

LAKEVIEW PUBLIC SCHOOLS
St. Clair Shores, Michigan

ANNUAL FINANCIAL REPORT
with Supplementary Information

FOR THE YEAR ENDED
JUNE 30, 2016



LAKEVIEW PUBLIC SCHOOLS

TABLE OF CONTENTS

JUNE 30, 2016

	<u>Page Number</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
District-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of the Balance Sheet for Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balances of Governmental Funds to the Statement of Activities	14
Proprietary Fund:	
Statement of Net Position	15
Statement of Revenue, Expenses, and Changes in Net Position	15
Statement of Cash Flows	16
Fiduciary Fund:	
Statement of Fiduciary Assets and Liabilities	17
Notes to the Financial Statements	18
Required Supplementary Information:	
Budgetary Comparison Schedules:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
General Fund	40
Food Service Fund	41
Pension System Schedules:	
Schedule of Proportionate Share of the Net Pension Liability	42
Schedule of Contributions	43

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Lakeview Public Schools
St. Clair Shores, Michigan

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 Lakeview Public Schools (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 judgement, 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lakeview Public Schools as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the pension system schedules, as listed 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 who 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 supplementary 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2016 on our consideration of Lakeview Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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 Lakeview Public Schools' internal control over financial reporting and compliance.



Certified Public Accountants

October 13, 2016

This section of Lakeview Public Schools' (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2016. Please read it in conjunction with the 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 Lakeview Public Schools financially as a whole. The district-wide financial statements provide information about the activities of the whole District, presenting both an aggregate view of the 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 District's operations in more detail than the district-wide financial statements for each of the District's funds. The Internal Service Fund and Fiduciary Fund statements present financial information about activities for which the District provides services to other funds and for which it acts solely as an agent or fiduciary for the benefit of students and parents, respectively.

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

Basic Financial Statements

District-wide Financial Statements Fund Financial Statements
Notes to the Basic Financial Statements

Required Supplemental Information

Budgetary Information for Major Funds
Pension System Schedules

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

One of the most important questions asked about the District is, "As a whole, what is the 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 District's financial documents, report information on the District as a whole and its activities in a way that helps the reader answer this question. These statements are prepared to include all assets and deferred outflows of resources and liabilities and deferred inflows of resources, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Further, these two statements report the District's net position - the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, as reported in the Statement of Net Position - as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position - as reported in the Statement of Activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the District's operating results. However, the District's purpose is to provide services to students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided, expansion of programs or offerings, success of graduates, and the safety of the schools, to assess the overall health of the District.

The Statement of Net Position and the Statement of Activities report the governmental activities for the District, which encompass all of the District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Report the District's Most Significant Funds - Fund Financial Statements

The District's fund financial statements provide detailed information about each of the District's funds - not the District as a whole. Some funds are required to be established by state law and by bond covenants. However, the District establishes other funds to help it control and manage money for particular purposes (the Food Service Fund), 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 funds of the District use the following accounting approach:

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 District and the services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds are described in reconciliations on pages 12 and 14.

Proprietary Fund - Proprietary fund reporting focuses on economic resources measurement and an accounting method called full accrual accounting. The proprietary fund statements present a long-term view of operations and the services it provides to other funds.

The District established a proprietary fund, specifically an Internal Service Fund, to finance specific services provided to other funds of the District on a cost reimbursement basis. The specific services represent workers' compensation, sick leave, accrued vacation benefits, and vision, dental, prescription benefits, and health benefits.

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and governmental and fiduciary fund financial statements. The notes to the financial statements can be found on pages 18-39 of this report.

The District as a Whole (District-wide Financial Analysis)

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table I provides a summary of the District's net assets as of June 30, 2016 and 2015:

Table I

	Governmental Activities (in millions)	
	2016	2015
Assets		
Current and other assets	\$ 11.2	\$ 9.0
Capital assets	<u>40.6</u>	<u>42.8</u>
Total assets	<u>51.8</u>	<u>51.8</u>
Deferred Outflows of Resources		
Deferred charges on bond refunding	1.5	.3
Related to the pension plan	<u>9.0</u>	<u>5.9</u>
Total deferred outflows of resources	<u>10.5</u>	<u>6.2</u>
Liabilities		
Current liabilities	8.2	5.8
Non-current liabilities	<u>93.0</u>	<u>87.1</u>
Total liabilities	<u>101.2</u>	<u>92.9</u>
Deferred Inflow of Resources		
Related to the pension plan	<u>1.8</u>	<u>5.6</u>
Net Position		
Invested in property and equipment - Net of related debt	9.6	8.7
Restricted	0.8	.8
Unrestricted	(<u>51.1</u>)	(<u>50.0</u>)
Total Net Position	<u>\$(40.7)</u>	<u>\$(40.5)</u>

The above analysis focuses on the net position (see Table I). The change in net position (see Table II) of the District's governmental activities is discussed below. The District's net position was \$(40,650,213) at June 30, 2016, which includes the inclusion of GASB No. 68, whereby school districts must record the District's portion of the net pension liability of the State operated pension plan. Capital assets, net of related debt totaling \$9,605,656, compares the original cost, less depreciation of the District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position of \$762,406 is reported separately to show legal constraints from debt covenants and enabling legislation that limit the District's ability to use those net assets for day-to-day operations.

The \$(51,018,275) deficit in unrestricted net position of governmental activities represents the accumulated results of all past years' operations, including the District's portion of the net pension liability of the State's MPSERS pension plan.

The results of this year's operations for the District as a whole are reported in the Statement of Activities (see Table II), which shows the changes in net assets for fiscal years 2016 and 2015:

Table II

	Governmental Activities (in millions)	
	2016	2015
Revenue		
Program revenue:		
Charges for services	\$ 2.1	\$ 1.9
Federal grants and entitlements	1.6	1.6
State and local operating grants	4.8	6.4
General revenue:		
Property taxes	6.2	6.0
State foundation allowance/grants	29.4	28.2
Total revenue	<u>44.1</u>	<u>44.1</u>
Functions/Program Expenses		
Instruction	26.1	25.9
Support services	12.7	12.8
Community services	.8	0.9
Food services	1.1	1.1
Interest and fiscal charges on long-term debt	1.1	1.6
Issuance costs on refunding	0.1	-
Depreciation (unallocated)	2.4	2.4
Total functions/program expenses	<u>44.3</u>	<u>44.7</u>
Decrease in Net Position	<u>\$ (0.2)</u>	<u>\$ (0.6)</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$44,308,641. Certain activities were partially funded from those who benefited from the programs totaling \$2,070,920 or by other governments and organizations that subsidized certain programs with grants and contributions totaling \$6,439,993. The District paid for the remaining "public benefit" portion of our governmental activities with \$6,202,731 in local property taxes, \$29,411,508 in state foundation allowance and other unrestricted grants, and \$2,438 in investment earnings.

The District experienced a decrease in net position of \$181,051. The decrease in net position differs from the change in fund balance. A reconciliation appears on page 14.

As discussed above, the net cost shows the financial responsibility that was placed on the State and the District's taxpayers by each of these functions. Of these unrestricted general revenues, approximately 83% was from State aid and 17% from property taxes. The Board of Education and administration must annually evaluate the needs of the District and balance those needs with state-prescribed available unrestricted resources.

The District's Funds

As we noted earlier, the District uses a fund accounting structure to help it control and manage money for particular purposes. Looking at each Fund helps the reader consider whether the District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the District's overall financial health. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for future spending.

As the District completed this 2016 fiscal year, the governmental funds reported a combined fund balance of \$1,810,118, which is an increase of \$160,960 from last year.

The General Fund ended 2016 with an increase of \$26,356, creating a total fund balance of \$827,278, of which \$278,898 was non-spendable, with the remaining amount of \$548,380 classified as unassigned.

The Food Service Fund had a net increase in fund balance of \$15,528, closing the year with a total fund balance of \$197,770.

The Debt Service Bond Fund had a net increase of \$94,271 as a result of tax collections in excess of debt payments, closing the year with a total fund balance of \$748,176.

The Capital Projects Fund had an increase in fund balance of \$24,805, closing the year with a total fund balance of \$36,894. The Capital Projects Fund resources are primarily Board-approved transfers from the General Fund. This increase is a result of the transfers exceeding expenditures for site improvements and routine maintenance to existing structures during 2016.

General Fund Budgetary Highlights

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

There were revisions between the original and final 2015-16 **General Fund Budget**. Budgeted revenues increased overall by \$1.3 million due primarily to the District experiencing a net increase versus budget, of approximately 100 students that appeared in enrollment in the fall. In addition, the State Foundation Allowance was increased \$107 per pupil after the original **General Fund Budget** was adopted in May 2015. Also, a revenue budget revision was made to the Sec 147c, increasing the MPSERS cost offset. The District budgeted the same amount that was received in the prior year, yet the State increased the allocation by approximately \$400,000. Initially, Administration and the Board developed the 2015-16 budget with conservative projections to include no net new student enrollment, no net new per pupil foundation, and no increase to the retirement subsidy from the State.

Budgeted expenditures (excluding transfers) increased by approximately \$1.8 million, which addressed for higher than originally budgeted retirement costs, additional teacher FTE's to account for additional students, acquisition of new technology equipment, some new textbooks, and increases to the amount paid for students who were dual-enrolled in expanded university partnerships with Wayne State University, Macomb Community College, and Baker College. The amount of transfers to other funds made by the General Fund in the original and final amended **Budget** increased from \$200,000 to \$250,000 allocated to the Capital Projects Fund. This transfer was approved to assist with site improvements such as concrete replacement, furniture acquisition, and routine maintenance to existing structures.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2016, the District had \$40,615,147 in capital assets (net of accumulated depreciation), representing a decrease of \$2,201,969. The current year additions of \$181,694 was related primarily to a new boiler, sign, and various site improvements, offset by current year depreciation expenses of \$2,365,163 and disposals of \$50,000.

Additional information on the District's capital assets can be found in Note 4 to the financial statements.

Long-term Liabilities

At June 30, 2016, the District had \$33,751,377 in long-term liabilities versus \$36,018,112 in the previous year. The District refunded the vast majority of the 2006 Refunding Bonds and 2008 Bonds by issuing 2016 Refunding Bonds in the amount of \$17,125,000. The other activity associated with long-term liabilities in 2016 was principal payments associated with existing bonds and installment contracts.

Other obligations include workers' compensation, accrued vacation pay, vested sick leave, and health, vision, dental, and prescription benefits.

Additional information on the District's long-term liabilities can be found in Note 6 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The Board of Education and Administration consider many factors when adopting the District's fiscal year **Budget**. One of the most important factors affecting the budget process is our student count and projected State revenue per pupil. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2016-17 fiscal year is 10 percent of the February 2016 and 90 percent of the October 2016 student count. The **2016-17 Budget** was adopted in May 2016 based on an estimate of students that would be expected to be enrolled in September 2016. Approximately 85 percent of total General Fund revenue is from the foundation allowance and other forms of State Aid (known as "categorical" grants). Under State law, the District cannot assess additional property tax revenue for general operations (with limited exceptions). As a result, District funding is heavily dependent on the State's ability to fund local school operations. Various industries in the State of Michigan have benefitted from an improved economic environment, particularly the auto industry. A stronger State economic base has provided for improved State tax collections for schools; this also provided for small increases in the Student Foundation Allowance. Based on early enrollment data at the start of the 2016-17 school year, Administration anticipates that the fall student count will be slightly higher than the estimates used in developing the **2016-17 Budget**; this is a positive financial indicator going forward. Additionally, increases in state revenue per pupil that are expected were larger (at \$91 per pupil) than when the budget was developed (at \$50 per pupil); this is another positive financial indicator.

On the expense side of the Budget, the labor agreement with the teachers was finally settled near the close of 2015-16 (after 18 months of bargaining). The settlement provisions will bring additional controls on labor expenses with respect to Lakeview's largest employee expenses. All five union settlements are multi-year, and include provisions that will help curb expenses in health care and wages. In fact, wage changes, up or down, are now based on known revenue per pupil and known student enrollment count trend. Therefore, the settlements with all employee unions provide the Board and Administration the fiscal controls to continue providing quality educational services while at the same time being competitive with employee compensation.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Department, 27575 Harper Ave., St. Clair Shores, MI 48081.

BASIC FINANCIAL STATEMENTS

LAKEVIEW PUBLIC SCHOOLS

STATEMENT OF NET POSITION

JUNE 30, 2016

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 4,059,885
Receivables (net of allowance) -	
Accounts	92,430
Taxes	24,361
Due from other governmental units -	
State	6,369,013
Local	315,528
Inventories	4,042
Prepaid expenses	320,538
Capital Assets (net of accumulated depreciation)	
Assets not being depreciated	132,679
Assets being depreciated	40,482,468
Total Assets	<u>51,800,944</u>
Deferred Outflows of Resources:	
Deferred charges on bond refinancing	1,545,489
Related to the pension plan	9,001,726
Total Deferred Outflows of Resources	<u>10,547,215</u>
Liabilities:	
Accounts payable	1,335,005
Accrued payroll and fringes	4,279,823
Accrued interest	207,611
Unearned revenues	25,199
State aid note	2,316,624
Non-current liabilities-	
Bonds/contracts payable due within one year	3,388,485
Other obligations due within one year	844,289
Bonds payable/contracts due more than one year	29,166,495
Other obligations due more than one year	352,108
Net pension liability	59,268,414
Total Liabilities	<u>101,184,053</u>
Deferred Inflow of Resources:	
Related to the pension plan	<u>1,814,319</u>
Net Position:	
Net investment in capital assets	9,605,656
Restricted -	
Debt Service	762,406
Unrestricted	<u>(51,018,275)</u>
Total Net Position	<u><u>\$(40,650,213)</u></u>

The accompanying notes are an integral part of these financial statements.

LAKEVIEW PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

		Program Revenue		
Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position	
Governmental Activities:				
Functions/Programs				
Instruction	\$ 26,144,378	\$ 611,940	\$ 5,620,012	\$(19,912,426)
Support Services	12,699,860	378,788	102,280	(12,218,792)
Community Services	828,293	628,900	-	(199,393)
Food Services	1,061,106	451,292	690,060	80,246
Interest and fiscal charges on long term debt	1,099,016	-	27,641	(1,071,375)
Issuance costs on refunding	110,825	-	-	(110,825)
Depreciation (unallocated)	2,365,163	-	-	(2,365,163)
	<u>\$ 44,308,641</u>	<u>\$ 2,070,920</u>	<u>\$ 6,439,993</u>	<u>\$(35,797,728)</u>
 General Revenues:				
Taxes:				
Property taxes, levied for general purposes				2,261,504
Property taxes, levied for debt services				3,941,227
State aid unrestricted				29,411,508
Interest and investment earnings				2,438
Total general revenues				<u>35,616,677</u>
Change in Net Position				(181,051)
Net Position at beginning of year				(40,469,162)
Net Position at end of year				\$(40,650,213)

The accompanying notes are an integral part of these financial statements.

LAKEVIEW PUBLIC SCHOOLS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016**

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Debt Service Bond Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Assets:					
Cash and cash equivalents	\$ 2,548,274	\$ 633,873	\$ 749,471	\$ 5,180	\$ 3,936,798
Receivables (net of allowance) -					
Accounts	81,247	1,684	-	-	82,931
Taxes	10,099	-	14,262	-	24,361
Due from other governmental units -					
State	6,358,969	10,044	-	-	6,369,013
Local	315,528	-	-	-	315,528
Due from other funds	9,499	60,782	-	53,263	123,544
Inventory	-	4,042	-	-	4,042
Prepaid expenditures	278,898	-	-	-	278,898
	<u>\$ 9,602,514</u>	<u>\$ 710,425</u>	<u>\$ 763,733</u>	<u>\$ 58,443</u>	<u>\$ 11,135,115</u>
Liabilities:					
Accounts payable	\$ 1,237,991	\$ 73,452	\$ 1,327	\$ 21,549	\$ 1,334,319
Accrued payroll and fringes	4,279,823	-	-	-	4,279,823
Due to other funds	909,269	439,203	-	-	1,348,472
Unearned revenue	25,199	-	-	-	25,199
State aid note	2,316,624	-	-	-	2,316,624
Total Liabilities	<u>8,768,906</u>	<u>512,655</u>	<u>1,327</u>	<u>21,549</u>	<u>9,304,437</u>
Deferred Inflows of Resources:					
Unavailable resources-delinquent personal property taxes	6,330	-	14,230	-	20,560
Fund Balances:					
Nonspendable -					
Prepaid expenditures	278,898	-	-	-	278,898
Inventory	-	4,042	-	-	4,042
Restricted for -					
Food service	-	193,728	-	-	193,728
Debt service	-	-	748,176	-	748,176
Committed for -					
Capital items	-	-	-	36,894	36,894
Unassigned	548,380	-	-	-	548,380
Total Fund Balances	<u>827,278</u>	<u>197,770</u>	<u>748,176</u>	<u>36,894</u>	<u>1,810,118</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 9,602,514</u>	<u>\$ 710,425</u>	<u>\$ 763,733</u>	<u>\$ 58,443</u>	<u>\$ 11,135,115</u>

The accompanying notes are an integral part of these financial statements.

LAKEVIEW PUBLIC SCHOOLS

RECONCILIATION OF THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2016

Fund Balances - total governmental funds	\$ 1,810,118
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, therefore, are not reported in the funds.	
Capital assets	71,121,780
Accumulated depreciation	(30,506,633)
Other long term assets are not available to pay for current period expenditures and, therefore, are not reported as revenues in the funds.	
	20,560
Certain pension contributions and changes in pension plan liabilities are reported as deferred outflows (inflows) of resources in the district-wide statements.	
Deferred outflows of resources	9,001,726
Deferred inflows of resources	(1,814,319)
Internal Service Fund used by management to charge costs of self-insured dental, vision, prescription, and worker's compensation claims. The assets and liabilities of the internal service fund is included in the governmental activities in the statement of net position.	
	202,071
Premiums on bonds are reported as other financing sources in the governmental funds, whereas they are capitalized and amortized from net position (netted against bonds payable).	
	(3,084,980)
Deferred charges on refunding are expensed in the governmental funds, whereas they are reported as deferred outflows of resources in the district-wide statements.	
	1,545,489
Long - term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds payable	(25,225,000)
Installment contracts	(4,245,000)
Accrued interest on bonds payable	(207,611)
Net pension liability	(59,268,414)
Net Position of governmental activities	<u><u>\$ (40,650,213)</u></u>

The accompanying notes are an integral part of these financial statements.

LAKEVIEW PUBLIC SCHOOLS

GOVERNMENTAL FUNDS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Food Service Fund	Debt Service Bond Fund	Capital Projects Fund	Total
Revenues:					
Local sources	\$ 3,263,962	\$ 452,756	\$ 3,941,227	\$ 7	\$ 7,657,952
State sources	34,794,113	60,978	27,641	-	34,882,732
Federal sources	932,078	629,082	-	-	1,561,160
Interdistrict sources	1,634,940	-	-	-	1,634,940
Total Revenues	<u>40,625,093</u>	<u>1,142,816</u>	<u>3,968,868</u>	<u>7</u>	<u>45,736,784</u>
Expenditures:					
Instruction	26,399,741	-	-	-	26,399,741
Support services	12,722,844	-	-	-	12,722,844
Community services	836,359	-	-	-	836,359
Food service	-	1,064,910	-	-	1,064,910
Capital outlay	-	-	-	225,202	225,202
Debt service	452,171	-	3,728,424	-	4,180,595
Total Expenditures	<u>40,411,115</u>	<u>1,064,910</u>	<u>3,728,424</u>	<u>225,202</u>	<u>45,429,651</u>
Revenue over (under) expenditures	<u>213,978</u>	<u>77,906</u>	<u>240,444</u>	<u>(225,195)</u>	<u>307,133</u>
Other Financing Sources (Uses) :					
Refunding bond proceeds	-	-	17,125,000	-	17,125,000
Payment to refunded bond escrow agent	-	-	(20,250,422)	-	(20,250,422)
Premium on refunding bond	-	-	2,979,249	-	2,979,249
Transfer In	62,378	-	-	250,000	312,378
Transfer Out	(250,000)	(62,378)	-	-	(312,378)
Total Other Financing Sources (Uses)	<u>(187,622)</u>	<u>(62,378)</u>	<u>(146,173)</u>	<u>250,000</u>	<u>(146,173)</u>
Net Change in Fund Balances	26,356	15,528	94,271	24,805	160,960
Fund Balances at beginning of year	<u>800,922</u>	<u>182,242</u>	<u>653,905</u>	<u>12,089</u>	<u>1,649,158</u>
Fund Balances at end of year	<u>\$ 827,278</u>	<u>\$ 197,770</u>	<u>\$ 748,176</u>	<u>\$ 36,894</u>	<u>\$ 1,810,118</u>

The accompanying notes are an integral part of these financial statements.

LAKEVIEW PUBLIC SCHOOLS

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Net change in fund balances - total governmental funds	\$	160,960
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay		181,694
Depreciation expense	(2,365,163)
Net book value of assets disposed of	(18,500)
<p>Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds</p>		
		6,140
<p>Internal service fund used by management to charge costs of self-insured dental, vision, prescription, and worker's compensation claims. The net revenues (expenses) attributed to those funds are reported with governmental activities.</p>		
		57
<p>The issuance of long-term debt (e.g. bonds and contracts) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net position.</p>		
Bond proceeds	(17,125,000)
Principal payments on bonds		2,560,000
Principal payment on installment contracts		328,000
Payment to refunded bond escrow agent		20,250,422
Bond premium	(2,979,249)
Amortization of bond premium		176,953
Amortization of deferred charges on bond refunding	(126,193)
<p>Change in pension contributions made subsequent to the measurement date</p>		
		1,203,304
<p>Revenue in support of pension contributions made subsequent to the measurement date</p>		
	(1,615,391)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.</p>		
Increase in net pension liability	(8,179,995)
Change in pension expense related to deferred items related to the pension plan		7,328,916
Decrease in accrued interest		31,994
		31,994
Change in net position of governmental activities	\$(181,051)

The accompanying notes are an integral part of these financial statements.

LAKEVIEW PUBLIC SCHOOLS

**PROPRIETARY FUND - INTERNAL SERVICE FUND
STATEMENT OF NET POSITION
JUNE 30, 2016**

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 123,087
Due from other funds	1,234,427
Prepaid expenses	41,640
Total Assets	1,399,154
Liabilities:	
Current Liabilities	
Accounts payable	686
Provision for uninsured losses and liabilities	1,500
Accrued compensated absences	41,389
Other employee benefits	801,400
Total Current Liabilities	844,975
Noncurrent Liabilities	
Accrued compensated absences	350,608
Provision for uninsured losses and liabilities	1,500
Total Noncurrent Liabilities	352,108
Total Liabilities	1,197,083
Net Position - Unrestricted	\$ 202,071

**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

Operating Revenues - Charges for Services	\$ 3,889,697
Operating Expenses	
Workers' compensation claims	17,840
Other employee benefits	3,871,800
	3,889,640
Change in Net Position	57
Net Position at beginning of year	202,014
Net Position at end of year	\$ 202,071

The accompanying notes are an integral part of these financial statements.

LAKEVIEW PUBLIC SCHOOLS

**PROPRIETARY FUND - INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Governmental Activities</u>
Cash Flows from Operating Activities	
Claims paid	\$(4,291,759)
Collections from other funds	<u>4,291,826</u>
Net Provided by Operating Activities	67
Cash and Cash Equivalents at Beginning of Year	<u>123,020</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 123,087</u></u>
Reconciliation of Operating Income to Net Cash Used in Operating Activities	
Operating Income	\$ 57
Adjustments to reconcile operating income to net cash used in operating activities - Changes in assets and liabilities:	
Due from other funds	401,443
Accounts payable	(402)
Provision for uninsured losses and liabilities	(34,000)
Accrued other employee benefits	(397,900)
Accrued compensated absences	<u>30,869</u>
Net Cash Provided by Operating Activities	<u><u>\$ 67</u></u>

The accompanying notes are an integral part of these financial statements.

LAKEVIEW PUBLIC SCHOOLS

**FIDUCIARY FUND - AGENCY FUND
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2016**

Assets:

Cash and cash equivalents	\$ 287,352
Receivables	<u>1,108</u>
Total Assets	<u>\$ 288,460</u>

Liabilities:

Accounts payable	\$ 27,630
Due to other funds	9,499
Due to student groups	<u>251,331</u>
Total Liabilities	<u>\$ 288,460</u>

The accompanying notes are an integral part of these financial statements.

LAKEVIEW PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting methods and procedures adopted by Lakeview Public Schools (the "District") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the District.

A. Reporting Entity -

The District, located in St. Clair Shores, was established under the Constitution and statutes of the State of Michigan. Lakeview Public Schools is one of twenty-one (21) school districts located in Macomb County, Michigan, each of which is a separate governmental entity. The District operates under an elected School Board (seven members) and provides educational services to its more than 4,000 students in many areas, including basic education, special education, vocational education, adult education, athletics, and food services.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the District's reporting entity, and which organizations are legally separate component units of the District. Based on these criteria, the District has no component units.

B. District-wide and Fund Financial Statements -

The district-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* are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 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, unrestricted state aid, and other items not properly included among program revenues are reported instead as *general revenues*.

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

LAKEVIEW PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation -

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as is the proprietary fund. (The Agency fund, a type of fiduciary fund, is unlike all other funds, reporting only assets and liabilities. Agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables). Revenues are 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 revenues in the year 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.

The fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are 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 judgements, 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 therefore have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The proprietary fund is 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 operation. The principal revenue in the proprietary fund relates to charges to other funds for services. Operating expenses for the proprietary fund includes the costs of services. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The District reports the following major governmental funds:

Governmental Fund Types -

General Fund - is the District's primary operating fund. It accounts for all activities of the District not reported in other funds.

Food Service Fund - is used to account for all specific revenue sources that are restricted or committed for expenditures of the Food Service Program.

Debt Service Bond Fund - is used to account for the accumulation of resources for the payment of principal and interest on long term debt.

Capital Projects Fund - is used to record transactions related to the expenditures for the renovation and expansion of the District buildings.

LAKEVIEW PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Additionally, the District reports the following fund types:

Proprietary Fund Type -

Internal Service Fund - is used to account for risk management services provided to other funds/departments of the District on a cost-reimbursement basis. This fund also accounts for earned but unused accumulated vacation and sick leave benefits as well as vision, dental, and prescription benefits and self-insured health benefits.

Fiduciary Fund Type -

Agency Fund - is used to account for assets held by the District as an agent for student clubs and other activities.

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance -

Deposits and Investments -

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit with original maturities of three months or less from the date of acquisition, money markets, and investment trust funds, which are recorded at cost, which approximates fair value. The investment trust funds have the general characteristics of demand deposit accounts in that the District may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty, and are reported as cash and cash equivalents.

Receivables and Payables -

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All property taxes and trade receivables are shown net of an allowance for uncollectible amounts.

The allowances for doubtful accounts are \$20,560 for taxes and \$22,349 for other receivables at June 30, 2016.

LAKEVIEW PUBLIC SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Inventories -

Inventory in the Special Revenue (Food Service) Fund represents purchased food supplies which are reported at the lower of cost, determined by the first-in, first-out (FIFO) method, or market, and federal commodities distributed to the District through the State which are reported at costs determined by the Federal Government. Inventories in the General Fund are recorded as expenditures when purchased.

Prepaid Items -

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide financial statements and in the fund financial statements.

Property Tax Calendar -

Property taxes are levied as of July 1 and December 1, by the various municipalities within the District based on the assessed value the preceding December 31. Taxes are due on September 14 or February 14, respectively, with the final collection date of February 28, after which the delinquent real property taxes are added to the County tax rolls.

In connection, Macomb County has established a Delinquent Tax Revolving Fund whereby all local units of government, including the District, are paid for the delinquent real property taxes each year. The County will charge back to the local units of government any real property taxes not collected at the end of four years. Past experience has indicated that such chargebacks should not be material.

Capital Assets -

Capital assets, which include property, buildings, equipment and vehicles, are reported in the district-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of \$5,000 or more, except if purchased with bond proceeds which are capitalized regardless of cost, and an estimated 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 maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The District does not have infrastructure type assets.

Capital assets of the District are depreciated using the straight-line method over the estimated useful lives:

Land improvements	20 years
Building and improvements	25-50 years
Buses and other vehicles	7-15 years
Furniture and equipment	7-20 years

LAKEVIEW PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Compensated Absences -

In accordance with contracts negotiated with the various employee groups of the District, individual employees have vested rights upon termination of employment to receive payment for unused vacation and compensatory leave under formulas and conditions specified in the contracts. The District transfers assets to the internal service fund as benefits are earned at the maximum possible payout amount. The liability in the internal service fund is recorded when the benefits vest at the expected payout.

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 expensed.

In the fund financial statements, governmental fund types report the face amount of debt issued 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, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources -

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses) until then. The District has the following items that qualify for reporting in this category: pension payments made subsequent to the measurement date, pension related changes in assumptions, pension related proportionate share, the net difference between expected and actual pension plan investment earnings, and deferred charges on bond refunding, which are all reported on the district-wide statement of net position. Pension payments made subsequent to the measurement date will be recognized in the next plan year and the other pension related deferred outflows of resources are amortized over the expected remaining service lives of the participants, with the exception of the net difference between expected and actual plan investment earnings which is amortized over five (5) years. The deferred charges on refunding result from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that would qualify for reporting in this category: differences between expected and actual experience, pension related proportionate share, and revenue in support of pension contributions made subsequent to the measurement date (147c). These deferred inflows are amortized over the expected remaining service lives of the participants, except for the 147c deferral that will be recognized in the next plan year.

LAKEVIEW PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Fund Balance -

In the fund financial statements, governmental funds presented fund balances in one or more of the following classifications:

Nonspendable fund balance – the portion of fund balance that is not in spendable form.

Restricted fund balance – the portion of the fund balance that has limitations imposed on use by external sources.

Committed fund balance – the portion of fund balance that is set aside for specific purposes pursuant to constraints imposed by formal action via board resolution (e.g., to establish, modify or rescind), of the highest level of decision-making authority (Board of Education).

Assigned fund balance – the portion of fund balance that reflects the District's intended use of resources. Such intent currently must be determined by the Board of Education. Also, the amount in excess of nonspendable, restricted and committed fund balance in funds other than the General Fund is reported as assigned.

Unassigned fund balance – the portion of fund balance in the General Fund that cannot be classified into one of the four categories above.

When different classifications of fund balance are present, it is the District's policy that expenditures are to be spent from restricted fund balance first, if appropriate, followed in order by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

Estimates -

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Federal Programs -

Federal Programs are accounted for in the General and Special Revenue Funds of the District. The District has not integrated its Single Audit Reports and Schedule of Expenditures of Federal Awards as part of the Annual Financial Report. The Single Audit is issued under separate cover as supplementary information to the Basic Financial Statements.

New Accounting Standard -

As of June 30, 2016, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants*. GASB Statement No. 79 provides guidance for determining whether certain investment pools can continue to be accounted for using amortized cost. The adoption of this standard did not have an effect on amounts reported in the statements.

LAKEVIEW PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Upcoming Accounting Pronouncements -

The Governmental Accounting Standards Board (GASB) issued the following statements that may have an impact on the District's financial statements when adopted. The District is currently evaluating the implications of the pronouncements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plan Other Than Pension Plans*, was issued in June 2015 and will become effective for the District's June 30, 2018 fiscal year. The statement requires governments providing defined benefit plans to report the net OPEB liability in their statement of net position. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets accumulated in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. This statement requires cost-sharing employers to record a liability and expenses equal to their proportionate share of the collective net OPEB liability of the cost-sharing plan (e.g. MPSERS). The plan will also improve the comparability and consistency of how governments calculate the OPEB liabilities and expenses.

GASB Statement No. 77, *Tax Abatement Disclosures*, was issued in August 2015 and will become effective for the District's June 30, 2017 fiscal year. The statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements, including the tax being abated during the period, and commitments made by the government.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary Compliance -

The General and Special Revenue Funds budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and are on the same modified accrual basis used to reflect actual results.

The departments in conjunction with the District's Administrators and Superintendent prepare and submit their proposed operating budgets for the fiscal year commencing July 1. The budgets include proposed expenditures and resources to finance them.

Prior to June 30, the proposed budget is presented to the Board of Education. The Board holds a public hearing and may add to, subtract from, or change appropriations. The budget is then legally enacted through the passage of a Board of Education Resolution. After the budget is adopted, all amendments must be approved by the Board of Education.

The District's approved budgets were adopted at the function level for the General Fund and object level for the Special Revenue Fund. These are the legal enacted levels under the State of Michigan Uniform Budgeting and Accounting Act and the level of budgetary control adopted by the Board of Education (the level at which expenditures may not legally exceed appropriations). The General Fund budget was maintained at the account level for control purposes.

The District does not employ encumbrance accounting as an extension of budgetary integration. All amounts appropriated lapse at year-end.

LAKEVIEW PUBLIC SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - (cont'd):

Budget amounts are reported as the original adopted and the final amended by the Board of Education during the year.

Excess of Expenditures over Appropriations -

The Uniform Budgeting and Accounting Act provides that local governmental units shall not incur expenditures in excess of the amount appropriated at the legally enacted level. During the year ended June 30, 2016, the District incurred expenditures in the General Fund and Special Revenue Funds that were in excess of the amount appropriate as follows:

	Total Appropriation	Amount Expended	Budget Variance
General Fund:			
Instruction -			
Basic Programs	\$ 21,725,632	\$ 21,959,847	\$ 234,215
General Administration	707,409	713,180	5,771
Food Service Fund:			
Transfer Out	43,550	62,378	18,828

NOTE 3 - DEPOSITS AND INVESTMENTS:

As of June 30, 2016, the carrying amounts of the deposits and investments are as follows:

	Governmental Activities	Fiduciary Funds	Total
Cash on Hand -			
Petty Cash	\$ 717	\$ -	\$ 717
Deposits with Financial Institutions -			
Checking	2,673,664	287,352	2,961,016
Savings/Certificates of Deposits	1,257,101	-	1,257,101
Total Deposits	3,930,765	287,352	4,218,117
Investments -			
Investment Trust Funds	128,403	-	128,403
Grand Total	\$ 4,059,885	\$ 287,352	\$ 4,347,237

Custodial Credit Risk - Deposits -

Custodial Credit Risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, insured credit unions, and savings and loan associations with an office in Michigan.

LAKEVIEW PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

As of June 30, 2016, the carrying amount of the District deposits is \$4,218,117, and the bank balance is \$4,640,390. Of the bank balance, \$750,000 is covered by depository insurance, with the remaining \$3,890,390 exposed to credit risk since it is uninsured and uncollateralized.

Investments -

The District has an investment policy specifying the type of authorized investments and one that addresses the concentration of credit risk, investment rate risk and foreign currency risk. The policy authorizes the District to invest surplus funds in the following types of investments:

- a) Certificates of deposit issued by financial institutions organized and authorized to operate in this State. A maximum of 100% of available funds may be invested in non-negotiable interest bearing time certificates of deposit.
- b) Investment pools, as authorized by the Surplus Funds Investment Pool Act, 1982 PA 367. MCL129.111 to 129.118, composed entirely of instruments that are legal for direct investment by a school district.
- c) Public Financial Management/MILAF

Credit Risk - Investments - is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

The District utilized the MILAF+ Program, a comprehensive cash management service program developed exclusively for Michigan school districts and municipalities. MILAF+ is rated AAAM by Standard & Poors. MILAF+ invests primarily in U.S. governmental securities, commercial paper, and repurchase agreements. MILAF+ is considered a money market fund, as defined by the GASB, and as such is recorded at amortized cost, which approximates fair value. This fund is not subject to the fair value disclosure. As of June 30, 2016, the District has \$128,403 in the external investment pool with an average of one day to mature.

Custodial Credit Risk - Investments - is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in possession of another party.

The securities of the investment pool are kept safe with a third party selected by the counterparty. However, the pool's securities are held in trust for the participants of the fund that are not available to the counterparty if the counterparty should happen to fail. We believe this arrangement satisfies the District's investment policy safekeeping requirement.

Concentration of Credit Risk - Investments - is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District attempts to minimize risk by diversifying its investments portfolios so that the impact of potential losses from any one type of security or issuer will be minimized.

LAKEVIEW PUBLIC SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

Interest Rate Risk - Investments - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The District's investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased within a 270-day maturity and the United States governmental securities can have a maximum length to maturity of five years. The District's policy minimizes interest rate risk by requiring the structuring of the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements. The District's investments in certificates of deposits have the following range of maturity dates:

Investment Type	Fair Value	Maturity (Years) <u><1</u>
Certificates of Deposit	\$ <u>755,930</u>	\$ <u>755,930</u>

NOTE 4 - CAPITAL ASSETS:

Capital assets activity of the District for the year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Additions	Adjustments/ Deletions	Balance June 30, 2016
Assets, not being depreciated:				
Land	\$ 115,900	\$ -	\$ -	\$ 115,900
Construction in progress	-	<u>16,779</u>	-	<u>16,779</u>
Total assets, not being depreciated	<u>115,900</u>	<u>16,779</u>	-	<u>132,679</u>
Capital assets, being depreciated:				
Building and improvements	57,917,461	72,978	50,000	57,940,439
Site improvements	5,854,432	45,984	-	5,900,416
Vehicles	49,143	-	-	49,143
Furniture and equipment	<u>7,053,150</u>	<u>45,953</u>	-	<u>7,099,103</u>
Total capital assets, being depreciated	<u>70,874,186</u>	<u>164,915</u>	<u>50,000</u>	<u>70,989,101</u>
Less accumulated depreciation for:				
Building and improvements	20,364,008	1,606,570	31,500	21,939,078
Site improvements	2,700,288	287,091	-	2,987,379
Vehicles	47,411	-	-	47,411
Furniture and equipment	<u>5,061,263</u>	<u>471,502</u>	-	<u>5,532,765</u>
Total accumulated depreciation	<u>28,172,970</u>	<u>2,365,163</u>	<u>31,500</u>	<u>30,506,633</u>
Total capital assets, being depreciated, net	<u>42,701,216</u>	<u>(2,200,248)</u>	<u>18,500</u>	<u>40,482,468</u>
Total capital assets, net	<u>\$ 42,817,116</u>	<u>\$ (2,183,469)</u>	<u>\$ 18,500</u>	<u>\$ 40,615,147</u>

LAKEVIEW PUBLIC SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 - CAPITAL ASSETS - (cont'd):

Depreciation expense was charged as follows:

Food Service	\$	24,249
Unallocated		<u>2,340,914</u>
		<u>\$ 2,365,163</u>

Depreciation expense was not charged to athletics, support activities, or instructional activities as the District considers its assets to impact multiple activities and allocation is not practical.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

The composition of interfund balances of the District at June 30, 2016 was as follows:

Due To/From Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Agency Fund	\$ 9,499 (1)
Food Service Fund	General Fund	60,782 (3)
Capital Projects Fund	General Fund	53,263 (4)
Internal Service Fund	General Fund	795,224 (2)
Internal Service Fund	Food Service Fund	<u>439,203 (2)</u>
		<u>\$ 1,357,971</u>

Interfund Transfers:

Transfers In	Transfers Out	Amount
General Fund	Food Service Fund	\$ 62,378 (5)
Capital Projects Fund	General Fund	<u>250,000 (4)</u>
		<u>\$ 312,378</u>

- (1) Reimbursement of expenses
- (2) Interfund charges for services
- (3) Distribution of funds deposited
- (4) Provides resources for capital projects
- (5) Charge for indirect costs incurred

LAKEVIEW PUBLIC SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 - LONG-TERM LIABILITIES:

The following is a summary of changes in the long-term debt (including current portions) for the year ended June 30, 2016:

	Balance July 1, 2015	Addition	Reductions	Balance June 30, 2016	Due Within One Year
Governmental Funds:					
Building and Site Bonds -					
2006 Refunding Series	\$ 5,840,000	\$ -	\$ 5,840,000	\$ -	\$ -
2007 Refunding Series	9,340,000	-	2,215,000	7,125,000	2,325,000
2008 Series	14,385,000	-	13,410,000	975,000	420,000
2016 Refunding Series	-	17,125,000	-	17,125,000	-
Installment Contracts -					
2012	2,040,000	-	146,000	1,894,000	150,000
2013 A	1,135,000	-	81,000	1,054,000	84,000
2013 B	838,000	-	60,000	778,000	62,000
2013 C	328,000	-	24,000	304,000	24,000
2013 D	232,000	-	17,000	215,000	17,000
Deferred amounts for -					
Issuance premium	282,684	2,979,249	176,953	3,084,980	306,485
	<u>34,420,684</u>	<u>20,104,249</u>	<u>21,969,953</u>	<u>32,554,980</u>	<u>3,388,485</u>
Internal Service Fund:					
Other Obligations -					
Accrued workers' compensation	37,000	17,840	51,840	3,000	1,500
Accrued employee compensated absences	361,128	30,869	-	391,997	41,389
Accrued other employee benefits	1,199,300	4,176,530	4,574,430	801,400	801,400
	<u>1,597,428</u>	<u>4,225,239</u>	<u>4,626,270</u>	<u>1,196,397</u>	<u>844,289</u>
	<u>\$ 36,018,112</u>	<u>\$ 24,329,488</u>	<u>\$ 26,596,223</u>	<u>\$ 33,751,377</u>	<u>\$ 4,232,774</u>

BUILDING AND SITE

Bonds Payable -

Lakeview Public Schools has issued Building and Site Bonds for the purposes of erecting or remodeling, furnishing and equipping a school and for site purposes. The bonds are all being paid for from ad-valorem taxes levied without limitation as to rate or amount as provided by the Michigan Constitution. The bonds payable at June 30, 2016, per respective issue, are as follows:

2007 Refunding Bonds of \$13,715,000 were issued for the purpose of refunding a portion of the District's 2001 School Building and Site Bonds. The bonds are dated February 13, 2007 due in annual installments of \$2,235,000 to \$2,355,000 through May 1, 2019; interest ranging from 4.00 to 5.00 percent payable semi-annually.

\$ 7,125,000

LAKEVIEW PUBLIC SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 - LONG-TERM LIABILITIES - (cont'd):

2008 Building and Site Bonds are for the purpose of furnishing and refurbishing and equipping and reequipping the elementary schools, middle school and high school; furnishing and equipping an addition to the high school for a cafeteria and auxiliary gymnasium and improving outdoor athletic/physical education facilities and play fields dated May 1, 2008; original issue \$14,800,000 were partially advance refunded on February 17, 2016 in the amount of \$13,100,000. The balance is due in two annual installments of \$420,000 and \$555,000 through May 1, 2018 with interest of 4.0 percent payable semi-annually. The outstanding balance of the 2008 Building and Site Bond that was partially advance refunded was \$13,100,000 at June 30, 2016. \$ 975,000

The 2016 Refunding Bonds, dated February 17, 2016, were issued in the amount of \$17,125,000 to partially refund the 2006 Refunding Bonds and partially advance refund a portion of the 2008 Building and Site Bonds. The Bonds require annual installments ranging from \$760,000 to \$3,360,000 beginning May 1, 2019; interest ranging from 4.0 to 5.0 percent payable semi-annually beginning May 1, 2016. The proceeds of the refunding bonds were used to pay call the bonds or placed in escrow for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, advance refunded bonds are considered to be defeased, and the liability has been removed from the District's financial statements. The refunding was undertaken to reduce the debt service payments over the next 11 years by \$2,151,328 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$1,924,383. 17,125,000
\$ 25,225,000

Installment Contracts -

2012 – The District entered into an installment contract, dated December 17, 2012, to finance the Wheat Educational Campus building purchase. Payments are due in annual installments ranging from \$150,000 to \$196,000 through May 1, 2027, with interest of 2.743 percent paid annually. \$ 1,894,000

2013 A – The District entered into an installment contract dated January 30, 2013, to finance school buildings renovations. Payments are due in annual installments ranging from \$84,000 to \$109,000 through May 1, 2027, with interest of 2.693 percent paid annually. 1,054,000

2013 B – The District entered into an installment contract dated January 30, 2013, to finance school buildings renovations. Payments are due in annual installments ranging from \$62,000 to \$81,000 through May 1, 2027, with interest of 2.693 percent paid annually. 778,000

2013 C – The District entered into an installment contract dated January 30, 2013, to finance school buildings renovations. Payments are due in annual installments ranging from \$24,000 to \$31,000 through May 1, 2027, with interest of 2.693 percent paid annually. 304,000

LAKEVIEW PUBLIC SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 - LONG-TERM LIABILITIES - (cont'd):

2013 D – The District entered into an installment contract dated January 30, 2013, to finance school buildings renovations. Payments are due in annual installments ranging from \$17,000 to \$22,000 through May 1, 2027, with interest of 2.693 percent paid annually.

\$ 215,000
\$ 4,245,000

OTHER OBLIGATIONS

Accrued Workers Compensation -

The District has estimated accrued outstanding workers' compensation insurance claims, including an estimate for claims incurred but not reported (IBNR) at June 30, 2016. The dollar amount of these claims is reflected on the statement of net position of the Internal Service Fund, including the current portion of \$1,500.

\$ 3,000

Accrued Employee Compensated Absences -

In accordance with contracts negotiated with the various employee groups of the District, individual employees have vested rights upon termination of employment to receive payments for unused vacation and compensatory leave under formulas and conditions specified in the contracts. This liability is reflected on the statement of net position of the Internal Service Fund.

391,997

Other Employee Benefits -

The District has estimated the accrued claims for health benefits, dental, vision and prescriptions including estimates for incurred but not reported (IBNR), at June 30, 2016. The dollar amount of these claims is reflected on the statement of net position of the Internal Service Fund.

801,400
\$ 1,196,397

Annual Debt Requirements -

The annual requirements to pay the bond debt and installment contracts outstanding at June 30, 2016 (excluding other obligations) are as follows:

	Bonds		Installment Contracts	
	Principal	Interest	Principal	Interest
2017	\$ 2,745,000	\$ 1,130,400	\$ 337,000	\$ 115,265
2018	3,000,000	997,350	346,000	106,114
2019	3,115,000	877,350	354,000	96,719
2020	3,235,000	752,750	365,000	87,108
2021	3,360,000	623,350	375,000	77,198
2022-2026	8,160,000	1,569,600	2,029,000	227,816
2027	<u>1,610,000</u>	<u>80,500</u>	<u>439,000</u>	<u>11,917</u>
	<u>\$ 25,225,000</u>	<u>\$ 6,031,300</u>	<u>\$ 4,245,000</u>	<u>\$ 722,137</u>

The debt service funds have \$748,176 available at June 30, 2016 to service the Building and Site Bonds.

LAKEVIEW PUBLIC SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 - STATE AID NOTES:

The following is a summary of changes in the short-term debt of the District for the year ended June 30, 2016:

	Balance <u>July 1, 2015</u>	Additions	Reductions	Balance <u>June 30, 2016</u>
Michigan Finance Authority				
Revenue Notes				
Series 2014 B-1	\$ 357,143	\$ -	\$ 357,143	\$ -
Series 2014 B-2	660,000	-	660,000	-
Series 2014 B-3	540,000	-	540,000	-
Series 2015 C-1	-	1,359,139	1,164,976	194,163
Series 2015 C-2	-	856,862	-	856,862
Series 2015 C-3	-	1,143,138	-	1,143,138
Series 2015 C-4	-	640,861	549,310	91,551
	<u>\$ 1,557,143</u>	<u>\$ 4,000,000</u>	<u>\$ 3,271,429</u>	<u>\$ 2,285,714</u>

On August 20, 2015, the District issued Revenue Notes, 2015 C-1, C-2, C-3, and C-4 through the Michigan Finance Authority in the amount of \$4,000,000 between four notes; one for \$1,359,139 with interest of 0.76%, one for \$856,862 with interest of 1.08%, one for \$1,143,138 with interest of 1.4625%, and one for \$640,861 with interest of 0.64%. The final payment on the notes was due August 22, 2016. The principal outstanding at June 30, 2016 of \$2,285,714 and accrued interest of \$30,910 was paid subsequently to year-end.

NOTE 8 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS:

Plan Description -

The Michigan Public School Employees' Retirement System (MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (the "State") originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor plus the State Superintendent of Instruction, who serves as an ex-officio member.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS in their Comprehensive Annual Financial Report. The report may be obtained online at www.michigan.gov/orsschools. The System's financial statements are prepared using the accrual basis of accounting. Contributions from the employers are recognized as revenue when due and payable. Benefits and refunds are recognized when due and payable in accordance with the terms of the System. Plan investments are reported at fair value or estimated fair value.

LAKEVIEW PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 8 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS - (cont'd):

Benefits Provided -

Benefit provisions of the defined benefit pension plan (the "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) Plan. Retirement benefits for DB Plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB Plan members.

A DB member or Pension Plus Plan member who leaves Michigan public school employment may request a refund of his or her member contributions from the retirement system account. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

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%-1.5%. 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 0.5% 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.

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% of the participant's final average compensation with an increase of 2% 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%. For some members who do not receive annual increases, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

Member and Employer Contributions -

Each school district or reporting entity is required to contribute the full actuarial funding contribution amount to fund pension benefits.

The majority of the members currently participate on a contributory basis, as described above under "Benefits Provided." Districts are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

LAKEVIEW PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS - (cont'd):

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. For retirement, the unfunded (overfunded) actuarial accrued liability as of the September 30, 2015 valuation will be amortized over a 21 year period for the Plan's 2015 fiscal year. Employer contributions ranged from 18.76% to 23.07% for the period July 1 through September 30, 2015 and 14.56% to 18.95% for the period October 1, 2015 through June 30, 2016. In addition, the State of Michigan contributes stabilization revenues to all school districts to use exclusively for retirement benefits, which was 0% for the period July 1, 2015 through September 30, 2015 and approximately 7.31% for the period October 1, 2015 through June 30, 2016. The District's contributions amounted to approximately \$5,491,000, of which approximately \$3,876,000 was district funded and \$1,615,000 was State funded.

The program allows members to purchase service credit and repay refunds on a tax-deferred basis. Members sign an irrevocable agreement that identifies the contract duration, monthly payment, total contract amount and years of service credit being purchased. The duration of the contract can range from 1 to 20 years. The amounts are withheld from members' paychecks and are treated as employer pick-up contributions pursuant to Internal Revenue Code Section 414(h).

Measurement of the MPSERS Net Pension Liability -

The Plan's net pension liability is to be measured as the total pension liability, less the amount of the Plan's fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

Proportionate Share Net Pension Liability -

At June 30, 2016, the District's portion of the Plan's assets was \$101,640,706 and liabilities was \$160,909,120, resulting in a net pension liability of \$59,268,414 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2014. The District's proportionate share of the net pension liability was based on statutorily required contributions in relation to all of the District's statutorily required contributions for the measurement period. At September 30, 2015, the District's proportionate share percent was 0.24265445 percent and 0.23194 percent as of September 30, 2014.

LAKEVIEW PUBLIC SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS - (cont'd):

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions -

For the year ended June 30, 2016, the recognized total pension expense in the district-wide financial statements was \$5,546,693. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 1,459,314	\$ -
Net difference between projected and actual earnings on Plan investments	302,517	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,999,689	-
Contributions made subsequent to the measurement date*	5,240,206	-
147c Pension revenue related to contributions made subsequent to the measurement date*	-	1,615,391
Difference between expected and actual experience	-	196,314
Change in proportion and difference between employee contributions and proportionate share of contributions	-	2,614
Total	\$ 9,001,726	\$ 1,814,319

*These amounts, reported as deferred outflows or inflows of resources related to pensions resulting from contributions made subsequent to the measurement date and the related State contributions, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,		
2017	\$	703,555
2018		703,555
2019		624,568
2020		1,530,914
	\$	3,562,592

LAKEVIEW PUBLIC SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS - (cont'd):

Actuarial Valuations and Assumptions -

The total pension liability was determined by an actuarial valuation as of September 30, 2014 using updated procedures to roll forward the liability to September 30, 2015. The valuation was based on the most recent study of Plan experience covering the period of October 1, 2007 through September 30, 2012. Significant assumptions used in the latest valuation were:

Actuarial Cost Method	Entry Age, Normal
Wage Inflation Rate	3.5%
Investment Rate of Return	
- MIP and Basic Plans (Non-Hybrid)	8.0%
- Pension Plus Plan (Hybrid)	7.0%
Projected Salary Increases	3.5 - 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments	3% Annual Non-Compounded for MIP Members
Mortality	RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA (for men, 140% of table rates for ages 0-79, 133% for ages 80-84, and 121.8% thereafter; for women, 96% of table rates).

Long-Term Expected Return on Plan Assets -

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.9 %
Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.9
Real Estate and Infrastructure Pools	10.0	4.3
Absolute Return Pools	15.5	6.0
Short Term Investment Pools	2.0	0.0
TOTAL	100.0 %	

*Long term rate of return does not include 2.1% inflation

LAKEVIEW PUBLIC SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS - (cont'd):

Discount Rate -

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus Plan, a hybrid plan). This discount rate was based on the long term expected rate of return on Plan investments of 8.0% (7.0% for the Pension Plus Plan). The projection of cash flows used to determine this discount rate assumed that Plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate -

The following presents the District's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Pension Plus Plan), as well as what the reporting unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease (7.0%/6.0%)	Current Rate (8.0%/7.0%)	1% Increase (9.0%/8.0%)
\$ 76,412,179	\$ 59,268,414	\$ 44,815,518

Payable to the Pension Plan -

At June 30, 2016, the District reported a payable of \$747,205 to the Plan for pension benefits required for the remaining pays related to the year ended June 30, 2016 and State section 147c revenues.

Postemployment Benefits -

Under the Michigan Public School Employees' Retirement Act, all retirees have the option of continuing health, dental and vision coverage. Current and future retirees having these benefits contribute 20% of premium costs, except that retirees who are Medicare-eligible as of January 1, 2013 will pay 10%. For members who first work after June 30, 2008, a graded premium health insurance subsidy defined benefit has been put in place. Beginning September 4, 2012, for new employees entering the plan retiree health benefits have been eliminated and replaced with a defined contribution cash benefit or Personal Healthcare Fund. Effective February 1, 2013, members had the option to choose to contribute 3% of their compensation to the Retiree Healthcare Fund and keep this premium subsidy benefit or elect not to pay the 3% 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 to provide a 2% employee contribution into their 457 account as of their transition date and create an obligation for the District to provide a 2% employer match into the employee's 403(b) account. For the year ended June 30, 2016, the District's contributions were approximately \$32,000.

LAKEVIEW PUBLIC SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS - (cont'd):

The MPSERS Board annually sets the employer contribution rate, which participatory employees are required to contribute. Employer contributions range from 2.20% to 2.71% for the period July 1 through September 30, 2015 and 6.40% to 6.83% for the period October 1, 2015 through June 30, 2016. In addition, the State of Michigan contributed revenues to the District to use exclusively for retirement benefits, which was approximately 7.6% for the period July 1 through September 30, 2015 and 3.2% for the period October 1, 2015 through June 30, 2016.

The District's funded contributions amounted to approximately \$582,000, \$436,000, and \$988,000; and the State funded contributions amounted to approximately \$711,000, \$1,671,000, and \$974,000 for the years ended June 30, 2016, 2015, and 2014, respectively.

NOTE 9 - RISK MANAGEMENT:

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, and workers' compensation, as well as medical benefits provided to employees. The District participates in the SET-SEG risk pool for property loss, general liability, fleet coverage, and errors and omissions. The pool, organized under Public Act 138, is composed of Districts throughout the State of Michigan, who pay annual premiums based on the level of coverage, experience, deductible levels, etc. The pool retains the first \$500,000 coverage for each individual claim with reinsurance for amounts in excess of that amount. In years when premiums exceed the claims and other costs, refunds are given based on a number of criteria, including those mentioned above. Should the plan need additional funding, they could also assess the members' additional charges.

The District purchased commercial insurance for risk of loss related to health benefit claims to partially self-insure for the health benefits, dental, vision, prescription, and workers' compensation claims. Under the plan, the District's maximum loss is limited to \$65,000 specific stop loss and 120% aggregate stop loss. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The District estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the district-wide and proprietary fund financial statements.

Changes in the balance of claims liability as reported in the Internal Service Fund are as follows:

	<u>W/C</u>	<u>Dental & Vision</u>	<u>Prescriptions</u>	<u>Health</u>	<u>Total</u>
Accrued @ 6/30/15	\$ 37,000	\$ 148,800	\$ 200,500	\$ 850,000	\$ 1,236,300
CY Payments	(51,840)	(419,993)	(833,368)	(3,016,339)	(4,321,540)
CY Incurred/Recognized	<u>17,840</u>	<u>412,193</u>	<u>843,268</u>	<u>2,616,339</u>	<u>3,889,640</u>
Accrued @ 6/30/16	<u>\$ 3,000</u>	<u>\$ 141,000</u>	<u>\$ 210,400</u>	<u>\$ 450,000</u>	<u>\$ 804,400</u>

LAKEVIEW PUBLIC SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 10 - SUBSEQUENT EVENT:

In August 2016, the District issued State Aid Notes in the amounts of \$799,509, \$1,200,491, and \$3,500,000 with interest of 1.00%, 0.76%, and 1.20%, respectively, to assist with operating cash flow. The State Aid Notes in the amounts of \$799,509 and \$1,200,491 are payable in seven installments commencing January through July 2017. The State Aid Note in the amount of \$3,500,000 is due and payable with interest on August 21, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

LAKEVIEW PUBLIC SCHOOLS

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Local sources	\$ 3,105,080	\$ 3,208,515	\$ 3,263,962	\$ 55,447
State sources	33,560,193	34,704,236	34,794,113	89,877
Federal sources	895,542	961,917	932,078	(29,839)
Interdistrict sources	1,677,973	1,634,940	1,634,940	-
Total Revenues	<u>39,238,788</u>	<u>40,509,608</u>	<u>40,625,093</u>	<u>115,485</u>
Expenditures:				
Current -				
Instruction -				
Basic programs	20,478,007	21,725,632	21,959,847	(234,215)
Added needs	4,252,888	4,476,313	4,439,894	36,419
Support Services -				
Pupil	3,039,744	2,998,383	2,936,718	61,665
Instructional staff	1,419,075	1,372,678	1,314,292	58,386
General administration	678,269	707,409	713,180	(5,771)
School administration	2,336,698	2,365,534	2,362,138	3,396
Business services	547,394	515,722	495,985	19,737
Operation and maintenance	3,006,800	3,196,367	3,124,760	71,607
Security services	115,189	138,680	132,891	5,789
Pupil transportation services	356,900	451,433	392,523	58,910
Staff/personnel services	204,821	213,823	189,800	24,023
Planning/research/development	1,500	1,500	200	1,300
Data processing services	225,950	226,960	198,622	28,338
Athletics	819,502	879,694	861,735	17,959
Community Services -				
Community recreation	92,320	88,911	83,826	5,085
Custody and care of children	778,490	794,809	752,533	42,276
Debt Service	452,171	452,171	452,171	-
Total Expenditures	<u>38,805,718</u>	<u>40,606,019</u>	<u>40,411,115</u>	<u>194,904</u>
Revenues over (under) expenditures	<u>433,070</u>	<u>(96,411)</u>	<u>213,978</u>	<u>310,389</u>
Other Financing Sources (Uses) :				
Transfer In	55,000	43,550	62,378	18,828
Transfers Out	<u>(200,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>-</u>
	<u>(145,000)</u>	<u>(206,450)</u>	<u>(187,622)</u>	<u>18,828</u>
Net Change in Fund Balance	288,070	(302,861)	26,356	329,217
Fund Balance at beginning of year	<u>800,922</u>	<u>800,922</u>	<u>800,922</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 1,088,992</u>	<u>\$ 498,061</u>	<u>\$ 827,278</u>	<u>\$ 329,217</u>

LAKEVIEW PUBLIC SCHOOLS

FOOD SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Local sources -				
Sales	\$ 411,275	\$ 407,235	\$ 451,292	\$ 44,057
Interest	-	-	1,464	1,464
State sources -				
Grants	52,000	60,978	60,978	-
Federal sources -				
Grants	644,850	641,207	586,151	(55,056)
Commodities	-	-	42,931	42,931
Total Revenues	<u>1,108,125</u>	<u>1,109,420</u>	<u>1,142,816</u>	<u>33,396</u>
Expenditures:				
Food Service				
Salaries	235,900	238,350	222,148	16,202
Employee benefits	159,730	168,302	153,074	15,228
Purchased services	71,500	64,500	61,994	2,506
Supplies and materials	603,500	626,507	587,815	38,692
Capital outlay	21,000	22,000	20,166	1,834
Other expenses	15,500	23,800	19,713	4,087
Total Expenditures	<u>1,107,130</u>	<u>1,143,459</u>	<u>1,064,910</u>	<u>78,549</u>
Revenue over (under) expenditures	995	(34,039)	77,906	111,945
Other Financing Uses:				
Transfer Out	(55,000)	(43,550)	(62,378)	(18,828)
Net Change in Fund Balances	(54,005)	(77,589)	15,528	93,117
Fund Balance at beginning of year	<u>182,242</u>	<u>182,242</u>	<u>182,242</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 128,237</u>	<u>\$ 104,653</u>	<u>\$ 197,770</u>	<u>\$ 93,117</u>

LAKEVIEW PUBLIC SCHOOLS

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS
(PLAN YEAR END)**

	For the Year Ended September 30,		
	2015	2014	2013-2005*
Proportion of net pension liability	0.24265%	0.23194%	0.00%
Proportionate share of net pension liability	\$ 59,268,414	\$ 51,088,419	\$ -
Covered Payroll	20,234,493	\$ 20,426,380	\$ -
Proportionate share of net pension liability as a percentage of covered payroll	292.91%	250.11%	0.00%
Plan fiduciary net position as a percentage of total pension liability	63.17%	66.20%	0.00%

* GASB 68 was implemented for fiscal year ended June 30, 2015, the District did not elect retroactive implementation.

LAKEVIEW PUBLIC SCHOOLS

**SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	For the Year Ended June 30,		
	2016	2015	2014-2006*
Statutorily required contributions	\$ 5,491,422	\$ 4,560,933	\$ -
Contributions in relation to statutorily required contribution	5,491,422	4,560,933	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 20,465,790	\$ 20,522,824	\$ -
Contributions as a Percentage of Covered Employee Payroll	26.83%	22.22%	-

* GASB 68 was implemented for fiscal year ended June 30, 2015, the District did not elect retroactive implementation.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION:

There have been no changes in the benefit terms or assumptions used to determine the above contributions.