)</u></u></b>

# Lake Shore Public Schools

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances

**Year Ended June 30, 2018**

	General Fund	International Program Fund	2016 Capital Projects Fund	2017 Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>						
Local sources	\$ 2,747,854	\$ 995,306	\$ 298,269	\$ 38,411	\$ 4,906,728	\$ 8,986,568
State sources	32,113,545	-	-	-	1,667,150	33,780,695
Federal sources	2,505,993	-	-	-	2,354,892	4,860,885
Interdistrict sources	397,020	-	-	-	13,437	410,457
Total revenue	37,764,412	995,306	298,269	38,411	8,942,207	48,038,605
<b>Expenditures</b>						
Current:						
Instruction	24,089,157	-	-	-	2,296,613	26,385,770
Support services	13,298,056	88,751	264,612	71,955	936,563	14,659,937
Athletics	662,146	-	-	-	-	662,146
Food services	-	-	-	-	1,244,460	1,244,460
Adult and community services	243,627	184,514	-	-	521,375	949,516
Debt service:						
Principal	-	-	-	-	2,605,000	2,605,000
Interest	-	-	-	-	1,246,497	1,246,497
Other debt costs	-	-	-	47,061	112,228	159,289
Capital outlay	93,145	-	14,079,304	55,498	92,182	14,320,129
Total expenditures	38,386,131	273,265	14,343,916	174,514	9,054,918	62,232,744
<b>Excess of Revenue (Under) Over Expenditures</b>	(621,719)	722,041	(14,045,647)	(136,103)	(112,711)	(14,194,139)
<b>Other Financing Sources (Uses)</b>						
Face value of debt issued	-	-	-	3,345,000	8,160,000	11,505,000
Premium on debt issued	-	-	-	169,011	496,850	665,861
School Bond Loan Revolving Fund proceeds	-	-	-	-	155,000	155,000
Payment to bond refunding escrow agent	-	-	-	-	(8,546,039)	(8,546,039)
Transfers in (Note 7)	700,000	-	-	-	10,630	710,630
Transfers out (Note 7)	(10,630)	(700,000)	-	-	-	(710,630)
Total other financing sources (uses)	689,370	(700,000)	-	3,514,011	276,441	3,779,822
<b>Net Change in Fund Balances</b>	67,651	22,041	(14,045,647)	3,377,908	163,730	(10,414,317)
<b>Fund Balances - Beginning of year</b>	4,780,811	107,734	22,424,494	-	2,468,060	29,781,099
<b>Fund Balances - End of year</b>	<u>\$ 4,848,462</u>	<u>\$ 129,775</u>	<u>\$ 8,378,847</u>	<u>\$ 3,377,908</u>	<u>\$ 2,631,790</u>	<u>\$ 19,366,782</u>

# Lake Shore Public Schools

## Governmental Funds

### Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

**Year Ended June 30, 2018**

<b>Net Change in Fund Balance Reported in Governmental Funds</b>	<b>\$ (10,414,317)</b>
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:	
Capitalized capital outlay	12,767,827
Depreciation expense	(2,446,996)
Net book value of assets disposed of	(575,841)
Revenue in support of pension contributions made subsequent to the measurement date	(693,923)
Issuing debt, net of premiums and discounts, provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position	(12,325,861)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt); amortization of premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds	11,410,371
Interest expense is recognized in the government-wide statements as it accrues	(6,984)
Some employee costs (pension, OPEB, compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(44,480)
Internal service funds are included as part of governmental activities	(194,154)
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ (2,524,358)</u></u></b>

## Lake Shore Public Schools

### Proprietary Funds Statement of Net Position

June 30, 2018

Internal Service  
Fund

#### Assets

Current assets:

Cash and investments (Note 4)

\$ 1,050,722

Due from other funds (Note 7)

1,390

Prepaid costs

20,359

Total assets

1,072,471

#### Liabilities

Current liabilities:

Due to other funds (Note 7)

5,921

Provision for uninsured losses (Note 9)

19,499

Early retirement incentive (Note 8)

78,080

Total current liabilities

103,500

Noncurrent liabilities - Early retirement incentive

78,081

Total liabilities

181,581

**Net Position - Unrestricted**

**\$ 890,890**

## Lake Shore Public Schools

### Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2018

	<u>Internal Service Fund</u>
<b>Operating Revenue</b> - Charges to other funds	\$ 164,919
<b>Operating Expenses</b> - Claims, reinsurance, premiums, and administrative fees	
Medical	1,581
Dental	84,231
Workers' compensation and other	<u>283,675</u>
Total operating expenses	<u>369,487</u>
<b>Operating Loss</b>	(204,568)
<b>Nonoperating Revenue</b> - Interest and investment earnings	<u>10,414</u>
<b>Change in Net Position</b>	(194,154)
<b>Net Position</b> - Beginning of year	<u>1,085,044</u>
<b>Net Position</b> - End of year	<u><u>\$ 890,890</u></u>

**Proprietary Funds  
Statement of Cash Flows**

**Year Ended June 30, 2018**

	Internal Service Fund
<b>Cash Flows from Operating Activities</b>	
Receipts from other funds	\$ 384,805
Claims, prepayments, and premiums paid	<u>(771,062)</u>
Net cash and investments used in operating activities	(386,257)
<b>Cash Flows Provided by Investing Activities</b> - Interest received on investments	<u>10,414</u>
<b>Net Decrease in Cash and Investments</b>	(375,843)
<b>Cash and Investments</b> - Beginning of year	<u>1,426,565</u>
<b>Cash and Investments</b> - End of year	<b><u>\$ 1,050,722</u></b>
<b>Reconciliation of Operating Income to Net Cash and Investments from Operating Activities</b>	
Operating loss	\$ (204,568)
Adjustments to reconcile operating loss to net cash and investments from operating activities - Changes in assets and liabilities:	
Due to and from other funds	225,807
Prepaid costs	81,831
Early retirement incentive	(78,080)
Accrued liabilities and provision for uninsured losses	<u>(411,247)</u>
Net cash and investments used in operating activities	<b><u>\$ (386,257)</u></b>

## Lake Shore Public Schools

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### Fiduciary Funds Statement of Fiduciary Assets and Liabilities

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**June 30, 2018**

Agency Funds

**Assets** - Cash and investments (Note 4)

**\$ 573,837**

**Liabilities** - Due to student activities

**\$ 573,837**

**Note 1 - Nature of Business**

Lake Shore Public Schools (the "School District") is a school district in the State of Michigan that provides educational services to students.

**Note 2 - Significant Accounting Policies**

***Accounting and Reporting Principles***

The School District follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). 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. In accordance with government accounting principles, there are no separate legal entities appropriate to be reported within these financial statements.

***Report Presentation***

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. 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 and its component units, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

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 or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule occur when there are charges between the School District's business-type activities and various other functions of the School District. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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 2 - Significant Accounting Policies (Continued)**

***Fund Accounting***

The School District accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the School District to show the particular expenditures for which specific revenue is used. The various funds are aggregated into three broad fund types:

**Governmental Funds**

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds include the General Fund, special revenue funds, debt service funds, and capital project funds. The School District reports the following funds as major governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The International Program Fund accounts 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 the program. Any operating deficit of this fund is the responsibility of the General Fund.
- The 2016 Capital Projects 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.
- The 2017 Capital Projects 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 2017 bond issue. The fund operates until the purpose for which it was created is accomplished.

Additionally, the School District reports the following nonmajor governmental fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. Any operating deficit is the responsibility of the General Fund.
- Capital projects funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, technology upgrades, and for remodeling and repairs. The funds operate until the purpose for which they were created is accomplished.
- Debt service funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

**Proprietary Funds**

Proprietary funds include the Internal Service Fund (which provide services to other funds of the School District).

The Internal Service Fund is used to account 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.

**Note 2 - Significant Accounting Policies (Continued)**

**Fiduciary Funds**

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the School District's programs. The School District maintains student activity agency funds to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

**Interfund Activity**

During the course of operations, the School District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as amounts due from/to other funds or advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

**Basis of Accounting**

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to demonstrate accountability for how the School District has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future. Employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs or sick and vacation pay) are not recorded until they come due for payment. Debt service expenditures, claims, and judgments are recorded when payment is due.

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the School District considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as deferred inflows of resources.

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full 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.

**Specific Balances and Transactions**

**Cash and Investments**

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with maturities of three months or less when acquired. Investments are stated at fair value except for investments in external investment pools, which are valued at amortized cost.

**Inventories and Prepaid Costs**

Inventories are valued at cost, on a first-in, first-out basis. Inventories are recorded as expenditures when purchased for all inventories of governmental funds other than USDA commodities recorded in the Cafeteria Fund, which are recorded as expenditures when consumed. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

**Note 2 - Significant Accounting Policies (Continued)**

**Restricted Assets**

The unspent bond proceeds and related interest in the capital projects funds require amounts to be set aside for construction. These amounts have been classified as restricted assets. The cash held in the debt service funds is recorded as restricted, as the amounts are required to be used to make the applicable bond principal and interest payments as they come due.

**Capital Assets**

Capital assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with initial individual costs of more than \$5,000 and estimated useful lives 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 acquisition values at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Buildings and improvements	7 - 50 years
Furniture and equipment	5 - 20 years
Buses and other vehicles	8 - 10 years
Land improvements	20 years

**Long-term Obligations**

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as other financing sources and bond discounts as other financing uses. The General Fund and debt service funds are generally used to liquidate governmental long-term debt.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position reports deferred outflows of resources, which represent consumptions of net position that apply to future periods and will be recognized as outflows of resources (expenses/expenditures) at that time.

The School District reports deferred outflows of resources related to deferred pension and OPEB plan costs and deferred charges on prior bond refundings.

In addition to liabilities, the statement of net position reports deferred inflows of resources, which represent acquisitions of net position that apply to future periods and will be recognized as inflows of resources (revenue) at that time.

The School District reports deferred inflows related to revenue in support of pension contributions made subsequent to the measurement date, deferred pension and OPEB plan cost reductions, and deferred benefits on prior bond refundings.

**Note 2 - Significant Accounting Policies (Continued)**

**Net Position**

Net position of the School District is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation, and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted.

**Net Position Flow Assumption**

The School District will sometimes fund outlays for particular purposes from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Fund Balance Flow Assumptions**

The School District will sometimes fund outlays for particular purposes from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balances in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted fund balances to have been depleted before using any of the components of unrestricted fund balances. Furthermore, when the components of unrestricted fund balances can be used for the same purpose, committed fund balances are depleted first, followed by assigned fund balances. Unassigned fund balances are applied last.

**Fund Balance Policies**

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Nonspendable fund balances represent amounts that are not in spendable form, or are legally or contractually required to be maintained intact. Restricted fund balances represent amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for specific purposes. The School District can establish limitations on the use of resources through either commitments (committed fund balances) or assignments (assigned fund balances).

Committed fund balances include amounts that can be used only for the specific purposes determined by formal actions of the School District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the School District that can, by passing resolutions prior to the end of the fiscal year, commit fund balances. Once passed, the limitations imposed by the resolutions remain in place until resolutions are passed to remove or revise the limitations.

Assigned fund balances are used by the School District for specific purposes but do not meet the criteria to be classified as committed. The School District has, by resolution, authorized the superintendent or assistant superintendent to assign fund balances. The Board of Education may also assign fund balances, as it does when appropriating fund balance to fund revenue shortfalls in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily, so additional actions are not normally required for the removal of assignments.

**Note 2 - Significant Accounting Policies (Continued)**

**Property Tax Revenue**

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 that time, penalties and interest are assessed and the total obligations are added to the county tax rolls. The School District considers all taxes receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

**Grants and Contributions**

The School District receives federal, state, and local grants, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital acquisition purposes. Amounts that are unrestricted, or that are restricted for specific operating purposes, are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

**Pension and Other Post-Employment Benefit (OPEB) Plans**

For the purpose of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB 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.

**Compensated Absences (Vacation and Sick Leave)**

It is the School District's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for these amounts 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. These amounts are reported in the government-wide financial statements. A liability for these amounts is reported in governmental funds for known employee terminations as of year end. Generally, the funds that report each employee's compensation are used to liquidate these obligations.

Early termination benefits consist of early retirement incentive cash payments provided to certain employees over a three-year period.

**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.

**Note 2 - Significant Accounting Policies (Continued)**

***Adoption of New Accounting Pronouncement***

As of July 1, 2017, the School District adopted GASB 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 required the School District to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the Michigan Public School Employees' Retirement System (MPSERS). The statement also enhances accountability and transparency through revised note disclosures and required supplemental information.

In accordance with the statement, the School District has reported a net OPEB liability of \$25,135,032, deferred outflows of financial resources for OPEB contributions of \$1,811,049 made subsequent to the measurement date, and deferred inflows of financial resources for revenue received from state aid in support of OPEB contributions of \$773,489 that was received subsequent to the measurement date, as the effects of this change in accounting principles on the School District's net position as of July 1, 2017.

***Upcoming Accounting Pronouncements***

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria will be reported in a fiduciary fund in the basic financial statements. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement will be effective for the School District's financial statements for the year ending June 30, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that are currently classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contracts. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement will be effective for the School District's financial statements for the year ending June 30, 2021.

**Note 3 - 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 the major special revenue fund, with the following exceptions: (1) capital outlay is budgeted in other expenditures categories on a functional basis and (2) transfers in and out are budgeted for as revenues and expenditures as opposed to other financing sources and uses. The School District also adopted annual budgets for its nonmajor special revenue funds, debt service funds, capital project funds, and the Internal Service Fund. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function except for the major special revenue fund which presents by object classification. 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.

**Note 3 - Stewardship, Compliance, and Accountability (Continued)**

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g. purchase orders, contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

***Excess of Expenditures Over Appropriations in Budgeted Funds***

The School District did not have significant expenditure budget variances.

***Capital Projects Fund Compliance***

The 2016 and 2017 Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

**Note 4 - 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, certificates of deposit, 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 and investments are in accordance with statutory authority.

The School District has designated seven banks for the deposit of its funds.

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

The School District's cash and investments are subject to several types of risk, which are described below:

***Custodial Credit Risk of Bank Deposits***

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At year end, the School District had \$9,511,644 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

***Custodial Credit Risk of Investments***

Custodial credit risk 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. At June 30, 2018, the School District did not carry investments with custodial credit risk.

***Interest Rate Risk***

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity.

June 30, 2018

**Note 4 - Deposits and Investments (Continued)**

At year end, the School District had the following investments with interest rate risk:

Investment	Carrying Value	Weighted- average Maturity (Years)
<b>Primary Government</b>		
Commercial paper	\$ 4,000,000	.18
U.S. agency notes - Maturing 10/1/2018	997,134	.25
U.S. agency notes - Maturing 11/8/2018	997,914	.36
U.S. agency notes - Maturing 7/27/2018	<u>1,498,958</u>	.07
Total	<u>\$ 7,494,006</u>	

**Credit Risk**

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices. As of June 30, 2018, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	S&P: AAAm	S&P: A-1+	S&P: AA+
<b>Primary Government</b>			
MILAF - MAX Class	\$ 3,404,519	-	-
U.S. government agency securities	-	-	3,494,006
Commercial paper	-	4,000,000	-

**Concentration of Credit Risk**

The School District places no limit on the amount it may invest in any one issuer. At June 30, 2018, the School District has 12.79 percent of its investments in commercial paper that matures on September 4, 2018.

**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 investment policy prohibit investments in foreign currency.

**Fair Value Measurements**

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The School District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

June 30, 2018

**Note 4 - Deposits and Investments (Continued)**

The School District has determined that the fair value at June 30, 2018 of certain U.S. agency bonds totaling \$1,498,958 was determined primarily based on Level 2 inputs. The School District estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

**Note 5 - Unearned Revenue**

Governmental funds report unearned revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2018, the various components of unearned revenue were as follows:

Cafeteria Fund - Student food sales	\$	13,345
General Fund - Categorical state aid At-Risk revenue received in excess of expenditures		50,088
International Program Fund - Prepaid participant fees		881,913
General Fund - Child care fees		11,591
Adult and Community Education Fund - Tuition and fees		120,491
General Fund - Other		<u>3,439</u>
Total	<u>\$</u>	<u>1,080,867</u>

**Note 6 - Capital Assets**

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

**Governmental Activities**

	Balance July 1, 2017	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2018
Capital assets not being depreciated:					
Land	\$ 307,684	\$ -	\$ -	\$ -	\$ 307,684
Construction in progress	4,884,464	(3,125,699)	6,552,383	-	8,311,148
Subtotal	5,192,148	(3,125,699)	6,552,383	-	8,618,832
Capital assets being depreciated:					
Buildings and improvements	53,498,849	3,004,379	4,242,654	(850,701)	59,895,181
Furniture and equipment	4,936,518	121,320	1,261,466	(678,399)	5,640,905
Buses and other vehicles	1,248,089	-	87,126	(164,815)	1,170,400
Land improvements	6,524,870	-	624,198	-	7,149,068
Subtotal	66,208,326	3,125,699	6,215,444	(1,693,915)	73,855,554
Accumulated depreciation:					
Buildings and improvements	34,623,290	-	1,646,673	(328,456)	35,941,507
Furniture and equipment	3,365,606	-	433,769	(643,757)	3,155,618
Buses and other vehicles	826,688	-	74,954	(145,861)	755,781
Land improvements	3,863,531	-	291,600	-	4,155,131
Subtotal	42,679,115	-	2,446,996	(1,118,074)	44,008,037
Net capital assets being depreciated	<u>23,529,211</u>	<u>3,125,699</u>	<u>3,768,448</u>	<u>(575,841)</u>	<u>29,847,517</u>
Net governmental activities capital assets	<u>\$ 28,721,359</u>	<u>\$ -</u>	<u>\$ 10,320,831</u>	<u>\$ (575,841)</u>	<u>\$ 38,466,349</u>

June 30, 2018

**Note 6 - Capital Assets (Continued)**

Depreciation expense was charged to programs as follows:

Governmental activities:		
Instruction	\$	203,101
Support services		168,843
Food services		24,470
Unallocated		<u>2,050,582</u>
Total governmental activities	\$	<u><u>2,446,996</u></u>

**Construction Commitments**

The School District has active construction projects at year end. The projects were recorded in the 2016 and 2017 Capital Projects Funds. At year end, the School District's open commitments with contractors totaled \$8,161,610.

**Note 7 - Interfund Receivables, Payables, and Transfers**

The composition of interfund balances is as follows:

Fund Due To	Fund Due From			Total
	International Program Fund	Nonmajor Governmental Funds	Internal Service Fund	
General Fund	\$ 8,508	\$ 96,425	\$ 5,921	\$ 110,854
Nonmajor governmental funds	-	382	-	382
Internal Service Fund	-	1,390	-	1,390
Total	<u>\$ 8,508</u>	<u>\$ 98,197</u>	<u>\$ 5,921</u>	<u>\$ 112,626</u>

These balances result from time lags 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 \$700,000 to the General Fund to fund certain compensation costs.

The General Fund transferred \$10,630 to the Cafeteria Fund for costs related to at-risk students.

June 30, 2018

**Note 8 - Long-term Debt**

Long-term debt activity for the year ended June 30, 2018 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
General obligations	\$ 43,340,000	\$ 11,505,000	\$ (10,755,000)	\$ 44,090,000	\$ 2,715,000
Unamortized bond premiums	1,503,547	665,861	(175,115)	1,994,293	308,287
Unamortized bond discounts	(5,035)	-	5,035	-	-
Total bonds payable	44,838,512	12,170,861	(10,925,080)	46,084,293	3,023,287
School loan revolving fund	103,257	159,168	-	262,425	-
Compensated absences	1,077,625	7,062	-	1,084,687	239,773
Early retirement incentives	234,241	-	(78,080)	156,161	78,080
Long-term insurance benefits	300,000	-	-	300,000	-
Total governmental activities long-term debt	<u>\$ 46,553,635</u>	<u>\$ 12,337,091</u>	<u>\$ (11,003,160)</u>	<u>\$ 47,887,566</u>	<u>\$ 3,341,140</u>

The School District had deferred outflows of resources totaling \$401,073 related to deferred charges on bond refundings at June 30, 2018.

The School District had deferred inflows of resources totaling \$176,771 related to deferred revenue on bond refundings at June 30, 2018.

**General Obligation Bonds and Contracts**

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental-type activities. 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 are qualified bonds. The School District's bonds outstanding at June 30, 2018 are as follows:

Obligation	Remaining Annual Installments	Interest Rates	Maturing	Outstanding
\$13,390,000 2014 Refunding Bonds	\$2,060,000 to \$2,165,000	3.00-4.00	2020	\$ 4,225,000
\$9,700,000 2009 Bonds	\$550,000	4.40	2019	550,000
\$27,810,000 2016 Bonds	\$200,000 to \$3,440,000	3.00-3.25	2046	27,810,000
\$3,345,000 2017 Bonds	\$1,000,000 to \$2,345,000	2.00-5.00	2023	3,345,000
\$8,160,000 2017 Refunding Bonds	\$615,000 to \$5,545,000	2.00-5.00	2023	8,160,000
Total governmental activities				<u>\$44,090,000</u>

**Other Long-term Liabilities**

Compensated absences and long-term insurance benefits attributable to the governmental activities will be liquidated primarily by the General Fund. Early retirement incentives will generally be liquidated through the School District's Internal Service Fund. The net pension liability and the net OPEB liability will be liquidated from the funds from which employees' salaries are paid, generally the General Fund.

**Note 8 - Long-term Debt (Continued)**

**Debt Service Requirements to Maturity**

Annual debt service requirements to maturity for the above bonds are as follows:

Years Ending June 30	Governmental Activities		
	Principal	Interest	Total
2019	\$ 2,715,000	\$ 1,503,743	\$ 4,218,743
2020	2,675,000	1,227,550	3,902,550
2021	3,440,000	1,149,225	4,589,225
2022	3,590,000	1,025,175	4,615,175
2023	8,485,000	866,400	9,351,400
2024-2028	8,715,000	2,912,175	11,627,175
2029-2033	9,920,000	1,537,875	11,457,875
2034-2038	2,950,000	386,813	3,336,813
2039-2043	1,000,000	185,563	1,185,563
2044-2046	600,000	34,125	634,125
<b>Total</b>	<b>\$ 44,090,000</b>	<b>\$ 10,828,644</b>	<b>\$ 54,918,644</b>

**School Loan Revolving Fund**

The School Loan Revolving Fund payable represents notes payable to the State of Michigan for loans made to the School District, as authorized by the 1963 State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the School District issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board in accordance with Section 9 of Act No. 92 of the Public Acts of 2005, as amended. Interest has been assessed for the year ended June 30, 2018 at a rate of 3.10 percent. Repayment begins when the millage rate necessary to cover the annual bonded debt service falls below 7.0 mills. The predetermined mandatory final loan repayment date is May 1, 2052. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the School District, no provision for repayment has been included in the above amortization schedule.

**Bond Refunding**

During the year, the School District issued \$8,160,000 million in general obligation bonds with an average interest rate of 3.0 percent. The proceeds of these bonds were used to advance refund \$8,150,000 million of outstanding 2009 bonds with an average interest rate of 4.68 percent. The net proceeds of \$8,546,039 million (after payment of \$110,811 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased, and the liability for the bonds has been removed from the recorded general long-term debt obligations. The escrow agent will pay the 2009 bonds in full on the May 1, 2019 call date. The advance refunding reduced total debt service payments over the next five years by approximately \$470,000, which represents an economic gain of approximately \$513,000.

**Note 9 - Risk Management**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property/casualty, medical, and errors and omissions claims. The School District is self-insured for workers' compensation and unemployment claims. The School District was self-insured for dental and optical claims through January 1, 2018, after which time commercial insurance coverage was purchased. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 9 - Risk Management (Continued)**

The School District estimates the liability for worker's compensation, dental, optical, and unemployment claims that have been incurred through the end of the fiscal year, including 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 the Internal Service Fund. Changes in the estimated liability for the past two fiscal years were as follows:

	Workers' Compensation	
	2018	2017
Estimated liability - Beginning of year	\$ 250,489	\$ 103,479
Estimated claims incurred, including changes in estimates	367,906	577,395
Claim payments	(598,896)	(430,385)
Estimated liability - End of year	\$ 19,499	\$ 250,489

**Note 10 - Michigan Public School Employees' Retirement System**

***Plan Description***

The School District participates in the Michigan Public School Employees' Retirement System (MPSERS 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. Certain School District employees also receive defined contribution retirement and healthcare benefits through the System. 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 System is administered by the Office of Retirement Services (ORS). 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 ORS at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

***Benefits Provided***

Benefit provisions of the defined benefit pension plan and the postemployment healthcare 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 and the postemployment healthcare plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent 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.

Depending on the member's date of hire, MPSERS offers the option of participating in the defined contribution plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty 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.

June 30, 2018

**Note 10 - Michigan Public School Employees' Retirement System (Continued)**

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.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of each retiree healthcare recipient. Depending on a member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

**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.

Under the OPEB plan, 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. Participating employers are required to contribute at that rate.

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to the retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3 percent contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stop paying the 3 percent contribution to the retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

The School District's contributions are determined based on employee elections. There are multiple different pension and healthcare benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The range of rates is as follows:

	Pension	OPEB
October 1, 2017 - January 31, 2018	13.54% - 17.89%	7.42% - 7.67%
February 1, 2018 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%

Depending on the plan selected, member pension contributions range from 0 percent up to 7 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

**Note 10 - Michigan Public School Employees' Retirement System (Continued)**

The School District's required and actual pension contributions to the plan for the year ended June 30, 2018 were \$7,443,228, which include the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual pension contributions include an allocation of \$2,772,533 in revenue received from the State of Michigan and remitted to the System to fund the MPERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2018. For the year ended June 30, 2018, the contributions also include a one-time payment to the School District received under Section 147c(2) of the State Aid Act, which the School District then remitted as a contribution to the plan.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2018 were \$1,697,077, which include the School District's contributions required for those members with a defined contribution benefit.

**Net Pension Liability**

At June 30, 2018, the School District reported a liability of \$69,660,617 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. 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, 2017 and 2016, the School District's proportion was 0.27 percent.

**Net OPEB Liability**

At June 30, 2018, the School District reported a liability of \$23,829,679 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2018 was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the School District's proportion was 0.27 percent.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2018, the School District recognized pension expense of \$7,554,407, inclusive of payments to fund the MPERS UAAL stabilization rate. At June 30, 2018, 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	\$ 605,398	\$ (341,810)
Changes in assumptions	7,631,874	-
Net difference between projected and actual earnings on pension plan investments	-	(3,330,236)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	1,042,643	(719,834)
The School District's contributions to the plan subsequent to the measurement date	5,765,189	-
Total	<u>\$ 15,045,104</u>	<u>\$ (4,391,880)</u>

June 30, 2018

**Note 10 - Michigan Public School Employees' Retirement System (Continued)**

The \$2,772,533 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2019. 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	Amounts
2019	\$ 1,603,071
2020	2,603,147
2021	872,034
2022	(190,217)
Total	<u>\$ 4,888,035</u>

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

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the year ended June 30, 2018, the School District recognized OPEB expense of \$1,594,105.

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (253,716)
Net difference between projected and actual earnings on OPEB plan investments	-	(551,901)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	875	-
Employer contributions to the plan subsequent to the measurement date	<u>1,291,209</u>	<u>-</u>
Total	<u>\$ 1,292,084</u>	<u>\$ (805,617)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending	Amounts
2019	\$ (194,484)
2020	(194,484)
2021	(194,484)
2022	(194,484)
2023	(26,806)
Total	<u>\$ (804,742)</u>

June 30, 2018

**Note 10 - Michigan Public School Employees' Retirement System (Continued)**

**Actuarial Assumptions**

The total pension liability and total OPEB liability as of September 30, 2017 are based on the results of an actuarial valuation as of September 30, 2016 and rolled forward. The total pension and OPEB liability was determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal cost actuarial cost method
Investment rate of return - Pension	7.00% - 7.50%	Net of investment expenses based on the groups
Investment rate of return - OPEB	7.50%	Net of investment expenses based on the groups
Salary increases	3.50% - 12.30%	Including wage inflation of 3.50%
Healthcare cost trend rate	7.50%	Year 1 graded to 3.5% year 12
Mortality basis		RP2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods 2007 to 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00 - 7.50 percent as of September 30, 2017 depending on the plan option. The discount rate used to measure the total OPEB liability was 7.50 percent as of September 30, 2017. 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 district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

The long-term expected rate of return on pension plan and OPEB 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 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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.00 %	5.60 %
Private equity pools	18.00	8.70
International equity pools	16.00	7.20
Fixed-income pools	10.50	(0.10)
Real estate and infrastructure pools	10.00	4.20
Real return, opportunistic, and absolute pools	15.50	5.00
Short-term investment pools	2.00	(0.90)
Total	100.00 %	

June 30, 2018

**Note 10 - Michigan Public School Employees' Retirement System (Continued)**

MPSERS approved a decrease in the discount rate for the September 30, 2017 annual actuarial valuation for the pension plan and the OPEB plan to 7.05 percent and 7.15 percent, respectively. As a result, the actuarial computed employer contributions, the net pension liability, and net OPEB liability will increase for the measurement period ending September 30, 2018.

***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 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 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.00 - 6.50%)	Current Discount Rate (7.00 - 7.50%)	1 Percent Increase (8.00 - 8.50%)
Net pension liability of the School District	\$ 90,744,614	\$ 69,660,617	\$ 51,909,234

***Sensitivity of the Net OPEB Liability to Changes in the Discount Rate***

The following presents the net OPEB liability of the School District, calculated using the current discount rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the School District	\$ 27,911,442	\$ 23,829,679	\$ 20,365,541

***Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate***

The following presents the net OPEB liability of the School District, calculated using the current healthcare cost trend rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the School District	\$ 20,180,535	\$ 23,829,679	\$ 27,973,028

***Pension Plan and OPEB Plan Fiduciary Net Position***

Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

***Payable to the Pension Plan and OPEB Plan***

At June 30, 2018, the School District reported amounts payable of \$715,073 and \$91,049 for the outstanding amounts of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2018.

June 30, 2018

**Note 11 - Fund Balance Components**

The details of the assigned component of fund balance in the General Fund follow:

Assigned:	
Subsequent year's budget	\$ 373,831
Employee compensated absences - Long term	844,914
Tax tribunal refunds	50,000
Retiree severance payouts	30,000
SACC program	<u>61,574</u>
Total assigned fund balance	<u>\$ 1,360,319</u>

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## Required Supplemental Information

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**Lake Shore Public Schools**

**Required Supplemental Information  
Budgetary Comparison Schedule - General Fund**

**Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Local sources	\$ 2,602,325	\$ 2,715,845	\$ 2,747,854	\$ 32,009
State sources	31,676,141	32,115,044	32,113,545	(1,499)
Federal sources	2,489,709	2,562,428	2,505,993	(56,435)
Interfund transfers	700,000	700,000	700,000	-
Interdistrict sources	119,000	438,020	397,020	(41,000)
Total revenue	37,587,175	38,531,337	38,464,412	(66,925)
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	19,096,929	19,326,875	19,232,494	(94,381)
Added needs	4,824,666	5,011,748	4,875,130	(136,618)
Support services:				
Pupil	3,067,816	3,055,327	3,040,927	(14,400)
Instructional staff	786,513	671,656	650,186	(21,470)
General administration	822,249	862,753	857,910	(4,843)
School administration	2,087,933	2,190,659	2,171,857	(18,802)
Fiscal	704,664	670,877	661,305	(9,572)
Operations and maintenance	3,939,639	4,145,105	4,065,117	(79,988)
Transportation	883,798	893,451	874,312	(19,139)
Central	1,217,876	1,060,165	1,038,970	(21,195)
Athletics	649,660	680,553	674,296	(6,257)
Community services	265,249	254,942	243,627	(11,315)
Outgoing transfers	11,510	10,630	10,630	-
Total expenditures	38,358,502	38,834,741	38,396,761	(437,980)
<b>Excess of Revenue (Under) Over Expenditures</b>	(771,327)	(303,404)	67,651	371,055
<b>Net Change in Fund Balance</b>	(771,327)	(303,404)	67,651	371,055
<b>Fund Balance - Beginning of year</b>	4,780,811	4,780,811	4,780,811	-
<b>Fund Balance - End of year</b>	<u>\$ 4,009,484</u>	<u>\$ 4,477,407</u>	<u>\$ 4,848,462</u>	<u>\$ 371,055</u>

**Lake Shore Public Schools**

Required Supplemental Information  
 Budgetary Comparison Schedule - Major Special Revenue Fund  
 International Program Fund

**Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Investment earnings	\$ 1,400	\$ 1,400	\$ 2,274	\$ 874
Financing sources	976,733	989,544	989,543	(1)
Miscellaneous revenues	-	2,800	3,489	689
Total revenue	978,133	993,744	995,306	1,562
<b>Expenditures</b>				
Current:				
Salaries and benefits	34,300	54,455	52,871	(1,584)
Purchased services	14,492	204,308	190,585	(13,723)
Transfers to other funds	700,000	700,000	700,000	-
Supplies, equipment, other	283,591	34,500	29,809	(4,691)
Capital outlay	25,000	-	-	-
Total expenditures	1,057,383	993,263	973,265	(19,998)
<b>Excess of Revenue (Under) Over Expenditures</b>	(79,250)	481	22,041	21,560
<b>Net Change in Fund Balance</b>	(79,250)	481	22,041	21,560
<b>Fund Balance - Beginning of year</b>	107,734	107,734	107,734	-
<b>Fund Balance - End of year</b>	<u>\$ 28,484</u>	<u>\$ 108,215</u>	<u>\$ 129,775</u>	<u>\$ 21,560</u>

## Lake Shore Public Schools

### Required Supplemental Information Schedule of Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System

#### Last Four Plan Years Plan Year Ended September 30

	2017	2016	2015	2014
School District's proportion of the net pension liability	0.26881 %	0.27036 %	0.27320 %	0.26110 %
School District's proportionate share of the net pension liability	\$ 69,660,617	\$ 67,453,741	\$ 66,730,328	\$ 57,509,649
School District's covered employee payroll	\$ 22,494,654	\$ 23,434,185	\$ 22,710,905	\$ 21,535,853
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	309.68 %	287.84 %	293.83 %	267.00 %
Plan fiduciary net position as a percentage of total pension liability	63.96 %	63.01 %	62.92 %	66.15 %

## Lake Shore Public Schools

### Required Supplemental Information Schedule of Pension Contributions Michigan Public School Employees' Retirement System

	<b>Last Four Fiscal Years Years Ended June 30</b>			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 6,827,769	\$ 6,375,173	\$ 6,184,350	\$ 4,966,587
Contributions in relation to the statutorily required contribution	<u>6,827,769</u>	<u>6,375,173</u>	<u>6,184,350</u>	<u>4,966,587</u>
<b>Contribution Deficiency</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>School District's Covered Employee Payroll</b>	\$ 22,468,021	\$ 22,742,194	\$ 21,938,942	\$ 22,097,050
<b>Contributions as a Percentage of Covered Employee Payroll</b>	30.39 %	28.03 %	28.19 %	22.48 %

## Lake Shore Public Schools

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### Required Supplemental Information Schedule of Proportionate Share of the Net OPEB Liability Michigan Public School Employees' Retirement System

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	<b>Last Plan Year</b>
	<b>Plan Year Ended September 30</b>
	<u>2017</u>
School District's proportion of the net OPEB liability	0.26910 %
School District's proportionate share of the net OPEB liability	\$ 23,829,679
School District's covered employee payroll	\$ 22,494,654
School District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	105.93 %
Plan fiduciary net position as a percentage of total OPEB liability	36.53 %

## Lake Shore Public Schools

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### Required Supplemental Information Schedule of OPEB Contributions Michigan Public School Employees' Retirement System

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**Last Fiscal Year  
Year Ended June 30**

	<u>2018</u>
Statorily required contribution	\$ 1,622,803
Contributions in relation to the statorily required contribution	<u>1,622,803</u>
<b>Contribution Deficiency</b>	<b>\$ -</b>
<b>School District's Covered Employee Payroll</b>	<b>\$ 22,468,021</b>
<b>Contributions as a Percentage of Covered Employee Payroll</b>	<b>7.22 %</b>

**Pension Information**

Ultimately, 10 years of data will be presented in both of the pension-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

**Benefit Changes**

There were no changes of benefit terms in 2017.

**Changes in Assumptions**

On February 23, 2017, MPSERS approved a decrease in the discount rate for the September 30, 2016 annual actuarial valuation of 0.5 percent to 7.00 percent-7.50 percent based on the group.

**Covered Payroll**

The employer's covered payroll to be reported in the required supplemental information is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based and by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For the School District, covered payroll represents payroll on which contributions to both plans are based.

**OPEB Information**

Ultimately, 10 years of data will be presented in both of the OPEB-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

**Benefit Changes**

There were no changes of benefit terms in 2017.

**Changes in Assumptions**

There were no changes of benefit assumptions in 2017.

**Covered Payroll**

The employer's covered payroll to be reported in the required supplemental information is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based, and by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For the School District, covered payroll represents payroll on which contributions to both plans are based.

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## Other Supplemental Information

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# Lake Shore Public Schools

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

**June 30, 2018**

	Special Revenue Funds		Debt Service Funds				Capital Projects Fund	Total
	Cafeteria	Adult and Community Education	2009 Bond Issue	2014 Refunding Bond Issue	2016 Bond Issue	2017 Refunding Bond	Building and Site	
<b>Assets</b>								
Cash and investments	\$ 242,489	\$ 75,789	\$ -	\$ -	\$ -	\$ -	\$ 2,098,407	\$ 2,416,685
Receivables:								
Other receivables	882	243	-	-	-	-	-	1,125
Due from other governments	119,428	361,525	-	-	-	-	-	480,953
Due from other funds	-	-	-	-	-	382	-	382
Inventories	7,568	-	-	-	-	-	-	7,568
Prepaid costs	-	4,322	-	-	-	-	2,528	6,850
Restricted assets	-	-	18,943	61,517	21,524	-	-	101,984
<b>Total assets</b>	<b>\$ 370,367</b>	<b>\$ 441,879</b>	<b>\$ 18,943</b>	<b>\$ 61,517</b>	<b>\$ 21,524</b>	<b>\$ 382</b>	<b>\$ 2,100,935</b>	<b>\$ 3,015,547</b>
<b>Liabilities</b>								
Accounts payable	\$ 23,927	\$ 16,570	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,497
Due to other funds	78,420	19,395	382	-	-	-	-	98,197
Accrued payroll-related liabilities	1,122	110,105	-	-	-	-	-	111,227
Unearned revenue	13,345	120,491	-	-	-	-	-	133,836
<b>Total liabilities</b>	<b>116,814</b>	<b>266,561</b>	<b>382</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>383,757</b>
<b>Fund Balances</b>								
Nonspendable:								
Inventories	7,568	-	-	-	-	-	-	7,568
Prepaid costs	-	4,322	-	-	-	-	2,528	6,850
Restricted:								
Debt service	-	-	18,561	61,517	21,524	382	-	101,984
Adult and community education	-	170,996	-	-	-	-	-	170,996
Food service	245,985	-	-	-	-	-	-	245,985
Committed:								
Technology Plan	-	-	-	-	-	-	58,614	58,614
Vehicle Replacement Plan	-	-	-	-	-	-	180,000	180,000
Capital projects	-	-	-	-	-	-	1,801,179	1,801,179
Deferred Maintenance Plan	-	-	-	-	-	-	58,614	58,614
<b>Total fund balances</b>	<b>253,553</b>	<b>175,318</b>	<b>18,561</b>	<b>61,517</b>	<b>21,524</b>	<b>382</b>	<b>2,100,935</b>	<b>2,631,790</b>
<b>Total liabilities and fund balances</b>	<b>\$ 370,367</b>	<b>\$ 441,879</b>	<b>\$ 18,943</b>	<b>\$ 61,517</b>	<b>\$ 21,524</b>	<b>\$ 382</b>	<b>\$ 2,100,935</b>	<b>\$ 3,015,547</b>

**Lake Shore Public Schools**

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

**Year Ended June 30, 2018**

	Special Revenue Funds		Debt Service Funds				Capital Projects Fund	Total
	Cafeteria	Adult and Community Education	2009 Bond Issue	2014 Refunding Bond Issue	2016 Bond Issue	2017 Refunding Bond	Building and Site	
<b>Revenue</b>								
Local sources	\$ 571,467	\$ 663,163	\$ 531,158	\$2,278,561	\$ 837,245	\$ -	\$ 25,134	\$ 4,906,728
State sources	48,517	1,580,753	8,667	29,213	-	-	-	1,667,150
Federal sources	712,989	1,641,903	-	-	-	-	-	2,354,892
Interdistrict sources	-	13,437	-	-	-	-	-	13,437
<b>Total revenue</b>	<b>1,332,973</b>	<b>3,899,256</b>	<b>539,825</b>	<b>2,307,774</b>	<b>837,245</b>	<b>-</b>	<b>25,134</b>	<b>8,942,207</b>
<b>Expenditures</b>								
Current:								
Instruction	-	2,296,613	-	-	-	-	-	2,296,613
Support services	-	907,069	-	-	-	-	29,494	936,563
Food services	1,244,460	-	-	-	-	-	-	1,244,460
Adult and community services	-	521,375	-	-	-	-	-	521,375
Debt service:								
Principal	-	-	315,000	2,290,000	-	-	-	2,605,000
Interest	-	-	228,571	179,500	838,426	-	-	1,246,497
Other debt costs	-	-	1,049	250	500	110,429	-	112,228
Capital outlay	-	-	-	-	-	-	92,182	92,182
<b>Total expenditures</b>	<b>1,244,460</b>	<b>3,725,057</b>	<b>544,620</b>	<b>2,469,750</b>	<b>838,926</b>	<b>110,429</b>	<b>121,676</b>	<b>9,054,918</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>88,513</b>	<b>174,199</b>	<b>(4,795)</b>	<b>(161,976)</b>	<b>(1,681)</b>	<b>(110,429)</b>	<b>(96,542)</b>	<b>(112,711)</b>
<b>Other Financing Sources (Uses)</b>								
Face value of debt issued	-	-	-	-	-	8,160,000	-	8,160,000
Premium on debt issued	-	-	-	-	-	496,850	-	496,850
School Bond Loan Revolving Fund proceeds	-	-	-	155,000	-	-	-	155,000
Transfers in	10,630	-	-	-	-	-	-	10,630
Payments to bond refunding escrow agent	-	-	-	-	-	(8,546,039)	-	(8,546,039)
<b>Total other financing sources</b>	<b>10,630</b>	<b>-</b>	<b>-</b>	<b>155,000</b>	<b>-</b>	<b>110,811</b>	<b>-</b>	<b>276,441</b>
<b>Net Change in Fund Balances</b>	<b>99,143</b>	<b>174,199</b>	<b>(4,795)</b>	<b>(6,976)</b>	<b>(1,681)</b>	<b>382</b>	<b>(96,542)</b>	<b>163,730</b>
<b>Fund Balances - Beginning of year</b>	<b>154,410</b>	<b>1,119</b>	<b>23,356</b>	<b>68,493</b>	<b>23,205</b>	<b>-</b>	<b>2,197,477</b>	<b>2,468,060</b>
<b>Fund Balances - End of year</b>	<b>\$ 253,553</b>	<b>\$ 175,318</b>	<b>\$ 18,561</b>	<b>\$ 61,517</b>	<b>\$ 21,524</b>	<b>\$ 382</b>	<b>\$2,100,935</b>	<b>\$ 2,631,790</b>

# Lake Shore Public Schools

## Other Supplemental Information Schedule of Bonded Indebtedness

June 30, 2018

Year Ending June 30	2014	2009 Bond	2016 Bond	2017 Bond	2017	Total
	Refunding Bond Principal	Issue Principal	Issue Principal	Issue Principal	Refunding Bond Principal	
2019	\$ 2,165,000	\$ 550,000	\$ -	\$ -	\$ -	\$ 2,715,000
2020	2,060,000	-	-	-	615,000	2,675,000
2021	-	-	3,440,000	-	-	3,440,000
2022	-	-	590,000	1,000,000	2,000,000	3,590,000
2023	-	-	595,000	2,345,000	5,545,000	8,485,000
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
Total remaining payments	<b>\$ 4,225,000</b>	<b>\$ 550,000</b>	<b>\$ 27,810,000</b>	<b>\$ 3,345,000</b>	<b>\$ 8,160,000</b>	<b>\$ 44,090,000</b>
Principal payments due	May and November 1	May 1	May and November 1	May 1	May and November 1	
Interest rates	3.00% to 4.00%	4.40%	3.00% to 3.25%	2.00% to 5.00%	2.00% to 5.00%	
Original issue	<b>\$ 13,390,000</b>	<b>\$ 9,700,000</b>	<b>\$ 27,810,000</b>	<b>\$ 3,345,000</b>	<b>\$ 8,160,000</b>	

Interest payments for the bond issues are due on May 1 and November 1 of each year.