

Lake Shore Public Schools

**Financial Report
with Supplemental Information
June 30, 2015**

Lake Shore Public Schools

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Independent Auditor's Report

To the Board of Education
Lake Shore Public Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Shore Public Schools (the "School District") as of and for the year ended June 30, 2015 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.

To the Board of Education
Lake Shore Public Schools

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Shore Public Schools as of June 30, 2015 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, effective July 1, 2014, the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The School District's unrestricted net position has been restated as of July 1, 2014 as a result of the adoption of these changes in accounting principles.

Required Supplemental Information

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

Other Information

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

To the Board of Education
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The other supplemental information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2015 on our consideration of Lake Shore Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lake Shore Public Schools' internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 19, 2015

Lake Shore Public Schools

Management's Discussion and Analysis

This section of Lake Shore Public Schools' annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2015. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

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

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

Basic Financial Statements

Government-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

Required Supplemental Information
Budgetary Information for Major Funds
Pension Plan Schedules

Other Supplemental Information

Lake Shore Public Schools

Management's Discussion and Analysis (Continued)

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

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities"? The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the School District's net position - the difference between assets and liabilities, as reported in the statement of net position - as one way to measure the School District's financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial condition is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall condition of the School District. The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, athletics, adult and community education, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), state and federal grants, tuition, and fees finance most of these activities.

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

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

Lake Shore Public Schools

Management's Discussion and Analysis (Continued)

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

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

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

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

Lake Shore Public Schools

Management's Discussion and Analysis (Continued)

The School District as a Whole

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

Table I

	Governmental Activities	
	June 30	
	2015	2014
	(in millions)	
Assets		
Current and other assets	\$ 14.4	\$ 14.3
Capital assets	27.6	29.7
Total assets	42.0	44.0
Deferred Outflows of Resources -		
Deferred outflows related to pensions	3.8	3.0
Liabilities		
Current liabilities	6.1	6.9
Long-term liabilities	22.3	24.7
Net pension liability	57.5	61.1
Total liabilities	85.9	92.7
Deferred Inflows of Resources		
Gain on bond defeasance	0.4	0.5
Deferred inflows related to pensions	4.2	-
Total deferred inflows of resources	4.6	0.5
Net Position (Deficit)		
Net investment in capital assets	6.4	6.2
Restricted	0.3	0.3
Unrestricted (deficit)	(51.4)	(52.7)
Total net position (deficit)	<u>\$ (44.7)</u>	<u>\$ (46.2)</u>

Lake Shore Public Schools

Management's Discussion and Analysis (Continued)

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net position was a deficit of \$44.7 million at June 30, 2015. Capital assets, net of related debt totaling \$6.4 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 assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remainder was an unrestricted net assets deficit of \$51.4 million.

As required by the Government Accounting Standards Board (GASB), the School District adopted GASB Statements No. 68 and No. 71. These standards required the inclusion of the district's proportionate share of the Michigan Public School Employees' Retirement Plan within the District's financial statements, effective July 1, 2014. The effect of the adoption was to decrease July 1, 2014 beginning net position by \$58.1 million, and to include the net pension obligation and related deferred inflows and outflows of resources in the June 30, 2015 financial statements. All governments participating in the retirement plan were required to adopt these new standards.

The \$51.4 million in unrestricted net position deficit of governmental activities represents the accumulated results of all past years' operations and the impact from adoption of GASB 68. Excluding the net pension liability, the District's unrestricted net position was approximately \$6.1 million as of June 30, 2015. This balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

Lake Shore Public Schools

Management's Discussion and Analysis (Continued)

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net position for fiscal years 2014 and 2015.

Table 2

	Governmental Activities	
	Year Ended June 30	
	2015	2014
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 3.2	\$ 2.8
Operating grants	8.9	8.8
General revenue:		
Property taxes	5.1	4.8
State foundation allowance	29.2	28.0
Other	0.3	0.9
Total revenue	46.7	45.3
Functions/Program Expenses		
Instruction	25.4	24.2
Support services	14.0	13.7
Adult and community services	1.2	0.9
Food services	1.5	1.3
Athletics	0.5	0.4
Interest on long-term debt	0.6	0.8
Bond issuance costs	-	0.1
Depreciation (unallocated)	2.0	2.0
Total functions/program expenses	45.2	43.4
Change in Net Position	1.5	1.9
Net Position (Deficit) - Beginning of year	(46.2)	10.0
Impact of GASB Statements No. 68 and 71	-	(58.1)
Net Position (Deficit) - End of year	\$ (44.7)	\$ (46.2)

Lake Shore Public Schools

Management's Discussion and Analysis (Continued)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$45.2 million. Certain activities were partially funded from those who benefited from the programs (\$3.2 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$8.9 million). We paid for the remaining "public benefit" portion of our governmental activities with \$5.1 million in taxes, \$29.2 million in state foundation allowance, and with our other revenue (i.e., interest and general entitlements).

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

The School District's Funds

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

As the School District completed the year, the governmental funds reported a combined fund balance of \$6.9 million. The General Fund showed a fund balance increase of \$447,000 from the prior year.

The debt service funds showed a combined fund balance increase of \$114,000. Millage rates increased .275 mills from the previous year for a rate of 6.450 mills, and continue to be higher than the original levy of 4.60 mills. Like other municipalities, Lake Shore has seen its taxable value base decline. Over the last three years, the taxable value base for Lake Shore has declined slightly by approximately .13 percent, but is estimated to increase a conservative 3.37 percent in 2015-2016. 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 reserved since they can only be used to pay debt service obligations.

The School District's capital projects fund is the Building and Site Fund. This fund balance increased from the prior year by \$354,000. 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.

Lake Shore Public Schools

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2015, the School District had \$27.6 million invested in a broad range of capital assets, including land, construction in progress, buildings, vehicles, furniture, and equipment. This amount represents a decrease of \$2.2 million from the previous year (including additions, disposals, and depreciation).

Capital assets consist of the following:

Table 3

	<u>2015</u>	<u>2014</u>
	(in thousands)	
Land	\$ 308	\$ 308
Building and building improvements	22,225	23,891
Site improvements	3,228	3,496
Buses and other vehicles	430	380
Furniture and equipment	<u>1,408</u>	<u>1,685</u>
Total capital assets - Net of accumulated depreciation	<u>\$ 27,599</u>	<u>\$ 29,760</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 \$20.49 million in general obligation bonds outstanding, versus \$22.74 million in the previous year.

The School District's general obligation bond rating continues to be AA- by Standard & Poor's. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," (i.e., debt backed by the State of Michigan), such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$20.49 million is significantly below this \$71.41 million statutory limit.

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

Lake Shore Public Schools

Management's Discussion and Analysis (Continued)

Next Year's Budget Outlook for the General Fund

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

Revenue Projection

Our elected officials and administration considered many factors when setting the School District's 2015-2016 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 2015-2016 fiscal year is based on 90 percent and 10 percent of the October 2015 and February 2015 student counts, respectively. The 2015-2016 budget, adopted in June 2015, is based on an estimate of students that will be enrolled in October 2015. The estimate calls for the enrollment to remain flat due in large part to increased advertising for schools of choice to offset the loss of the graduating senior class and resident students.

Approximately 76 percent of total General Fund revenue is from the foundation allowance. Unfortunately, the Michigan economy continues to struggle, and funding for the state's School Aid Fund continues to decline. The 2015-2016 budget is based on an increase in the base foundation allowance of \$70, from \$8,099 to \$8,169. Not continued for the 2014-2015 school year is best practices incentive funding in the amount of \$50 per pupil.

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 88 percent of all General Fund expenditures. With the unlikelihood of the State's School Aid Fund increasing, all employee groups will again take a step freeze for 2015-2016.

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

Lake Shore Public Schools

Management's Discussion and Analysis (Continued)

The actual contribution rate schools will be paying for the 2015-2016 school year is 36.31 percent, an 8.68 percent increase. The State is helping schools pay for this increase by allocating additional funding to be used toward the retirement rate increase. With the additional funding, the retirement rate will be artificially reduced to approximately 25.78 percent.

Each percentage increase in the retirement rate equates to an increase in retirement benefit expenses of approximately \$199,000.

2015-2016 Bottom Line

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

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

Lake Shore maintains the position that it is the School District's goal to provide services to our students through prudent expenditures and strategic planning, not to generate profits. 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.

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

Lake Shore Public Schools

Management's Discussion and Analysis (Continued)

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

Lake Shore Public Schools

Statement of Net Position June 30, 2015

	Governmental Activities
Assets	
Cash and investments (Note 3)	\$ 6,751,039
Receivables (Note 4)	6,884,958
Inventories	17,969
Prepaid costs and other assets	581,339
Restricted assets (Note 1)	193,657
Capital assets - Net (Note 5)	<u>27,599,323</u>
Total assets	42,028,285
Deferred Outflows of Resources -	
Deferred outflows related to pensions (Note 9)	<u>3,823,498</u>
Total assets and deferred outflows of resources	45,851,783
Liabilities	
Accounts payable	422,915
Accrued payroll-related liabilities	4,205,519
Accrued interest	123,669
Due to other governmental units	280
Provision for uninsured losses and accrued insurance premiums (Note 8)	13,499
Unearned revenue (Note 4)	1,336,834
Long-term obligations (Note 7):	
Due within one year	2,863,195
Due in more than one year	19,398,994
Net pension liability (Note 9)	<u>57,509,649</u>
Total liabilities	85,874,554
Deferred Inflows of Resources	
Gain on debt defeasance	441,928
Deferred inflows related to pensions (Note 9)	<u>4,236,540</u>
Total deferred inflows of resources	<u>4,678,468</u>
Total total liabilities and deferred inflows of resources	<u>90,553,022</u>
Net Position	
Net investment in capital assets	6,433,578
Restricted:	
Debt service	69,988
Food services	219,052
Adult and community education	3,194
Unrestricted (deficit)	<u>(51,427,051)</u>
Total net position (deficit)	<u><u>\$ (44,701,239)</u></u>

Lake Shore Public Schools

Statement of Activities Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenue		Governmental
		Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Position
Primary government - Governmental activities:				
Instruction	\$ 25,499,275	\$ 103,936	\$ 8,279,417	\$ (17,115,922)
Support services	13,957,107	116,115	-	(13,840,992)
Athletics	444,626	46,300	-	(398,326)
Food services	1,448,994	742,718	72,201	(634,075)
Adult and community services	1,181,158	2,184,041	516,176	1,519,059
Interest on long-term debt	619,074	-	-	(619,074)
Other debt costs	1,242	-	-	(1,242)
Depreciation expense (unallocated)	2,024,276	-	-	(2,024,276)
Total primary government	<u>\$ 45,175,752</u>	<u>\$ 3,193,110</u>	<u>\$ 8,867,794</u>	(33,114,848)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				1,942,445
Property taxes, levied for debt service				3,226,511
State aid not restricted to specific purposes				29,213,438
Interest and investment earnings				12,707
Gain on the sale of capital assets				1,964
Other				265,619
Total general revenue				<u>34,662,684</u>
Change in Net Position				1,547,836
Net Position (Deficit) - As restated - Beginning of year (Note 1)				<u>(46,249,075)</u>
Net Position (Deficit) - End of year				<u>\$ (44,701,239)</u>

Lake Shore Public Schools

Governmental Funds Balance Sheet June 30, 2015

	General Fund	Adult and Community Education Fund	Building and Site Fund	International Program Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and investments (Note 3)	\$ 1,845,790	\$ 58,254	\$ 1,514,950	\$ 2,021,438	\$ 149,775	\$ 5,590,207
Receivables (Note 4)	6,442,329	319,816	-	-	122,813	6,884,958
Due from other funds (Note 6)	123,741	50	400,000	6,367	-	530,158
Inventories	-	-	-	-	17,969	17,969
Prepaid costs and other assets	425,378	43,089	-	104,476	-	572,943
Restricted assets (Note 1)	-	-	-	-	193,657	193,657
Total assets	\$ 8,837,238	\$ 421,209	\$ 1,914,950	\$ 2,132,281	\$ 484,214	\$ 13,789,892
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 374,949	\$ 6,760	\$ -	\$ 140	\$ 41,066	\$ 422,915
Accrued payroll-related liabilities	3,983,428	207,533	-	2,542	12,016	4,205,519
Due to other governmental units	-	280	-	-	-	280
Due to other funds (Note 6)	792,455	157,001	-	50	4,297	953,803
Unearned revenue (Note 4)	87,616	46,441	-	1,188,651	14,126	1,336,834
Total liabilities	5,238,448	418,015	-	1,191,383	71,505	6,919,351
Fund Balances						
Nonspendable:						
Inventories	-	-	-	-	17,969	17,969
Prepaid costs	425,378	43,089	-	104,476	-	572,943
Restricted:						
Debt service	-	-	-	-	193,657	193,657
Food services	-	-	-	-	201,083	201,083
Committed:						
Technology plan	-	-	348,593	-	-	348,593
Deferred maintenance plan	250,000	-	348,593	-	-	598,593
Vehicle replacement plan	23,520	-	90,000	-	-	113,520
Capital projects	-	-	1,127,764	-	-	1,127,764
International Program operations	-	-	-	313,007	-	313,007
Repayment to Building and Site Fund	-	-	-	523,415	-	523,415
Assigned (Note 10)	1,280,638	-	-	-	-	1,280,638
Unassigned	1,619,254	(39,895)	-	-	-	1,579,359
Total fund balances	3,598,790	3,194	1,914,950	940,898	412,709	6,870,541
Total liabilities and fund balances	\$ 8,837,238	\$ 421,209	\$ 1,914,950	\$ 2,132,281	\$ 484,214	\$ 13,789,892

Lake Shore Public Schools

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2015

Fund Balance Reported in Governmental Funds	\$	6,870,541
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Cost of capital assets	\$ 65,886,829	
Accumulated depreciation	<u>(38,287,506)</u>	27,599,323
Deferred outflows related to pension payments made subsequent to the measurement date		3,823,498
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:		
Bonds payable including premium and deferred charges	(21,165,745)	
Compensated absences	(1,096,444)	
Gain on bond defeasance	<u>(441,928)</u>	(22,704,117)
Accrued interest payable is not included as a liability in governmental funds		(123,669)
Internal Service Fund assets and liabilities are included in governmental activities in the statement of net position		1,579,374
Net pension obligations do not present a claim on current financial resources and are not reported as fund liabilities		(57,509,649)
Deferred inflows related to pension investment returns and changes in assumptions are not reported in the governmental funds		<u>(4,236,540)</u>
Net Position of Governmental Activities	\$	<u>(44,701,239)</u>

Lake Shore Public Schools

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2015

	General Fund	Adult and Community Education Fund	Building and Site Fund	International Program Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue						
Local sources	\$ 2,650,532	\$ 669,414	\$ 5,713	\$ 1,296,601	\$ 4,022,227	\$ 8,644,487
State sources	30,780,337	1,604,311	-	-	42,014	32,426,662
Federal sources	1,211,445	2,580,827	-	-	704,199	4,496,471
Interdistrict sources	1,139,861	18,238	-	-	-	1,158,099
Total revenue	35,782,175	4,872,790	5,713	1,296,601	4,768,440	46,725,719
Expenditures						
Current:						
Instruction	22,157,989	3,400,463	-	-	-	25,558,452
Support services	12,629,882	1,079,686	-	105,838	-	13,815,406
Athletics	448,461	-	-	-	-	448,461
Food services	-	-	-	-	1,433,233	1,433,233
Adult and community services	251,063	652,683	-	285,628	-	1,189,374
Debt service:						
Principal	-	-	-	-	2,250,000	2,250,000
Interest	-	-	-	-	864,422	864,422
Other	-	-	-	-	1,242	1,242
Capital outlay	233,975	11,014	102,201	23,623	24,250	395,063
Total expenditures	35,721,370	5,143,846	102,201	415,089	4,573,147	45,955,653
Excess of Revenue Over (Under) Expenditures	60,805	(271,056)	(96,488)	881,512	195,293	770,066
Other Financing Sources (Uses)						
Transfers in	886,633	100,000	450,000	-	-	1,436,633
Transfers out	(500,000)	-	-	(936,633)	-	(1,436,633)
Net Change in Fund Balances	447,438	(171,056)	353,512	(55,121)	195,293	770,066
Fund Balances - Beginning of year	3,151,352	174,250	1,561,438	996,019	217,416	6,100,475
Fund Balances - End of year	\$ 3,598,790	\$ 3,194	\$ 1,914,950	\$ 940,898	\$ 412,709	\$ 6,870,541

Lake Shore Public Schools

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds \$ 770,066

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

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

Depreciation expense	\$ (2,415,604)	
Capitalized capital outlay	<u>257,452</u>	(2,158,152)

Governmental funds report proceeds from sale of assets as revenue; in the statement of activities, these are recorded net of carrying value of the disposed assets (2,131)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 2,250,000

Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid 245,348

Change in pension expense related to deferred items 226,726

Compensated absences are recorded when earned in the statement of activities. In the current year, more was paid out than was earned 12,608

Internal Service Funds are included as part of governmental activities 203,371

Change in Net Position of Governmental Activities **\$ 1,547,836**

Lake Shore Public Schools

Proprietary Fund - Internal Service Fund Statement of Net Position June 30, 2015

Assets - Current assets	
Cash and investments (Note 3)	\$ 1,160,832
Due from other funds (Note 6)	423,645
Prepaid costs and other assets	<u>8,396</u>
Total assets	1,592,873
Liabilities - Provision for uninsured losses and accrued premiums (Note 8)	<u>13,499</u>
Net Position - Unrestricted	<u><u>\$ 1,579,374</u></u>

Lake Shore Public Schools

Proprietary Fund - Internal Service Fund Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2015

Operating Revenue - Charges to other funds	\$ 433,775
Operating Expenses - Claims, reinsurance, premiums, and administrative fees	
Medical	1,106
Dental	60,331
Workers' compensation and other	168,967
Total operating expenses	<u>230,404</u>
Change in Net Position	203,371
Net Position - Beginning of year	<u>1,376,003</u>
Net Position - End of year	<u><u>\$ 1,579,374</u></u>

Lake Shore Public Schools

Proprietary Fund - Internal Service Fund Statement of Cash Flows Year Ended June 30, 2015

Cash Flows from Operating Activities	
Receipts from other funds	\$ 805,069
Claims, contributions, and premiums paid	<u>(351,820)</u>
Net Increase in Cash and Investments	453,249
Cash and Investments - Beginning of year	<u>707,583</u>
Cash and Investments - End of year	<u>\$ 1,160,832</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 203,371
Adjustments to reconcile operating income to net cash provided by operating activities - Changes in assets and liabilities:	
Due from other funds	371,294
Prepaid costs	6,969
Provision for uninsured losses	<u>(128,385)</u>
Net cash provided by operating activities	<u>\$ 453,249</u>

Lake Shore Public Schools

Fiduciary Funds Statement of Fiduciary Assets and Liabilities June 30, 2015

	<u>Agency Funds</u>
Assets - Cash and investments	<u>\$ 505,114</u>
Liabilities - Due to student activities	<u>505,114</u>

Lake Shore Public Schools

Notes to Financial Statements June 30, 2015

Note I - Nature of Business and Significant Accounting Policies

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

Reporting Entity

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

Government-wide and Fund Financial Statements

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

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

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

Note I - Nature of Business and Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

Note I - Nature of Business and Significant Accounting Policies (Continued)

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

The School District reports the following major governmental funds:

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

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

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

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

Note I - Nature of Business and Significant Accounting Policies (Continued)

Additionally, the School District reports the following fund types:

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School District's nonmajor special revenue fund is the Cafeteria Fund. Any operating deficit generated by this activity is the responsibility of the General Fund. The purpose of this fund is to account for the activity of the School District's meal programs. The primary revenue sources are food sales to students and grants from the federal government.

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

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

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

Assets, Liabilities, and Net Position or Equity

Cash and Investments - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Investment income is recorded in the fund for which the investment account was established.

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

Lake Shore Public Schools

Notes to Financial Statements June 30, 2015

Note I - Nature of Business and Significant Accounting Policies (Continued)

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. Taxes are considered delinquent on February 15 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

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

Restricted Assets - Remaining cash from property tax collections in the debt service funds totaling \$193,657 is required to be set aside for future repayments of bonded indebtedness.

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

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

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

Note I - Nature of Business and Significant Accounting Policies (Continued)

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

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

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

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

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

In addition to liabilities, the statement of net position reports deferred inflows of resources, which represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School District's deferred inflows of resources are related to a gain on prior debt defeasance and its participation in the statewide pension plan.

Fund Balance - In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose

Note I - Nature of Business and Significant Accounting Policies (Continued)

- **Committed:** Amounts that have been formally set aside by the Board of Education for use for specific purposes. Commitments are made and can be rescinded only by resolution of the Board of Education.
- **Assigned:** Intent to spend resources on specific purposes expressed by the Board of Education, or by the Superintendent, or Assistant Superintendent of Finance and Human Resources, who are authorized by the Board of Education to make assignments
- **Unassigned:** Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund, and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

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

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

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

Lake Shore Public Schools

Notes to Financial Statements June 30, 2015

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

Adoption of New Accounting Standards - The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. GASB Statement No. 71 is a clarification to GASB Statement No. 68 requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The statements also enhance accountability and transparency through revised note disclosures and required supplementary information. In accordance with the statement, the School District has reported a net pension liability of \$61,142,861 and deferred outflows of financial resources for pension contributions of \$2,993,444 made subsequent to the September 30, 2013 measurement date, as the effects of these changes in accounting principles on the School District's unrestricted net position as of July 1, 2014. The effects of these changes are summarized below.

Net position at June 30, 2014 - As previously reported	\$ 11,900,342
Net pension liability	(61,142,861)
Deferred outflows for pension contributions	<u>2,993,444</u>
Net position at June 30, 2014 - As restated	<u>\$ (46,249,075)</u>

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and special revenue funds, with the following exceptions: (1) capital outlay is budgeted in other expenditure categories on a functional basis and (2) transfers into the General Fund are budgeted as interdistrict revenue. The School District also adopted annual budgets for its nonmajor special revenue funds, debt service funds, capital projects funds, and the Internal Service Fund. All annual appropriations lapse at fiscal year end.

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

Lake Shore Public Schools

Notes to Financial Statements June 30, 2015

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

Significant Expenditure Budgeted Variances - During the year, the School District incurred the following significant expenditure budget variances:

	Budget	Actual
General Fund - Instruction - Basic program	\$ 17,773,523	\$ 18,173,168
General Fund - Instruction - Added needs	3,945,986	4,015,188
General Fund - Support Services - Pupil	2,669,616	2,700,621
Adult and Community Education Fund - Instruction - Basic program	564,013	595,944
Adult and Community Education Fund - Support services - Pupil	74,411	79,013
Adult and Community Education Fund - Support services - Operations and maintenance	81,300	98,578
International Program Fund - Supplies, equipment, and other	106,730	124,500

Note 3 - Deposits and Investments

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

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

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk of bank deposits is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At year end, the School District's deposit balance of \$5,297,114 included \$3,730,824 of bank deposits that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Lake Shore Public Schools

Notes to Financial Statements June 30, 2015

Note 3 - Deposits and Investments (Continued)

Custodial Credit Risk of Investments - Custodial credit risk of investments is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have a policy for custodial credit risk. The School District does not hold investments with custodial credit risk.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper which can be purchased within a 270-day maturity. At year end, the School District held no such investments.

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

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

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Michigan Liquid Asset Fund	<u>\$ 1,732,057</u>	AAAm	S&P

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

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

Lake Shore Public Schools

Notes to Financial Statements June 30, 2015

Note 4 - Receivables and Unavailable/Unearned Revenue

Receivables as of June 30, 2015 for the School District's individual major funds and the nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Adult and Community Education</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:				
Accounts receivable	\$ 21,465	\$ 10,052	\$ 87,136	\$ 118,653
Due from other governmental units	<u>6,420,864</u>	<u>309,764</u>	<u>35,677</u>	<u>6,766,305</u>
Total receivables	<u>\$ 6,442,329</u>	<u>\$ 319,816</u>	<u>\$ 122,813</u>	<u>\$ 6,884,958</u>

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

Student food sales	\$ 14,126
Categorical state aid at-risk revenue received in excess of expenditures	70,162
Prepaid participant fees for international program	1,188,651
Child care fees	17,454
Adult education tuition	<u>46,441</u>
Total	<u>\$ 1,336,834</u>

Lake Shore Public Schools

Notes to Financial Statements June 30, 2015

Note 5 - Capital Assets

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

Governmental Activities	Balance July 1, 2014	Additions	Disposals	Balance June 30, 2015
Capital assets not being depreciated -				
Land	\$ 307,684	\$ -	\$ -	\$ 307,684
Capital assets being depreciated:				
Site improvements	6,495,250	25,460	-	6,520,710
Buildings and building improvements	53,434,553	44,276	-	53,478,829
Furniture and equipment	4,228,407	55,493	-	4,283,900
Buses and other vehicles	1,184,791	132,223	(21,308)	1,295,706
Subtotal	65,343,001	257,452	(21,308)	65,579,145
Accumulated depreciation:				
Site improvements	2,999,246	293,232	-	3,292,478
Buildings and building improvements	29,543,830	1,710,007	-	31,253,837
Furniture and equipment	2,543,274	332,761	-	2,876,035
Buses and other vehicles	804,729	79,604	(19,177)	865,156
Subtotal	35,891,079	2,415,604	(19,177)	38,287,506
Net capital assets being depreciated	29,451,922	(2,158,152)	(2,131)	27,291,639
Net capital assets	<u>\$ 29,759,606</u>	<u>\$ (2,158,152)</u>	<u>\$ (2,131)</u>	<u>\$ 27,599,323</u>

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

Governmental activities:

Instruction	\$ 200,495
Support services	166,677
Food services	24,156
Unallocated	2,024,276
Total governmental activities	<u>\$ 2,415,604</u>

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

Lake Shore Public Schools

Notes to Financial Statements June 30, 2015

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From				Total
	General Fund	Adult and Community Education Fund	International Program Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 123,316	\$ -	\$ 425	\$ 123,741
Adult and Community Education Fund	-	-	50	-	50
Building and Site Fund	400,000	-	-	-	400,000
International Program Fund	6,367	-	-	-	6,367
Internal Service Fund	386,088	33,685	-	3,872	423,645
Total	\$ 792,455	\$ 157,001	\$ 50	\$ 4,297	\$ 953,803

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

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

The International Fund transferred \$886,633 to the General Fund to fund certain compensation costs.

The General Fund transferred \$400,000 to the Building and Site Fund to provide funding for deferred maintenance plan expenditures. The General Fund also transferred \$100,000 to the Adult and Community Education Fund to defray the operating deficit incurred during the 2014-2015 fiscal year.

Note 7 - Long-term Obligations

The School District issues bonds to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Qualified bonds are fully guaranteed by the State of Michigan. Other long-term obligations include compensated absences.

Lake Shore Public Schools

Notes to Financial Statements June 30, 2015

Note 7 - Long-term Obligations (Continued)

Long-term debt activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds	\$ 22,735,000	\$ -	\$ 2,250,000	\$ 20,485,000	\$ 2,445,000
Issuance discounts	(7,552)	-	(839)	(6,713)	(839)
Issuance premiums	824,950	-	137,492	687,458	137,492
Total bonds payable	23,552,398	-	2,386,653	21,165,745	2,581,653
Other obligations - Compensated absences	1,109,052	-	12,608	1,096,444	281,542
Total governmental activities	<u>\$ 24,661,450</u>	<u>\$ -</u>	<u>\$ 2,399,261</u>	<u>\$ 22,262,189</u>	<u>\$ 2,863,195</u>

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

Years Ending June 30	Governmental Activities		
	Principal	Interest	Total
2016	\$ 2,445,000	\$ 742,013	\$ 3,187,013
2017	2,510,000	693,888	3,203,888
2018	2,605,000	599,213	3,204,213
2019	2,715,000	518,483	3,233,483
2020	2,865,000	395,290	3,260,290
2021-2023	7,345,000	1,232,511	8,577,511
Total	<u>\$ 20,485,000</u>	<u>\$ 4,181,398</u>	<u>\$ 24,666,398</u>

Governmental Activities

General obligation bonds consist of the following:

\$13,390,000 refunding bonds due in annual installments of \$2,060,000 to \$2,365,000 through May 1, 2020; interest at 2.00 percent to 4.00 percent	\$ 11,215,000
\$9,700,000 capital projects bonds due in annual installments of \$80,000 to \$2,560,000 through May 1, 2023; interest at 3.75 percent to 5.00 percent	9,270,000
Total bonded debt	<u>\$ 20,485,000</u>

Lake Shore Public Schools

Notes to Financial Statements June 30, 2015

Note 8 - Risk Management

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

The School District estimates the liability for workers' compensation, dental, optical, and unemployment claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the government-wide statements and in the Internal Service Fund. Changes in the estimated liability for the past two fiscal years were as follows in the table below.

	2015	2014
Estimated liability - Beginning of year	\$ 141,884	\$ 201,348
Estimated claims incurred - Including changes in estimates	230,404	539,889
Claim payments	(358,789)	(599,353)
Unpaid claims - End of year	<u>\$ 13,499</u>	<u>\$ 141,884</u>

Note 9 - 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. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

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

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

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

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

The range of rates is as follows:

School District

July 1, 2013 - September 30, 2013	12.78% - 16.25%
October 1, 2013 - September 30, 2014	15.44% - 18.34%
October 1, 2014 - June 30, 2015	18.76% - 23.07%

Depending on the plan selected, plan member contributions range from none up to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

The School District's required and actual contributions to the plan for the years ended June 30, 2015 and 2014 were approximately \$6,860,000 and \$5,163,000, respectively. Contributions include approximately \$1,893,000 and \$1,171,000 in revenue received from the State of Michigan to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the years ended June 30, 2015 and 2014, respectively.

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

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

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

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

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

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

Net Pension Liability, Deferrals, and Pension Expense - At June 30, 2015, the School District reported a liability of \$57,509,649 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013, which used update procedures to roll forward the estimated liability to September 30, 2014. 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, 2014, the School District's proportion was 0.26110 percent, which, in the year of adoption, is unchanged from the proportion measured as of September 30, 2013.

Lake Shore Public Schools

Notes to Financial Statements June 30, 2015

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

For the year ended June 30, 2015 the School District recognized pension expense of \$4,658,518, excluding payments to fund the MPSERS UAAL stabilization rate. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources Subsequent to the Measurement Date	Net Deferred Inflows (Outflows) of Resources as of the Measurement Date
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	(2,122,017)
Net difference between projected and actual earnings on pension plan assets	-	6,357,818
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	-	739
The School District's contributions subsequent to the measurement date	<u>3,823,498</u>	<u>-</u>
Total	<u>\$ 3,823,498</u>	<u>\$ 4,236,540</u>

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

Year Ending June 30	Amount
2016	\$ 1,037,857
2017	1,037,857
2018	1,037,857
2019	<u>1,122,969</u>
Total	<u>\$ 4,236,540</u>

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

Lake Shore Public Schools

Notes to Financial Statements June 30, 2015

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

Actuarial Assumptions - The total pension liability as of September 30, 2014 is based on the results of an actuarial valuation date of September 30, 2013, and rolled forward:

Actuarial cost method	Entry age normal cost actuarial cost method
Assumed rate of return	7.0 to 8.0 percent, net of investment and administrative expenses based on the groups
Rate of pay increases	3.5 percent
Mortality basis	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB

The actuarial assumptions used for the September 30, 2013 valuation were based on the results of an actuarial experience study for the period from October 1, 2007 to September 30, 2012. As a result of this study, the actuarial assumptions were adjusted to more closely reflect actual experience.

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

Lake Shore Public Schools

Notes to Financial Statements June 30, 2015

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

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

Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity Pools	28 %	4.8 %
Private Equity Pools	18 %	8.5 %
International Equity Pools	16 %	6.1 %
Fixed Income Pools	10 %	1.5 %
Real Estate and Infrastructure Pools	10 %	5.3 %
Real Return, Opportunistic, and Absolute Pools	16 %	6.3 %
Short-term Investment Pools	2 %	(0.2)%
Total	100 %	

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

1.0 percent decrease (6.0 - 7.0 percent)	Current Discount Rate (7.0 - 8.0 percent)	1.0 percent increase (8.0 - 9.0 percent)
\$ 75,822,696	\$ 57,509,649	\$ 42,082,358

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

Amount Payable to the Pension Plan - At June 30, 2015, the School District reported a payable of \$659,813 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

Lake Shore Public Schools

Notes to Financial Statements June 30, 2015

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

Postemployment Benefits Other Than Pensions (OPEB) - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate ranged from 5.52 percent to 6.45 percent of covered payroll for the period from July 1, 2014 to September 30, 2014, and from 2.20 percent to 2.71 percent of covered payroll for the period from October 1, 2014 through June 30, 2015 dependent upon the employee's date of hire and plan election as noted above. Members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit, or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 403(b) account.

The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2015, 2014, and 2013 were approximately \$785,000, \$1,382,000, and \$2,095,000, respectively.

Note 10 - Fund Balance Components

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

Assigned:

Employee compensated absences - Short term	\$ 281,542
Employee compensated absences - Long term	814,902
Tax tribunal refunds	75,000
Retiree severance payouts	30,000
SACC program	79,194
Total assigned	<u>\$ 1,280,638</u>

Note 11 - Upcoming Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. The requirements of this statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for fiscal years beginning after June 15, 2015. The School District is currently evaluating the impact this standard will have on the financial statements when adopted, during the School District's 2015-2016 fiscal year.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This standard will require the School District to recognize in the basic financial statements its proportionate share of the net OPEB liability related to its participation in the MPSERS plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2018.

Required Supplemental Information

Lake Shore Public Schools

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2015

	Original Budget	Final Amended Budget	Actual
Revenue			
Local sources	\$ 2,575,239	\$ 2,600,279	\$ 2,650,532
State sources	29,254,265	30,746,650	30,780,337
Federal sources	1,458,720	1,317,748	1,211,445
Interdistrict sources	1,872,337	2,026,269	2,026,494
Total revenue	35,160,561	36,690,946	36,668,808
Expenditures - Current			
Instruction:			
Basic program	17,523,787	17,773,523	18,173,168
Added needs	4,123,342	3,945,986	4,015,188
Support services:			
Pupil	2,674,928	2,669,616	2,700,621
Instructional staff	1,111,191	786,341	680,238
General administration	843,231	779,535	762,942
School administration	2,123,207	2,157,083	2,175,386
Business services	491,986	517,927	494,776
Operations and maintenance	3,973,630	4,010,071	3,734,669
Transportation	957,435	966,607	924,920
Central	1,169,884	1,344,878	1,351,912
Athletics	448,828	457,819	456,487
Community services	227,060	282,402	251,063
Total expenditures	35,668,509	35,691,788	35,721,370
Other Financing Uses - Transfers out	(12,600)	(500,000)	(500,000)
Net Change in Fund Balance	(520,548)	499,158	447,438
Fund Balance - July 1, 2014	3,151,352	3,151,352	3,151,352
Fund Balance - June 30, 2015	\$ 2,630,804	\$ 3,650,510	\$ 3,598,790

Lake Shore Public Schools

Required Supplemental Information Budgetary Comparison Schedule - Special Revenue Fund Adult and Community Education Fund Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>
Revenue			
Local sources	\$ 688,350	\$ 712,488	\$ 669,414
State sources	1,102,899	1,099,652	1,604,311
Federal sources	3,324,654	3,324,654	2,580,827
Interdistrict sources	<u>23,464</u>	<u>23,464</u>	<u>18,238</u>
Total revenue	5,139,367	5,160,258	4,872,790
Expenditures - Current			
Instruction:			
Basic program	604,888	564,013	595,944
Adult/Continuing education	2,737,373	3,035,092	2,804,519
Support services:			
Pupil	61,550	74,411	79,013
Instructional staff	183,386	337,212	328,582
General administration	10,500	6,250	14,750
School administration	156,000	223,272	226,247
Business services	60,908	72,862	66,244
Operations and maintenance	74,500	81,300	98,578
Pupil transportation services	950	300	508
Central	266,179	279,246	276,778
Community services	<u>607,050</u>	<u>651,405</u>	<u>652,683</u>
Total expenditures	4,763,284	5,325,363	5,143,846
Other Financing Sources (Uses)			
Transfers in	-	-	100,000
Transfers out	<u>(9,000)</u>	<u>(9,000)</u>	<u>-</u>
Net Change in Fund Balance	367,083	(174,105)	(171,056)
Fund Balance - July 1, 2014	<u>174,250</u>	<u>174,250</u>	<u>174,250</u>
Fund Balance - June 30, 2015	<u>\$ 541,333</u>	<u>\$ 145</u>	<u>\$ 3,194</u>

Lake Shore Public Schools

Required Supplemental Information Budgetary Comparison Schedule - Special Revenue Fund International Program Fund Year Ended June 30, 2015

	Original Budget	Final Amended Budget	Actual
Revenue - Local sources			
Investment earnings	\$ 3,000	\$ 3,500	\$ 3,565
Fees from participants	1,316,658	1,316,658	1,293,036
Total revenue	1,319,658	1,320,158	1,296,601
Expenditures - Current			
Salaries and benefits	29,646	43,501	45,395
Purchased services	213,701	263,669	221,571
Supplies, equipment, and other	58,547	106,730	124,500
Capital outlay	18,000	23,623	23,623
Total expenditures	319,894	437,523	415,089
Excess of Revenue Over Expenditures	999,764	882,635	881,512
Other Financing Uses - Transfers out	(940,933)	(936,633)	(936,633)
Net Change in Fund Balance	58,831	(53,998)	(55,121)
Fund Balance - July 1, 2014	996,019	996,019	996,019
Fund Balance - June 30, 2015	\$ 1,054,850	\$ 942,021	\$ 940,898

Lake Shore Public Schools

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

	<u>2014</u>
School District's proportion of the net pension liability	0.26110 %
School District's proportionate share of the net pension liability	\$ 57,509,649
School District's covered employee payroll	21,535,853
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	267.00 %
Plan fiduciary net position as a percentage of the total pension liability	66.20 %

Lake Shore Public Schools

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

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

Lake Shore Public Schools

Notes to Required Supplemental Information Year Ended June 30, 2015

Benefit Changes - There were no changes of benefit terms during the year ended June 30, 2015.

Changes in Assumptions - There were no changes of benefit assumptions during the year ended June 30, 2015.

Other Supplemental Information

Lake Shore Public Schools

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2015

	Special Revenue Fund	Debt Service Funds		Total Nonmajor Governmental Funds
	Cafeteria	2014 Refunding Issue		
		2009 Bond Issue		
Assets				
Cash and investments	\$ 149,775	\$ -	\$ -	\$ 149,775
Receivables	122,813	-	-	122,813
Inventories	17,969	-	-	17,969
Restricted assets	-	158,477	35,180	193,657
Total assets	\$ 290,557	\$ 158,477	\$ 35,180	\$ 484,214
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 41,066	\$ -	\$ -	\$ 41,066
Accrued payroll-related liabilities	12,016	-	-	12,016
Due to other funds	4,297	-	-	4,297
Unearned revenue	14,126	-	-	14,126
Total liabilities	71,505	-	-	71,505
Fund Balances				
Nonspendable - Inventories	17,969	-	-	17,969
Restricted:				
Debt service	-	158,477	35,180	193,657
Food services	201,083	-	-	201,083
Total fund balances	219,052	158,477	35,180	412,709
Total liabilities and fund balances	\$ 290,557	\$ 158,477	\$ 35,180	\$ 484,214

Lake Shore Public Schools

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2015

	Special Revenue Fund	Debt Service Funds		Total Nonmajor Governmental Funds
	Cafeteria	2014 Refunding Issue	2009 Bond Issue	
Revenue				
Local sources	\$ 792,785	\$ 2,700,501	\$ 528,941	\$ 4,022,227
State sources	42,014	-	-	42,014
Federal sources	704,199	-	-	704,199
Total revenue	1,538,998	2,700,501	528,941	4,768,440
Expenditures				
Current - Food services	1,433,233	-	-	1,433,233
Debt service:				
Principal	-	2,175,000	75,000	2,250,000
Interest	-	431,140	433,282	864,422
Other	-	1,242	-	1,242
Capital outlay	24,250	-	-	24,250
Total expenditures	1,457,483	2,607,382	508,282	4,573,147
Net Change in Fund Balances	81,515	93,119	20,659	195,293
Fund Balances - Beginning of year	137,537	65,358	14,521	217,416
Fund Balances - End of year	<u>\$ 219,052</u>	<u>\$ 158,477</u>	<u>\$ 35,180</u>	<u>\$ 412,709</u>

Lake Shore Public Schools

Other Supplemental Information Schedule of Bonded Indebtedness June 30, 2015

Years Ending June 30	2014 Refunding Bond	2009 Bond Issue
	Principal	Principal
2016	\$ 2,365,000	\$ 80,000
2017	2,335,000	175,000
2018	2,290,000	315,000
2019	2,165,000	550,000
2020	2,060,000	805,000
2021	-	2,335,000
2022	-	2,450,000
2023	-	2,560,000
Total	\$ 11,215,000	\$ 9,270,000
Principal payments due	May 1	May 1
Interest payments due	May 1 and November 1	May 1 and November 1
Interest rate	2.00% to 4.00%	3.75% to 5.00%
Original issue	\$ 13,390,000	\$ 9,700,000