

Lakeview  
Community  
Schools



Year Ended  
June 30, 2016

Financial  
Statements

# LAKEVIEW COMMUNITY SCHOOLS

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**INDEPENDENT AUDITORS' REPORT**

September 21, 2016

Board of Education  
Lakeview Community Schools  
Lakeview, 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 Community 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.

*Independent Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lakeview Community Schools as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison of the general fund for the year then ended in conformity 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 and the schedules for the pension plan, 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated September 21, 2016 on our consideration of Lakeview Community 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 the District's internal control over financial reporting and compliance.

*Rehmann Lobson LLC*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS



# LAKEVIEW COMMUNITY SCHOOLS

## Management's Discussion and Analysis

As management of Lakeview Community Schools, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016.

### Financial Highlights

- The District is required to report its proportionate share of the MPSERS net pension liability on the statement of net position. This change has resulted in a negative total net position of governmental activities of \$7,567,210.
- The District's total net position increased by \$616,164.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,988,315, a decrease of \$1,762,062 in comparison with the prior year, which was largely attributable to the planned spend down of capital projects funds.
- At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,405,780 or 13.1% percent of total general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements, including management's discussion and analysis, budgetary schedules and combining statements for nonmajor and fiduciary funds.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference being *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated leave).

Both of the government-wide financial statements display functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The activities of the District include instruction, supporting services, athletics, community services, and food services. The District has no business-type activities as of and for the year ended June 30, 2016.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

# LAKEVIEW COMMUNITY SCHOOLS

## Management's Discussion and Analysis

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains numerous individual governmental funds, one internal service fund, and two agency funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund and 2013 construction fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. These funds include special revenue funds (i.e. food service and technology) and several debt service funds. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

**Proprietary Funds.** The District maintains one proprietary fund. The *internal service fund* is an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to accumulate resources to fund compensated absences payable. Unlike governmental funds, proprietary funds utilize full-accrual accounting, accounting for financial activity regardless of the timing of receipt or payment.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management's discussion and analysis and the schedules for the MPSERS pension plan immediately following the notes to the financial statements. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

# LAKEVIEW COMMUNITY SCHOOLS

## Management's Discussion and Analysis

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District reported a deficit net position of \$7,567,210 at June 30, 2016. The requirement to report the District's proportionate share of the MPSERS net pension liability on the statement of net position is a significant contributor to this deficit balance. In addition, the timing of debt service payments and depreciation expense of capital assets will impact the District's net position.

A portion of the District's net position reflect its investment in capital assets net of related debt (e.g., land, buildings and improvements, machinery and equipment, and vehicles, less any related debt used to acquire those assets that is still outstanding). The District uses these capital assets to provide services to the students it serves; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position represents resources that are subject to other external restrictions on how they may be used. The remaining balance of unrestricted net position, when available, may be used to meet the District's ongoing obligations to its general programs.

	Net Position	
	2016	2015
<b>Assets</b>		
Current and other assets	\$ 4,134,327	\$ 6,718,803
Capital assets, net	22,920,521	21,693,622
<b>Total assets</b>	<u>27,054,848</u>	<u>28,412,425</u>
Deferred outflows of resources	<u>1,875,794</u>	<u>2,188,970</u>
<b>Liabilities</b>		
Current and other liabilities	17,038,630	16,631,688
Long-term liabilities	19,208,656	20,641,768
<b>Total liabilities</b>	<u>36,247,286</u>	<u>37,273,456</u>
Deferred inflows of resources	<u>250,566</u>	<u>1,511,313</u>
<b>Net position</b>		
Net investment in capital assets	4,014,720	3,436,735
Restricted	312,027	384,493
Unrestricted (deficit)	(11,893,957)	(12,004,602)
<b>Total net position</b>	<u>\$ (7,567,210)</u>	<u>\$ (8,183,374)</u>

# LAKEVIEW COMMUNITY SCHOOLS

## Management's Discussion and Analysis

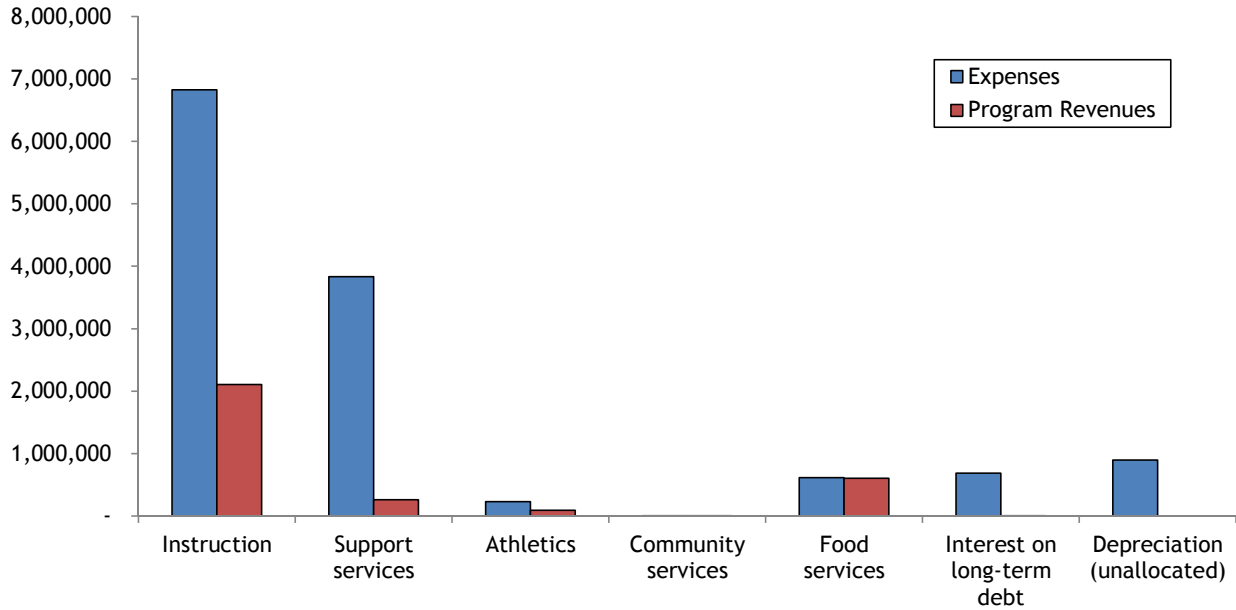
	Change in Net Position	
	2016	2015
Revenues		
Program revenues:		
Charges for services	\$ 294,303	\$ 320,656
Operating grants and contributions	2,771,499	2,730,430
General revenues:		
Property taxes - operations	1,893,926	1,885,626
Property taxes - debt service	2,018,755	2,014,305
Grants and contributions not restricted to specific programs	6,565,221	6,651,035
Universal service funds	16,246	16,725
Unrestricted investment earnings	4,849	12,728
Gain on sale of capital assets	6,755	-
Other revenues	141,013	125,514
Total revenues	<u>13,712,567</u>	<u>13,757,019</u>
Expenses		
Instruction	6,827,772	6,440,044
Supporting services	3,832,882	4,628,126
Athletics	229,386	246,174
Community services	3,490	2,671
Food services	616,207	652,722
Interest on long-term debt	687,705	734,826
Unallocated depreciation	898,961	598,283
Total expenses	<u>13,096,403</u>	<u>13,302,846</u>
Change in net position	616,164	454,173
Net position, beginning of year	(8,183,374)	4,779,095
Restatement for GASB 68	-	(13,416,642)
Net position, end of year	<u>\$ (7,567,210)</u>	<u>\$ (8,183,374)</u>

Governmental Activities. Net position increased by \$616,164. This was due the District increasing capital assets by expending proceeds of bonds issued in the prior years.

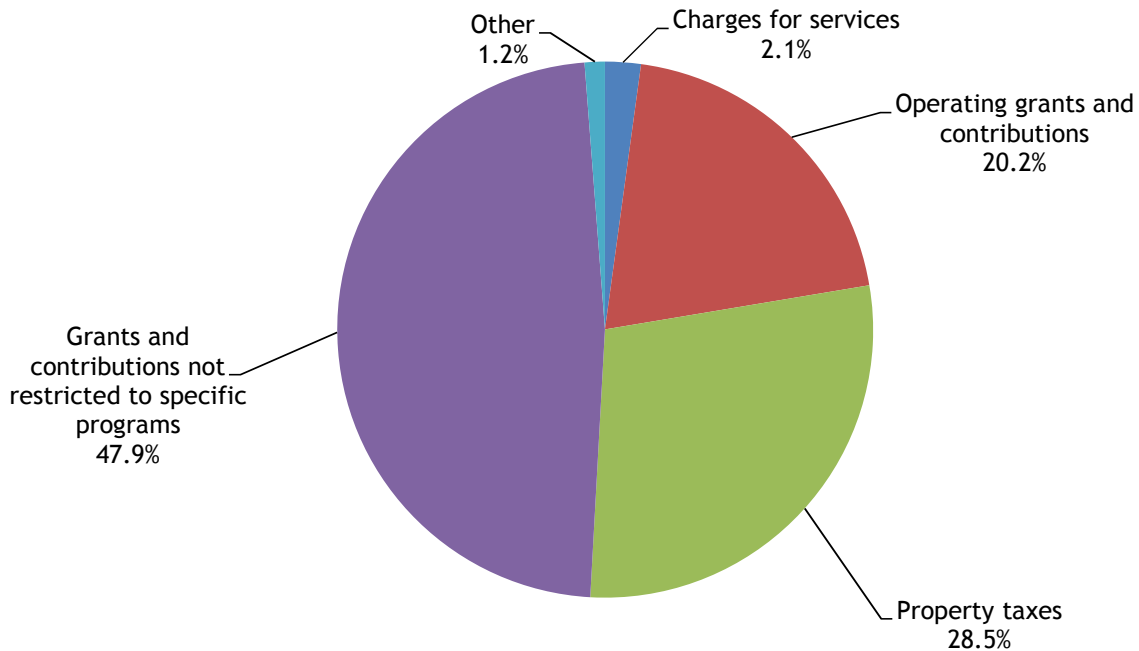
# LAKEVIEW COMMUNITY SCHOOLS

## Management's Discussion and Analysis

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



### Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

# LAKEVIEW COMMUNITY SCHOOLS

## Management's Discussion and Analysis

**Governmental Funds.** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,405,780, while the total fund balance was \$1,440,049. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance represent 13.1% and 13.4%, respectively, of total general fund expenditures.

The fund balance of the District's general fund increased by \$328,326, or 29.5% from the prior year. The largest revenue source in this fund is state revenue which includes primarily state aid. Expenditures consist primarily of costs associated with instruction and related supporting activities.

### General Fund Budgetary Highlights

Amendments to the original adopted budget are passed in order to reflect changes in information and circumstances. Some of the more significant changes between the original adopted and final amended budgets were:

- Budgeted revenue and expenditures for certain state revenue sources increased in order to account for actual money received based on actual numbers accounted for. The District prepares the original budget as an estimate.
- Budgeted revenue and expenditures for certain federal awards increased because the full outstanding award balance is budgeted for upon notification of award receipt. Original budgets represent carryforward of these awards from prior years.
- Budgeted expenditures for instruction increased by \$849,452 overall. This change was because of adding a couple of classrooms due to large student numbers and mid-year salary increases for LEA staff & administration.
- Budgeted expenditures for supporting services were increased from \$3,846,569 in the original budget to \$4,145,704. The largest portion of this increase was adding two additional support staff positions.

In accordance with State statute, the District is prohibited from amending the budget after year-end. As the District's books are not closed for accounting purposes at that point, a certain level of estimation is required in determining actual need. Some of the more significant differences between the final amended budget and the actual financial results were:

- Instruction expenditures were approximately \$214,000 less than the final budget as the District had several employees resign mid-year and their positions were filled with long-term substitutes. Another contributor was that the District did not use all budgeted funds for supplies, insurance costs, etc.
- Supporting services expenditures were approximately \$309,000 less than the final budget because the District did not use all of the grant allocation, maintenance did not use all of their budgeted funds, and not all money set aside for supplies was used.

# LAKEVIEW COMMUNITY SCHOOLS

## Management's Discussion and Analysis

### Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2016 amounted to \$22,920,521 (net of accumulated depreciation). Significant additions included renovations and additions to the District's facilities, being funded through voter-approved bond issues. Capital assets at year-end included the following:

	Capital Assets (Net of Depreciation)	
	2016	2015
Land	\$ 362,760	\$ 362,760
Construction in progress	-	526,512
Buildings and improvements	21,163,462	19,382,514
Machinery and equipment	698,151	724,026
Vehicles	696,148	697,810
Total capital assets, net	<u>\$ 22,920,521</u>	<u>\$21,693,622</u>

Additional information on the District's capital assets can be found in Note 7 of this report.

Long-term Debt. At the end of the current fiscal year, the District had total long-term debt outstanding of \$19,208,656. The District's total debt decreased by \$1,433,112 during the current fiscal year as a result of making principal payments as scheduled.

Additional information on the District's long-term debt can be found in Note 9 of this report.

### Factors Bearing on the District's Future

The following factors were considered in preparing the District's budget for the 2016-2017 fiscal year:

- Increase in foundation allowance of \$120 per student.
- Retirement rate decreasing by 1%.
- Budgeted for 1090 students (50 less from prior year).

# LAKEVIEW COMMUNITY SCHOOLS

## Management's Discussion and Analysis

### Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Superintendent or Designee  
Lakeview Community Schools  
123 Fifth Street  
Lakeview, MI 48850



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## BASIC FINANCIAL STATEMENTS

# LAKEVIEW COMMUNITY SCHOOLS

## Statement of Net Position June 30, 2016

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 1,474,193
Investments	902,308
Receivables	1,713,500
Other assets	44,326
Capital assets not being depreciated	362,760
Capital assets being depreciated, net	<u>22,557,761</u>
<b>Total assets</b>	<u>27,054,848</u>
<b>Deferred outflows of resources</b>	
Charge on advance bond refundings, net	124,628
Deferred pension amounts	<u>1,751,166</u>
<b>Total deferred outflows of resources</b>	<u>1,875,794</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	1,343,150
Unearned revenue	99,785
Note payable	700,000
Long-term debt:	
Due within one year	1,461,312
Due in more than one year	17,747,344
Net pension liability	<u>14,895,695</u>
<b>Total liabilities</b>	<u>36,247,286</u>
<b>Deferred inflows of resources</b>	
Deferred pension amounts	<u>250,566</u>
<b>Net position</b>	
Net investment in capital assets	4,014,720
Restricted for:	
Food service operations	190,521
Debt service	121,506
Unrestricted (deficit)	<u>(11,893,957)</u>
<b>Total net position</b>	<u><u>\$ (7,567,210)</u></u>

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

# LAKEVIEW COMMUNITY SCHOOLS

## Statement of Activities

For the Year Ended June 30, 2016

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
<b>Governmental activities</b>				
Instruction	\$ 6,827,772	\$ -	\$ 2,105,140	\$ (4,722,632)
Supporting services	3,832,882	43,471	216,243	(3,573,168)
Athletics	229,386	94,261	-	(135,125)
Community services	3,490	-	735	(2,755)
Food services	616,207	156,571	448,320	(11,316)
Interest on long-term debt	687,705	-	1,061	(686,644)
Unallocated depreciation	898,961	-	-	(898,961)
<b>Total governmental activities</b>	<u>\$ 13,096,403</u>	<u>\$ 294,303</u>	<u>\$ 2,771,499</u>	<u>(10,030,601)</u>
<b>General revenues</b>				
Property taxes - operations				1,893,926
Property taxes - debt service				2,018,755
Grants and contributions not restricted to specific programs				6,565,221
Universal service funds				16,246
Unrestricted investment earnings				4,849
Gain on sale of capital assets				6,755
Other revenues				141,013
<b>Total general revenues</b>				<u>10,646,765</u>
<b>Change in net position</b>				616,164
<b>Net position, beginning of year</b>				<u>(8,183,374)</u>
<b>Net position, end of year</b>				<u>\$ (7,567,210)</u>

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

# LAKEVIEW COMMUNITY SCHOOLS

## Balance Sheet

Governmental Funds

June 30, 2016

	Capital Projects			Total Governmental Funds
	General Fund	2013 Construction Fund	Nonmajor Governmental Funds	
<b>Assets</b>				
Cash and cash equivalents	\$ 831,204	\$ 68,614	\$ 464,762	\$ 1,364,580
Investments	902,308	-	-	902,308
Accounts receivable	11,758	-	15,949	27,707
Due from other governments	1,682,018	-	3,775	1,685,793
Inventory	30,646	-	13,680	44,326
<b>Total assets</b>	<b>\$ 3,457,934</b>	<b>\$ 68,614</b>	<b>\$ 498,166</b>	<b>\$ 4,024,714</b>
<b>Liabilities</b>				
Accounts payable	\$ 12,909	\$ -	\$ 13,994	\$ 26,903
Accrued liabilities	1,103,519	-	-	1,103,519
Due to other governments	106,192	-	-	106,192
Unearned revenue	95,265	-	4,520	99,785
Note payable	700,000	-	-	700,000
<b>Total liabilities</b>	<b>2,017,885</b>	<b>-</b>	<b>18,514</b>	<b>2,036,399</b>
<b>Fund balances</b>				
Nonspendable	30,646	-	13,680	44,326
Restricted	-	68,614	404,883	473,497
Committed	-	-	61,089	61,089
Assigned	3,623	-	-	3,623
Unassigned	1,405,780	-	-	1,405,780
<b>Total fund balances</b>	<b>1,440,049</b>	<b>68,614</b>	<b>479,652</b>	<b>1,988,315</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,457,934</b>	<b>\$ 68,614</b>	<b>\$ 498,166</b>	<b>\$ 4,024,714</b>

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

# LAKEVIEW COMMUNITY SCHOOLS

## Reconciliation

Fund Balances of Governmental Funds  
to Net Position of Governmental Activities  
June 30, 2016

Fund balances - total governmental funds	\$ 1,988,315
Amounts reported for <i>governmental activities</i> 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 not being depreciated	362,760
Capital assets being depreciated, net	22,557,761
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds payable	(18,940,000)
Unamortized bond premiums and discounts, net	(159,043)
Unamortized deferred charge on advance bond refunding	124,628
Accrued interest on bonds payable	(106,536)
Certain pension-related amounts, such as the net pension liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(14,895,695)
Deferred outflows related to the net pension liability	1,751,166
Deferred inflows related to the net pension liability	(250,566)
Net position of governmental activities	<u>\$ (7,567,210)</u>

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

# LAKEVIEW COMMUNITY SCHOOLS

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

Governmental Funds

For the Year Ended June 30, 2016

	Capital Projects			Total Governmental Funds
	General Fund	2013 Construction Fund	Nonmajor Governmental Funds	
<b>Revenues</b>				
Local sources	\$ 2,268,585	\$ 1,743	\$ 2,201,323	\$ 4,471,651
State sources	8,230,589	-	21,433	8,252,022
Federal sources	547,743	-	426,887	974,630
<b>Total revenues</b>	<b>11,046,917</b>	<b>1,743</b>	<b>2,649,643</b>	<b>13,698,303</b>
<b>Expenditures</b>				
Current:				
Instruction	6,637,628	-	-	6,637,628
Supporting services	3,836,444	-	5,957	3,842,401
Athletics	227,363	-	-	227,363
Community services	3,490	-	-	3,490
Food services	-	-	616,207	616,207
Debt service:				
Principal	-	-	1,405,000	1,405,000
Interest and fiscal charges	5,180	-	685,396	690,576
Taxes abated	-	-	266	266
Capital outlay	-	2,051,698	-	2,051,698
<b>Total expenditures</b>	<b>10,710,105</b>	<b>2,051,698</b>	<b>2,712,826</b>	<b>15,474,629</b>
<b>Revenues over (under) expenditures</b>	<b>336,812</b>	<b>(2,049,955)</b>	<b>(63,183)</b>	<b>(1,776,326)</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	20,000	20,000
Transfers out	(20,000)	-	-	(20,000)
Proceeds from sale of capital assets	4,005	500	2,250	6,755
Insurance recovery	7,509	-	-	7,509
<b>Total other financing sources (uses)</b>	<b>(8,486)</b>	<b>500</b>	<b>22,250</b>	<b>14,264</b>
<b>Net changes in fund balances</b>	<b>328,326</b>	<b>(2,049,455)</b>	<b>(40,933)</b>	<b>(1,762,062)</b>
Fund balances, beginning of year	1,111,723	2,118,069	520,585	3,750,377
<b>Fund balances, end of year</b>	<b>\$ 1,440,049</b>	<b>\$ 68,614</b>	<b>\$ 479,652</b>	<b>\$ 1,988,315</b>

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

# LAKEVIEW COMMUNITY SCHOOLS

## Reconciliation

Net Changes in Fund Balances of Governmental Funds  
to Change in Net Position of Governmental Activities  
For the Year Ended June 30, 2016

Net changes in fund balances - total governmental funds \$ (1,762,062)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital assets purchased/constructed	2,125,860
Depreciation expense	(898,961)
Proceeds from sale of capital assets	(6,755)
Gain on disposal of capital assets	6,755

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but a reduction in long-term debt on the statement of net position.

Principal payments on long-term debt	1,405,000
Amortization of bond premiums and discounts, net	16,312
Amortization of deferred charge on advance bond refunding	(20,771)

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.

Change in the net pension liability and related deferred amounts	(256,544)
Change in accrued interest payable on bonds	7,330
Change in compensated absences payable:	
Net change in total liability	11,800
Change in balance recorded in internal service fund	(11,800)

Change in net position of governmental activities \$ 616,164

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



# LAKEVIEW COMMUNITY SCHOOLS

## Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Local sources	\$ 2,159,320	\$ 2,278,155	\$ 2,268,585	\$ (9,570)
State sources	7,499,879	8,319,088	8,230,589	(88,499)
Federal sources	497,009	704,058	547,743	(156,315)
<b>Total revenues</b>	<u>10,156,208</u>	<u>11,301,301</u>	<u>11,046,917</u>	<u>(254,384)</u>
<b>Expenditures</b>				
Current:				
Instruction	6,002,632	6,852,084	6,637,628	(214,456)
Supporting services	3,846,569	4,145,704	3,836,444	(309,260)
Athletics	175,000	228,221	227,363	(858)
Community services	2,000	6,401	3,490	(2,911)
Debt service:				
Principal	18,000	-	-	-
Interest and fiscal charges	5,000	5,180	5,180	-
<b>Total expenditures</b>	<u>10,049,200</u>	<u>11,237,590</u>	<u>10,710,105</u>	<u>(527,485)</u>
<b>Revenues over expenditures</b>	<u>107,008</u>	<u>63,711</u>	<u>336,812</u>	<u>273,101</u>
<b>Other financing sources (uses)</b>				
Transfers out	(20,000)	(20,000)	(20,000)	-
Proceeds from sale of capital assets	-	4,005	4,005	-
Insurance recovery	-	7,509	7,509	-
<b>Total other financing sources (uses)</b>	<u>(20,000)</u>	<u>(8,486)</u>	<u>(8,486)</u>	<u>-</u>
<b>Net changes in fund balance</b>	<u>87,008</u>	<u>55,225</u>	<u>328,326</u>	<u>273,101</u>
<b>Fund balance, beginning of year</b>	<u>1,111,723</u>	<u>1,111,723</u>	<u>1,111,723</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 1,198,731</u>	<u>\$ 1,166,948</u>	<u>\$ 1,440,049</u>	<u>\$ 273,101</u>

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

# LAKEVIEW COMMUNITY SCHOOLS

## Statement of Net Position

Internal Service Fund

June 30, 2016

	Compensated Absences Fund
Assets	
Cash and cash equivalents	\$ 109,613
Liabilities	
Compensated absences	<u>109,613</u>
Net position	
Unrestricted	<u>\$ -</u>

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

# LAKEVIEW COMMUNITY SCHOOLS

## Statement of Revenues, Expenses and Change in Fund Net Position

Internal Service Fund

For the Year Ended June 30, 2016

	Compensated Absences Fund
Operating revenues	
Charges for services	\$ -
Operating expenses	
Personnel services	<u>161</u>
Operating loss	(161)
Nonoperating revenues	
Interest income	<u>161</u>
Change in net position	-
Net position, beginning of year	<u>-</u>
Net position, end of year	<u><u>\$ -</u></u>

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

# LAKEVIEW COMMUNITY SCHOOLS

## Statement of Cash Flows

Internal Service Fund

For the Year Ended June 30, 2016

	Compensated Absences Fund
Cash flows from operating activities	
Benefits paid for interfund services provided	\$ (11,961)
Cash flows from investing activities	
Interest received	<u>161</u>
Net change in cash and cash equivalents	(11,800)
Cash and cash equivalents, beginning of year	<u>121,413</u>
Cash and cash equivalents, end of year	<u><u>\$ 109,613</u></u>
Cash flows from operating activities	
Operating loss	\$ (161)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Change in:	
Compensated absences	<u>(11,800)</u>
Net cash used in operating activities	<u><u>\$ (11,961)</u></u>

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

# LAKEVIEW COMMUNITY SCHOOLS

## Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2016

Assets	
Cash and cash equivalents	\$ 75,388
Liabilities	
Due to student groups	\$ 67,766
Withholdings payable	7,622
Total liabilities	\$ 75,388

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

## NOTES TO FINANCIAL STATEMENTS

# LAKEVIEW COMMUNITY SCHOOLS

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies of Lakeview Community Schools (the “District”), consistently applied in the preparation of the accompanying financial statements, is as follows:

#### The Reporting Entity

As required by generally accepted accounting principles, these financial statements present the reporting entity of Lakeview Community Schools. The criteria identified in GAAP, including financial accountability, have been utilized in identifying the District’s reporting entity which includes no component units.

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year ended June 30, 2016.

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 or segment. *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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental, proprietary and fiduciary funds even though the latter are excluded from the government-wide financial statements.

Major individual governmental funds are reported as separate columns in the fund financial statements.

#### *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The agency fund follows the accrual basis of accounting, but does not have a measurement focus.

# LAKEVIEW COMMUNITY SCHOOLS

## Notes to Financial Statements

Governmental 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 collectible 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 or within one year for expenditure-driven grants. 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, are recorded only when payment is due.

Property taxes, expenditure-driven grant revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so 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 District reports the following major governmental funds:

*General fund* - This fund is the District's primary operating fund. It accounts for all financial resources not accounted for and reported in another fund.

*2013 construction fund* - This fund accounts for capital projects funded with proceeds from sale of bonds in years 2013 and 2014.

Additionally, the District reports the following fund types:

The *special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

*Debt service funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The *internal service fund* accounts for earned, but unused, sick benefits that the District may be liable for upon employee retirement.

*Agency funds* are used to account for resources held on the behalf of other individuals and governments.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. The District had no capital grants and contributions for the year ended June 30, 2016. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, unrestricted grants and interest income.

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.



# LAKEVIEW COMMUNITY SCHOOLS

## Notes to Financial Statements

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the internal service fund is charges to other funds for employee benefits. Operating expenses for the internal service fund are comprised of accrued compensated absences. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The effect of interfund activity has been eliminated from the government-wide financial statements.

### *Property Taxes*

Property taxes are recognized as revenue in the general and debt service funds on a levy year basis. The 2015 levy amounts are recognized as current property tax revenue to the extent that they are collected during the year or within 60 days after year-end. Collections of delinquent taxes in subsequent years are recognized as property tax revenues in the year collected. Property taxes are levied December 1 on the assessed valuation of property located in the District as of the preceding December 31, the lien date. Assessed values are established annually by the various governmental units within the District and are equalized by the State of Michigan.

### *Cash and Cash Equivalents*

The District considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents.

### *Investments*

Investments consist of participation in an external investment pool. In accordance with GASB 79, the District's shares are recorded at amortized cost, which approximates fair value.

State statutes authorize the District to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.

# LAKEVIEW COMMUNITY SCHOOLS

## Notes to Financial Statements

- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

### *Receivables*

The District follows the practice of recording revenues that have been earned but not yet received as receivables. Receivables consist primarily of state aid payments from the State of Michigan and federal grant funds earned but not yet collected. No amounts have been identified as potentially uncollectible by management, and therefore, no amount has been recorded as a provision for bad debts.

### *Other Assets*

Inventories consist of office supplies and food items. Inventories are stated at cost (first in, first out). Payments to vendors for services that will benefit periods beyond a fund's fiscal year-end are recorded as prepaid items in both the government-wide and fund financial statements.

### *Capital Assets*

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated using the straight line method over the following estimated useful lives:

	Years
Buildings and improvements	20-45
Machinery and equipment	5-20
Vehicles	8

# LAKEVIEW COMMUNITY SCHOOLS

## Notes to Financial Statements

### *Deferred Outflows of Resources*

In addition to assets, the statement of financial position will sometimes report 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 will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows for the charge on advance refunding. This amount represents the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also reports deferred outflows of resources related to the net pension liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date. More detailed information on pension-related deferred outflows can be found in Note 10.

### *Salaries Payable and Accrued Employee Benefits*

A liability is recorded at June 30 for those amounts owed to teachers and other employees of the District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for employee health insurances for the months of July and August. The District pays these insurances for this period as a part of the compensation for services rendered in the preceding school year.

### *Vested Termination Benefits*

Most employees of the District are compensated for leaves of absences chargeable to sick days. Each school year, the covered employees are credited with a number of sick days and any unused portion of such allowances can accumulate. Upon retirement, those employees who meet certain age and years of service requirements will be paid for a portion of sick days accumulated to a maximum number of days and at a rate determined by their job category.

The liability for the sick leave has been computed using the vesting method in accordance with generally accepted accounting standards. The District has fully funded this liability through biweekly payroll withholdings. The liability and related cash are reported in the compensated absences internal service fund.

# LAKEVIEW COMMUNITY SCHOOLS

## Notes to Financial Statements

### *Deferred Inflows of Resources*

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds also report unavailable revenues, which arise only under a modified accrual basis of accounting that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reported no deferred inflows in governmental funds at June 30, 2016. The District's deferred inflows of resources related to pension costs. More detailed information on pension-related deferred inflows of resources can be found in Note 10.

### *Long-term Obligations*

In the government-wide financial statements long-term debt and other long term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the related bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, during the current period. The face amount of debt issued is reported as an other financing source. Discounts and premiums on debt issuances are reported as other financing uses and sources, respectively.

### *Fund Equity*

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify, or rescind a fund balance commitment. The District reports assigned fund balance for amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education has delegated the authority to assigned fund balance to the Superintendent. Unassigned fund balance is the residual classification for the general fund.

The Board of Education has adopted a minimum fund balance policy in which the total fund balance of the general fund will be equal to 5% to 15% of the subsequent years' budgeted expenditures and transfers out. If the fund balance of the general fund falls below the minimum range, the District will replenish shortages or deficiencies using budget strategies and timeframes as detailed in the policy. If the fund balance of the general fund exceeds 15%, the District may consider using such surpluses for certain purposes or may retain such balances for future needs or unanticipated expenses, in accordance with the policy.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

# LAKEVIEW COMMUNITY SCHOOLS

## Notes to Financial Statements

### *Bonded Construction Costs*

The 2013 bond construction fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Michigan Revised School Code.

### *Interfund Transactions*

During the course of normal operations, the District has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the District.

### *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## 2. ACCOUNTABILITY AND BUDGETARY COMPLIANCE

### *Budgets and Budgetary Accounting*

Budgets are adopted for general and special revenue funds as required by state law and are adopted on a basis consistent with generally accepted accounting principles (GAAP). The District considers the debt service payment schedule to be an adequate budgetary control for the debt service funds. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the Board a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all governmental funds.

# LAKEVIEW COMMUNITY SCHOOLS

## Notes to Financial Statements

5. Adoption and amendments of all budgets used by the District are governed by Public Act 621, which was followed for the year ended June 30, 2016. Expenditures may not exceed appropriations at the function code level. The appropriations resolutions are based on the projected expenditures budget of the department heads of the District. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

### 3. STATE OF MICHIGAN SCHOOL AID

The District reports State of Michigan school aid in the fiscal year in which the District is entitled to the revenue as provided by State of Michigan school aid appropriation acts. State funding represented 75% of the District's general fund revenue during the 2016 fiscal year.

### 4. DEPOSITS AND INVESTMENTS

The captions on the financial statements relating to cash and investments are as follows:

	Governmental Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 1,474,193	\$ 75,388	\$ 1,549,581
Investments	902,308	-	902,308
<b>Total</b>	<b>\$ 2,376,501</b>	<b>\$ 75,388</b>	<b>\$ 2,451,889</b>

Cash and investments are comprised of the following at year-end:

Checking and savings accounts	\$ 1,549,031
Investments	902,308
Cash on hand	550
<b>Total</b>	<b>\$ 2,451,889</b>

Cash and cash equivalents are comprised of deposits in various financial institutions located in Michigan. State policy limits the District's investing options to financial institutions located in Michigan. All accounts are in the name of the District and a specific fund or common account.

The District chooses to disclose its investments by specifically identifying each. As of year-end, the District had investments in the Michigan Liquid Asset Fund Plus (MILAF+) Max series in the amount of \$902,308. Investments in MILAF+ are carried at amortized cost, in accordance with GASB Statements 72 and 79.

#### *Investment and Deposit Risk*

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1 of the summary of significant accounting policies. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The MILAF+ investment does not have a stated maturity date.

# LAKEVIEW COMMUNITY SCHOOLS

## Notes to Financial Statements

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of District's specific financial institutions, qualified mutual funds, and qualified external investment pools as identified in Note 1 (summary of significant accounting policies). The investment policy does not have specific limits in excess of State law on investment credit risk. All of the District's investments were rated by Standard and Poors as AAAM as of year-end.

*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. The District minimizes this risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the District's investment policy. As of year-end, \$1,121,399 of the District's bank balance of \$1,621,399 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk - Investments.* For an investment, custodial credit risk 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 or collateral securities that are in the possession of an outside party. The District minimized this risk by pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors to be in compliance with the requirements set forth in the District's investment policy. The District is exposed to no custodial credit risk on its investments because they are held in the name of the District.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1 of the summary of significant accounting policies. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

## 5. RECEIVABLES AND PAYABLES

Receivables in the government-wide financial statements at year-end are as follows:

	Governmental Activities
Accounts	\$ 27,707
Due from other governments	<u>1,685,793</u>
Totals	<u><u>\$ 1,713,500</u></u>

# LAKEVIEW COMMUNITY SCHOOLS

## Notes to Financial Statements

Accounts payable and accrued liabilities in the government-wide financial statements at year-end are as follows:

	Governmental Activities
Accounts	\$ 26,903
Accrued liabilities	1,103,519
Due to other governments	106,192
Interest payable on long-term debt	106,536
	<u>1,343,150</u>
Totals	<u>\$ 1,343,150</u>

### 6. INTERFUND TRANSFERS

For the year ended June 30, 2016, a transfer of \$20,000 was made from the general fund to the technology fund. In addition, a transfer of \$135,000 was made from the general fund to the athletics fund. Since the athletics fund is reported as part of the general fund in the external financial statements, this activity has been netted in the basic financial statements.

### 7. CAPITAL ASSETS

A summary of changes in capital assets activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 362,760	\$ -	\$ -	\$ -	\$ 362,760
Construction in progress	526,512	-	-	(526,512)	-
	<u>889,272</u>	<u>-</u>	<u>-</u>	<u>(526,512)</u>	<u>362,760</u>
Capital assets, being depreciated:					
Buildings and improvements	31,673,970	1,934,492	-	526,512	34,134,974
Machinery and equipment	1,797,221	75,940	(7,245)	-	1,865,916
Vehicles	1,492,165	115,428	(87,899)	-	1,519,694
	<u>34,963,356</u>	<u>2,125,860</u>	<u>(95,144)</u>	<u>526,512</u>	<u>37,520,584</u>
Less accumulated depreciation for:					
Buildings and improvements	(12,291,456)	(680,056)	-	-	(12,971,512)
Machinery and equipment	(1,073,195)	(101,815)	7,245	-	(1,167,765)
Vehicles	(794,355)	(117,090)	87,899	-	(823,546)
	<u>(14,159,006)</u>	<u>(898,961)</u>	<u>95,144</u>	<u>-</u>	<u>(14,962,823)</u>
Total capital assets being depreciated, net	<u>20,804,350</u>	<u>1,226,899</u>	<u>-</u>	<u>526,512</u>	<u>22,557,761</u>
Governmental activities capital assets, net	<u>\$ 21,693,622</u>	<u>\$ 1,226,899</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,920,521</u>



# LAKEVIEW COMMUNITY SCHOOLS

## Notes to Financial Statements

Depreciation expense is reported as unallocated in the statement of activities.

At June 30, 2016, the District had construction commitments outstanding of approximately \$17,000 for projects funded by the 2013 and 2014 building and site bonds.

### 8. NOTE PAYABLE

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

	Beginning Balance	Additions	Deductions	Ending Balance
School aid anticipation note (maturing 08/22/2016) with an interest rate of 0.74% (operating cash flow)	\$ 1,000,000	\$ 700,000	\$ (1,000,000)	\$ 700,000

### 9. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2016:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
General obligation bonds	\$ 20,345,000	\$ -	\$ (1,405,000)	\$ 18,940,000	\$ 1,445,000
Unamortized premiums	287,083	-	(21,391)	265,692	21,391
Unamortized discounts	(111,728)	-	5,079	(106,649)	(5,079)
Compensated absences	121,413	3,763	(15,563)	109,613	-
<b>Total governmental activities</b>	<b>\$ 20,641,768</b>	<b>\$ 3,763</b>	<b>\$ (1,436,875)</b>	<b>\$ 19,208,656</b>	<b>\$ 1,461,312</b>

#### General obligation bonds

2008 refunding bonds due in amounts ranging from \$265,000 through \$555,000 plus interest at 4.05-4.65% through 2023 (unlimited tax, general obligation) \$ 3,080,000

2009 refunding bonds due in amounts ranging from \$175,000 through \$400,000 plus interest at 2.40-4.40% through 2022 (unlimited tax, general obligation) 2,400,000

2010B refunding bonds due in amounts ranging from \$285,000 through \$300,000 plus interest at 2.05-3.09% through 2022 (unlimited tax, general obligation) 1,725,000

# LAKEVIEW COMMUNITY SCHOOLS

## Notes to Financial Statements

### General obligation bonds (concluded)

2013 school building and site bonds due in amounts ranging from \$130,000 through \$685,000 plus interest at 2.00-4.00% through 2038 (unlimited tax, general obligation)	\$ 9,630,000
2014 school building and site bonds due in amounts ranging from \$160,000 through \$435,000 plus interest at 2.00-2.50% through 2022 (unlimited tax, general obligation)	<u>2,105,000</u>
<b>Total</b>	<u><b>\$ 18,940,000</b></u>

Future principal and interest payment requirements on outstanding installment debt are as follows:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 1,445,000	\$ 639,223	\$ 2,084,223
2018	1,490,000	592,176	2,082,176
2019	1,535,000	543,351	2,078,351
2020	1,580,000	492,063	2,072,063
2021	1,630,000	438,412	2,068,412
2022-2026	3,790,000	1,565,776	5,355,776
2027-2031	2,925,000	1,105,000	4,030,000
2032-2036	3,190,000	595,620	3,785,620
2037-2038	1,355,000	73,950	1,428,950
<b>Totals</b>	<u><b>\$ 18,940,000</b></u>	<u><b>\$ 6,045,571</b></u>	<u><b>\$ 24,985,571</b></u>

The District has advance refunded certain bonds payable in previous periods through issuance of refunding bonds. The proceeds from issuance of the refunding bonds were placed in escrow until the related bonds were called. Of the refunding bonds reported in the table above, there are no amounts currently held in escrow, as the original bonds in each instance have already been called and repaid in full.

During 2006, the District began advance funding its liability for compensated absences through interfund charges from an internal service fund. The District expects to liquidate its compensated absences through this fund.

## 10. RETIREMENT PLAN

### *Plan Description*

The Michigan Public School Employees' Retirement System (the "System" or 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 and the State Superintendent of Instruction, who serves as an ex-officio member.

# LAKEVIEW COMMUNITY SCHOOLS

## Notes to Financial Statements

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available at [www.michigan.gov/mpsers-cafr](http://www.michigan.gov/mpsers-cafr).

### *Benefits Provided*

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits for are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. 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.

DB member plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. 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.

### *Contributions and Funded Status*

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

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. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2015 valuation will be amortized over a 21-year period for the 2015 fiscal year.

The table below summarizes pension contribution rates in effect for fiscal year 2015.

Benefit Structure	Member Rates	Employer Rates
Basic	0.0% - 4.0%	22.52% - 23.07%
Member Investment Plan (MIP)	3.0% - 7.0%	22.52% - 23.07%
Pension Plus	3.0% - 6.4%	21.99%
Defined Contribution	0.0%	17.72% - 18.76%

The District's contribution to MPSERS under all pension plans for the year ended June 30, 2016 was \$1,390,802.

# LAKEVIEW COMMUNITY SCHOOLS

## Notes to Financial Statements

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

At June 30, 2016, the District reported a liability of \$14,895,695 for its proportionate share of the MPSERS 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 2014. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2015, the District's proportion was 0.06099%, which was a decrease of 0.00108% from its proportion measured as of September 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$1,204,938. 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	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience			
actual experience	\$ -	\$ 49,339	\$ (49,339)
Changes in assumptions	366,764	-	366,764
Net difference between projected and actual			
earnings on pension plan investments	76,031	-	76,031
Changes in proportion and differences between			
employer contributions and proportionate			
share of contributions	320	201,227	(200,907)
	<u>443,115</u>	<u>250,566</u>	<u>192,549</u>
District contributions subsequent to the			
measurement date	1,308,051	-	1,308,051
	<u>1,308,051</u>	<u>-</u>	<u>1,308,051</u>
<b>Total</b>	<b><u>\$ 1,751,166</u></b>	<b><u>\$ 250,566</u></b>	<b><u>\$ 1,500,600</u></b>

\$1,308,051 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts 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,	Amount
2017	\$ (12,269)
2018	(12,269)
2019	(32,155)
2020	<u>249,242</u>
<b>Total</b>	<b><u>\$ 192,549</u></b>

# LAKEVIEW COMMUNITY SCHOOLS

## Notes to Financial Statements

### *Actuarial Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension liability in the September 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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)	7.5%
Projected salary increases	3.5% - 12.3%, including wage inflation at 3.5%
Cost of living adjustments	3% annual non-compounded for MIP members
Mortality	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2015, is based on the results of an actuarial valuation date of September 30, 2014, and rolled forward using generally accepted actuarial procedures, including the experience study.

# LAKEVIEW COMMUNITY SCHOOLS

## Notes to Financial Statements

### *Long-term Expected Return on Plan Assets*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.90%	1.64%
Alternative investment pools	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.90%	0.09%
Real estate and infrastructure pools	10.00%	4.30%	0.43%
Absolute return pools	15.50%	6.00%	0.93%
Short-term investment pools	2.00%	0.00%	0.00%
	<u>100.00%</u>		5.90%
Inflation			<u>2.10%</u>
Investment rate of return			<u>8.00%</u>

### *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 provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension 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 pension 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# LAKEVIEW COMMUNITY SCHOOLS

## Notes to Financial Statements

### *Sensitivity of District's Proportionate Share 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 the discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what the District'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 higher:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
District's proportionate share of the net pension liability	\$ 19,204,370	\$ 14,895,695	\$ 11,263,306

### *Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

### *Payable to the Pension Plan*

At June 30, 2016, the District reported a payable of \$215,886 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2016.

### *Other Postemployment Benefits*

Retirees enrolled in MPSERS before September 4, 2012 have the option of participating in the *Premium Subsidy* plan, a defined benefit postemployment healthcare plan, which is funded by employers on a prefunded basis. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension. Employer contributions range from 2.71% to 6.83% of covered payroll. Plan participants contribute 3% of covered payroll to the Retiree Healthcare Fund. At retirement, these individuals receive a subsidy for healthcare premiums that covers up to 80% of cost.

Plan members enrolled on or after September 4, 2012 participate in the *Personal Healthcare Fund*. This defined contribution other postemployment benefits plan includes a required 2% employee contribution into a personal tax-deferred account, which is matched by an additional 2% employer contribution. Employees are fully vested in these contributions which can be used, along with earnings thereon, to pay for postemployment healthcare expenses. Plan members working prior to September 4, 2012 were given the option to convert from the Premium Subsidy plan to the Personal Healthcare Fund option. Effective February 1, 2013, these members are no longer required to make the 3% employee contribution. Amounts paid into the Retiree Healthcare Fund between September 4, 2012 and February 1, 2013 were credited to each individual's Personal Healthcare Fund account. Any contributions made prior to September 4, 2012 were declared unconstitutional by the Supreme Court. Such amounts will be refunded by MPSERS to each District, including interest, and will then be refunded to individual employees.

# LAKEVIEW COMMUNITY SCHOOLS

## Notes to Financial Statements

The District's contributions to MPSERS for other postemployment benefits amounted to \$512,655 for the year ended June 30, 2016.

### 11. FUND BALANCES - GOVERNMENTAL FUNDS

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies fund balances based primarily on the extent to which it is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	General Fund	2013 Construction Fund	Nonmajor Governmental Funds	Total
<b>Nonspendable</b>				
Inventory	\$ 30,646	\$ -	\$ 13,680	\$ 44,326
<b>Restricted</b>				
Capital projects	-	68,614	-	68,614
Debt service	-	-	228,042	228,042
Food service program	-	-	176,841	176,841
	-	68,614	404,883	473,497
<b>Committed</b>				
Student technology repair	-	-	61,089	61,089
<b>Assigned</b>				
Pop funds	1,713	-	-	1,713
Athletics	1,910	-	-	1,910
	3,623	-	-	3,623
<b>Unassigned</b>	1,405,780	-	-	1,405,780
<b>Total fund balances - governmental funds</b>	<b>\$ 1,440,049</b>	<b>\$ 68,614</b>	<b>\$ 479,652</b>	<b>\$ 1,988,315</b>



# LAKEVIEW COMMUNITY SCHOOLS

## Notes to Financial Statements

### 12. NET INVESTMENT IN CAPITAL ASSETS

The composition of the District's net investment in capital assets as of June 30, 2016, was as follows:

	Governmental Activities
Capital assets:	
Capital assets not being depreciated	\$ 362,760
Capital assets being depreciated, net	<u>22,557,761</u>
	<u>22,920,521</u>
Related debt:	
Bonds	18,940,000
Premiums/discounts on bonds payable, net	159,043
Deferred loss on advance bond refundings, net	(124,628)
Unexpended bond proceeds	<u>(68,614)</u>
	<u>18,905,801</u>
Net investment in capital assets	<u>\$ 4,014,720</u>

### 13. RELATED PARTIES

During the year ended June 30, 2016, a member of the Board of Education served as an account representative for the District's 403(b) deferred compensation plan. Additionally, a family member of a finance employee was employed by a construction contractor used by the District. The individual assisted in the bidding for various projects completed by the District during the year; all projects were formally approved by the Board of Education. Expenditures incurred with this contractor were \$192,914 for the year ended June 30, 2016.

### 14. CONTINGENCIES

#### *Federal Grant Programs*

The District participates in federally assisted grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, not to be material.

#### *Risk Management and Self Insurance*

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2016, the District carried commercial insurance for health benefits, was self-insured for dental/vision and prescription benefits, and participated in a public entity risk pool for liability coverage. The District has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

# LAKEVIEW COMMUNITY SCHOOLS

## Notes to Financial Statements

The District is self-insured for dental, vision and prescription coverage on a pay-as-you-go basis for claims. The self-insurance program is administered by third party administrators. Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Management has recorded known claims payable as of June 30, based on reports provided by the third-party administrators. An estimate for incurred-but-not-reported claims has not been recorded, as management has determined that the amount would not be material to the financial statements.

Changes in the balance of claims liabilities are as follows:

	Coverage Type	
	Dental / Vision	Prescription
Estimated liability, July 1, 2014	\$ -	\$ 22,528
Known claims incurred	96,845	148,915
Claim payments	<u>(96,845)</u>	<u>(160,522)</u>
Estimated liability, June 30, 2015	-	10,921
Known claims incurred	103,260	89,945
Claim payments	<u>(103,260)</u>	<u>(96,460)</u>
Estimated liability, June 30, 2016	<u>\$ -</u>	<u>\$ 4,406</u>

## 15. SUBSEQUENT EVENTS

On August 22, 2016, the District received proceeds of \$500,000 in State of Michigan School Aid anticipation notes due in August 2017. The notes bear interest at 1.19%.



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## REQUIRED SUPPLEMENTARY INFORMATION

# LAKEVIEW COMMUNITY SCHOOLS

## Required Supplementary Information MPSERS Cost-Sharing Multiple-Employer Plan

### Schedule of the District's Proportionate Share of the Net Pension Liability

	Year Ended June 30,	
	2015	2016
District's proportion of the net pension liability	0.06206527%	0.06098538%
District's proportionate share of the net pension liability	\$ 13,670,809	\$ 14,895,695
District's covered-employee payroll	5,266,489	5,077,072
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	259.58%	293.39%
Plan fiduciary net position as a percentage of the total pension liability	66.20%	63.17%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

# LAKEVIEW COMMUNITY SCHOOLS

## Required Supplementary Information MPSERS Cost-Sharing Multiple-Employer Plan

### Schedule of District Contributions

	Year Ended June 30,	
	2015	2016
Contractually required contribution	\$ 1,186,205	\$ 1,390,802
Contributions in relation to the contractually required contribution	<u>(1,186,205)</u>	<u>(1,390,802)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 5,221,481	\$ 5,183,638
Contributions as a percentage of covered employee payroll	22.72%	26.83%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

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**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**



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## GENERAL FUND

# LAKEVIEW COMMUNITY SCHOOLS

## Schedule of Balance Sheet Accounts

By Activity - General Fund

June 30, 2016

	General Fund (11)	Athletics Fund (21)	Total General Fund
<b>Assets</b>			
Cash and cash equivalents	\$ 824,381	\$ 6,823	\$ 831,204
Investments	902,308	-	902,308
Accounts receivable	11,508	250	11,758
Due from other governments	1,682,018	-	1,682,018
Inventory	30,646	-	30,646
<b>Total assets</b>	<b>\$ 3,450,861</b>	<b>\$ 7,073</b>	<b>\$ 3,457,934</b>
<b>Liabilities</b>			
Accounts payable	\$ 10,901	\$ 2,008	\$ 12,909
Accrued liabilities	1,100,364	3,155	1,103,519
Due to other governments	106,192	-	106,192
Unearned revenue	95,265	-	95,265
Note payable	700,000	-	700,000
<b>Total liabilities</b>	<b>2,012,722</b>	<b>5,163</b>	<b>2,017,885</b>
<b>Fund balances</b>			
Nonspendable	30,646	-	30,646
Assigned	1,713	1,910	3,623
Unassigned	1,405,780	-	1,405,780
<b>Total fund balances</b>	<b>1,438,139</b>	<b>1,910</b>	<b>1,440,049</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,450,861</b>	<b>\$ 7,073</b>	<b>\$ 3,457,934</b>

# LAKEVIEW COMMUNITY SCHOOLS

## Schedule of Revenues, Expenditures and Changes in Fund Balances

By Activity - General Fund

For the Year Ended June 30, 2016

	General Fund (11)	Athletics Fund (21)	Eliminations	Total General Fund
<b>Revenues</b>				
Local sources	\$ 2,174,312	\$ 94,273	\$ -	\$ 2,268,585
State sources	8,230,589	-	-	8,230,589
Federal sources	547,743	-	-	547,743
<b>Total revenues</b>	<b>10,952,644</b>	<b>94,273</b>	<b>-</b>	<b>11,046,917</b>
<b>Expenditures</b>				
<b>Current:</b>				
Instruction	6,637,628	-	-	6,637,628
Supporting services	3,836,444	-	-	3,836,444
Athletics	-	227,363	-	227,363
Community services	3,490	-	-	3,490
<b>Debt service:</b>				
Interest and fiscal charges	5,180	-	-	5,180
<b>Total expenditures</b>	<b>10,482,742</b>	<b>227,363</b>	<b>-</b>	<b>10,710,105</b>
<b>Revenues over (under) expenditures</b>	<b>469,902</b>	<b>(133,090)</b>	<b>-</b>	<b>336,812</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	135,000	(135,000)	-
Transfers out	(155,000)	-	135,000	(20,000)
Proceeds from sale of capital assets	4,005	-	-	4,005
Insurance recovery	7,509	-	-	7,509
<b>Total other financing sources (uses)</b>	<b>(143,486)</b>	<b>135,000</b>	<b>-</b>	<b>(8,486)</b>
<b>Net changes in fund balances</b>	<b>326,416</b>	<b>1,910</b>	<b>-</b>	<b>328,326</b>
<b>Fund balances, beginning of year</b>	<b>1,111,723</b>	<b>-</b>	<b>-</b>	<b>1,111,723</b>
<b>Fund balances, end of year</b>	<b>\$ 1,438,139</b>	<b>\$ 1,910</b>	<b>\$ -</b>	<b>\$ 1,440,049</b>

# LAKEVIEW COMMUNITY SCHOOLS

## Detail Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - By Activity - General Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
<b>General fund (11)</b>				
Local sources:				
Property taxes	\$ 1,885,413	\$ 1,907,658	\$ 1,893,926	\$ (13,732)
Earnings on investments	3,000	3,000	2,950	(50)
Payments received from other governments:				
Special Education Medicaid - MAISD	70,000	70,000	75,155	5,155
Transportation	18,000	7,853	7,852	(1)
Universal service funds	12,000	16,246	16,246	-
Miscellaneous	115,907	180,163	178,183	(1,980)
<b>Total local sources</b>	<b>2,104,320</b>	<b>2,184,920</b>	<b>2,174,312</b>	<b>(10,608)</b>
State sources:				
State aid - unrestricted	6,660,847	7,261,621	7,268,386	6,765
At risk	266,655	463,905	368,641	(95,264)
Preschool	219,385	223,252	223,252	-
Special education	352,992	370,310	370,310	-
<b>Total state sources</b>	<b>7,499,879</b>	<b>8,319,088</b>	<b>8,230,589</b>	<b>(88,499)</b>
Federal sources:				
Federal aid received through the State:				
Title I	384,262	512,229	467,594	(44,635)
Title I carryover	-	19,272	19,272	-
Title II	103,740	131,643	56,093	(75,550)
Other	7,007	38,914	4,049	(34,865)
Federal aid received through intermediate school districts				
	2,000	2,000	735	(1,265)
<b>Total federal sources</b>	<b>497,009</b>	<b>704,058</b>	<b>547,743</b>	<b>(156,315)</b>
<b>Total general fund (11)</b>	<b>10,101,208</b>	<b>11,208,066</b>	<b>10,952,644</b>	<b>(255,422)</b>
<b>Athletics fund (21)</b>				
Local sources:				
Earnings on investments	25	25	12	(13)
Gate receipts	54,975	70,111	71,162	1,051
Miscellaneous	-	23,099	23,099	-
<b>Total athletics fund (21)</b>	<b>55,000</b>	<b>93,235</b>	<b>94,273</b>	<b>1,038</b>
<b>Total revenues</b>	<b>10,156,208</b>	<b>11,301,301</b>	<b>11,046,917</b>	<b>(254,384)</b>

continued...

# LAKEVIEW COMMUNITY SCHOOLS

## Detail Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - By Activity - General Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Expenditures</b>				
<b>General fund (11)</b>				
Instruction:				
Basic programs:				
Elementary	\$ 1,095,157	\$ 1,413,372	\$ 1,362,011	\$ (51,361)
Middle school	1,342,541	1,581,988	1,569,815	(12,173)
High school	1,731,964	1,879,806	1,865,177	(14,629)
Total basic programs	<u>4,169,662</u>	<u>4,875,166</u>	<u>4,797,003</u>	<u>(78,163)</u>
Added needs:				
Preschool	256,844	287,934	280,919	(7,015)
Summer school	28,856	40,024	17,881	(22,143)
Special education	907,684	865,110	848,439	(16,671)
Compensatory education	639,586	783,850	693,386	(90,464)
Total added needs	<u>1,832,970</u>	<u>1,976,918</u>	<u>1,840,625</u>	<u>(136,293)</u>
Total instruction	<u>6,002,632</u>	<u>6,852,084</u>	<u>6,637,628</u>	<u>(214,456)</u>
Supporting services:				
Pupil services:				
Guidance services	204,688	210,316	205,417	(4,899)
Health services	34,000	34,600	31,551	(3,049)
Speech services	193,049	160,793	156,946	(3,847)
Social work services	158,240	185,472	182,871	(2,601)
Monitors	21,370	29,851	28,381	(1,470)
Total pupil services	<u>611,347</u>	<u>621,032</u>	<u>605,166</u>	<u>(15,866)</u>
Instructional staff:				
Improvement of instruction	145,397	295,038	207,259	(87,779)
Media center	5,550	4,000	3,638	(362)
Total instructional staff	<u>150,947</u>	<u>299,038</u>	<u>210,897</u>	<u>(88,141)</u>
General administration:				
Board of Education	48,750	56,750	51,427	(5,323)
Executive administration	236,189	210,279	196,150	(14,129)
Fiscal services	103,833	105,654	102,674	(2,980)
Other business services	46,500	53,288	50,598	(2,690)
Total general administration	<u>435,272</u>	<u>425,971</u>	<u>400,849</u>	<u>(25,122)</u>

continued...

# LAKEVIEW COMMUNITY SCHOOLS

## Detail Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - By Activity - General Fund For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (continued)				
<u>General fund (11) (concluded)</u>				
Supporting services (concluded):				
School administration:				
Office of the Principal	\$ 688,939	\$ 705,685	\$ 670,157	\$ (35,528)
Supervision - Title programs	-	6,960	1,527	(5,433)
Other administration	2,000	2,000	2,000	-
Total school administration	<u>690,939</u>	<u>714,645</u>	<u>673,684</u>	<u>(40,961)</u>
Operation and maintenance:				
Operating and buildings services	1,162,471	1,243,488	1,151,640	(91,848)
Security services	20,000	26,000	23,900	(2,100)
Total operation and maintenance	<u>1,182,471</u>	<u>1,269,488</u>	<u>1,175,540</u>	<u>(93,948)</u>
Pupil transportation	<u>524,293</u>	<u>575,089</u>	<u>542,244</u>	<u>(32,845)</u>
Support staff training	<u>14,300</u>	<u>53,050</u>	<u>43,683</u>	<u>(9,367)</u>
Information services	<u>237,000</u>	<u>187,391</u>	<u>184,381</u>	<u>(3,010)</u>
Total supporting services	<u>3,846,569</u>	<u>4,145,704</u>	<u>3,836,444</u>	<u>(309,260)</u>
Community services:				
Community activities	-	4,401	2,181	(2,220)
Homeless services	2,000	2,000	1,309	(691)
Total community services	<u>2,000</u>	<u>6,401</u>	<u>3,490</u>	<u>(2,911)</u>
Debt service:				
Principal	18,000	-	-	-
Interest and fiscal charges	5,000	5,180	5,180	-
Total debt service	<u>23,000</u>	<u>5,180</u>	<u>5,180</u>	<u>-</u>
Total general fund (11)	<u>9,874,200</u>	<u>11,009,369</u>	<u>10,482,742</u>	<u>(526,627)</u>

continued...

# LAKEVIEW COMMUNITY SCHOOLS

## Detail Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - By Activity - General Fund For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Expenditures (concluded)</b>				
<u><b>Athletics fund (21)</b></u>				
Athletics	\$ 175,000	\$ 228,221	\$ 227,363	\$ (858)
<b>Total expenditures</b>	<b>10,049,200</b>	<b>11,237,590</b>	<b>10,710,105</b>	<b>(527,485)</b>
<b>Revenues over expenditures</b>	<b>107,008</b>	<b>63,711</b>	<b>336,812</b>	<b>273,101</b>
<b>Other financing sources (uses)</b>				
<u><b>General fund (11)</b></u>				
Transfers out	(150,000)	(155,000)	(155,000)	-
Proceeds from sale of capital assets	-	4,005	4,005	-
Insurance recovery	-	7,509	7,509	-
<b>Total general fund (11)</b>	<b>(150,000)</b>	<b>(143,486)</b>	<b>(143,486)</b>	<b>-</b>
<u><b>Athletics fund (21)</b></u>				
Transfers in	130,000	135,000	135,000	-
<b>Total other financing sources (uses)</b>	<b>(20,000)</b>	<b>(8,486)</b>	<b>(8,486)</b>	<b>-</b>
<b>Net changes in fund balances</b>	<b>87,008</b>	<b>55,225</b>	<b>328,326</b>	<b>273,101</b>
<b>Fund balances, beginning of year</b>	<b>1,111,723</b>	<b>1,111,723</b>	<b>1,111,723</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 1,198,731</b>	<b>\$ 1,166,948</b>	<b>\$ 1,440,049</b>	<b>\$ 273,101</b>

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## NONMAJOR GOVERNMENTAL FUNDS

# LAKEVIEW COMMUNITY SCHOOLS

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2016

	Special Revenue		Debt Service
	Food Service	Technology	2008 Refunding
<b>Assets</b>			
Cash and cash equivalents	\$ 191,580	\$ 61,089	\$ 64,505
Accounts receivable	-	-	5,422
Due from other governments	3,775	-	-
Inventory	13,680	-	-
<b>Total assets</b>	<b>\$ 209,035</b>	<b>\$ 61,089</b>	<b>\$ 69,927</b>
<b>Liabilities</b>			
Accounts payable	\$ 13,994	\$ -	\$ -
Unearned revenue	4,520	-	-
<b>Total liabilities</b>	<b>18,514</b>	<b>-</b>	<b>-</b>
<b>Fund balances</b>			
Nonspendable	13,680	-	-
Restricted	176,841	-	69,927
Committed	-	61,089	-
<b>Total fund balances</b>	<b>190,521</b>	<b>61,089</b>	<b>69,927</b>
<b>Total liabilities and fund balances</b>	<b>\$ 209,035</b>	<b>\$ 61,089</b>	<b>\$ 69,927</b>



Debt Service				
2009 Refunding	2010B Refunding	2013 Bonds	2014 Bonds	Total
\$ 58,396	\$ 31,845	\$ 23,155	\$ 34,192	\$ 464,762
4,147	2,871	1,914	1,595	15,949
-	-	-	-	3,775
-	-	-	-	13,680
<u>\$ 62,543</u>	<u>\$ 34,716</u>	<u>\$ 25,069</u>	<u>\$ 35,787</u>	<u>\$ 498,166</u>
\$ -	\$ -	\$ -	\$ -	\$ 13,994
-	-	-	-	4,520
-	-	-	-	18,514
-	-	-	-	13,680
62,543	34,716	25,069	35,787	404,883
-	-	-	-	61,089
<u>62,543</u>	<u>34,716</u>	<u>25,069</u>	<u>35,787</u>	<u>479,652</u>
<u>\$ 62,543</u>	<u>\$ 34,716</u>	<u>\$ 25,069</u>	<u>\$ 35,787</u>	<u>\$ 498,166</u>

# LAKEVIEW COMMUNITY SCHOOLS

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2016

	Special Revenue		Debt Service
	Food Service	Technology	2008 Refunding
Revenues			
Local sources	\$ 156,687	\$ 24,820	\$ 689,799
State sources	21,433	-	-
Federal sources	426,887	-	-
Total revenues	<u>605,007</u>	<u>24,820</u>	<u>689,799</u>
Expenditures			
Current:			
Supporting services	-	5,957	-
Food services	616,207	-	-
Debt service:			
Principal	-	-	555,000
Interest and fiscal charges	-	-	133,445
Taxes abated	-	-	266
Total expenditures	<u>616,207</u>	<u>5,957</u>	<u>688,711</u>
Revenues over (under) expenditures	<u>(11,200)</u>	<u>18,863</u>	<u>1,088</u>
Other financing sources			
Transfers in	-	20,000	-
Proceeds from sale of capital assets	2,250	-	-
Total other financing sources	<u>2,250</u>	<u>20,000</u>	<u>-</u>
Net changes in fund balances	(8,950)	38,863	1,088
Fund balances, beginning of year	<u>199,471</u>	<u>22,226</u>	<u>68,839</u>
Fund balances, end of year	<u>\$ 190,521</u>	<u>\$ 61,089</u>	<u>\$ 69,927</u>



Debt Service				
2009 Refunding	2010B Refunding	2013 Bonds	2014 Bonds	Total
\$ 527,359	\$ 365,237	\$ 238,586	\$ 198,835	\$ 2,201,323
-	-	-	-	21,433
-	-	-	-	426,887
<u>527,359</u>	<u>365,237</u>	<u>238,586</u>	<u>198,835</u>	<u>2,649,643</u>
-	-	-	-	5,957
-	-	-	-	616,207
400,000	290,000	-	160,000	1,405,000
109,949	72,438	320,500	49,064	685,396
-	-	-	-	266
<u>509,949</u>	<u>362,438</u>	<u>320,500</u>	<u>209,064</u>	<u>2,712,826</u>
<u>17,410</u>	<u>2,799</u>	<u>(81,914)</u>	<u>(10,229)</u>	<u>(63,183)</u>
-	-	-	-	20,000
-	-	-	-	2,250
-	-	-	-	22,250
17,410	2,799	(81,914)	(10,229)	(40,933)
45,133	31,917	106,983	46,016	520,585
<u>\$ 62,543</u>	<u>\$ 34,716</u>	<u>\$ 25,069</u>	<u>\$ 35,787</u>	<u>\$ 479,652</u>

# LAKEVIEW COMMUNITY SCHOOLS

## Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Food Service Fund  
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Local sources:				
Lunch sales	\$ 153,500	\$ 171,395	\$ 148,122	\$ (23,273)
Other	6,200	8,700	8,565	(135)
Total local sources	<u>159,700</u>	<u>180,095</u>	<u>156,687</u>	<u>(23,408)</u>
State sources - State School Aid	<u>20,165</u>	<u>21,432</u>	<u>21,433</u>	<u>1</u>
Federal sources:				
Federal aid received through the State	407,500	390,000	387,500	(2,500)
USDA donated commodities	36,090	39,477	39,387	(90)
Total federal sources	<u>443,590</u>	<u>429,477</u>	<u>426,887</u>	<u>(2,590)</u>
Total revenues	623,455	631,004	605,007	(25,997)
<b>Expenditures</b>				
Current - food services	<u>647,916</u>	<u>633,254</u>	<u>616,207</u>	<u>(17,047)</u>
Revenues under expenditures	(24,461)	(2,250)	(11,200)	(8,950)
<b>Other financing sources</b>				
Proceeds from sale of capital assets	<u>-</u>	<u>2,250</u>	<u>2,250</u>	<u>-</u>
Net changes in fund balance	(24,461)	-	(8,950)	(8,950)
Fund balance, beginning of year	<u>199,471</u>	<u>199,471</u>	<u>199,471</u>	<u>-</u>
Fund balance, end of year	<u>\$ 175,010</u>	<u>\$ 199,471</u>	<u>\$ 190,521</u>	<u>\$ (8,950)</u>

# LAKEVIEW COMMUNITY SCHOOLS

## Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Technology Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 15,100	\$ 25,030	\$ 24,820	\$ (210)
Expenditures				
Current - supporting services	5,000	8,000	5,957	(2,043)
Revenues over expenditures	10,100	17,030	18,863	1,833
Other financing sources				
Transfers in	20,000	20,000	20,000	-
Net changes in fund balance	30,100	37,030	38,863	1,833
Fund balance, beginning of year	22,226	22,226	22,226	-
Fund balance, end of year	<u>\$ 52,326</u>	<u>\$ 59,256</u>	<u>\$ 61,089</u>	<u>\$ 1,833</u>



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## AGENCY FUNDS

# LAKEVIEW COMMUNITY SCHOOLS

## Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2016

	Student Activities	Payroll Fund	Total
<b>Assets</b>			
Cash and cash equivalents	<u>\$ 67,766</u>	<u>\$ 7,622</u>	<u>\$ 75,388</u>
<b>Liabilities</b>			
Due to student groups	\$ 67,766	\$ -	\$ 67,766
Withholdings payable	<u>-</u>	<u>7,622</u>	<u>7,622</u>
<b>Total liabilities</b>	<u>\$ 67,766</u>	<u>\$ 7,622</u>	<u>\$ 75,388</u>

## 120-DAY BOND AUDIT

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**INDEPENDENT AUDITORS' REPORT**

September 21, 2016

Board of Education  
Lakeview Community Schools  
Lakeview, Michigan

We have audited the accompanying balance sheet and statement of revenues, expenditures and changes in fund balance of the 2013 Construction Fund which accounted for the proceeds and disbursement of the 2013 and 2014 Building and Site Bonds of *Lakeview Community Schools* (the "District"), as of and for the three year and four month period ended June 30, 2016. These financial statements are the responsibility of Lakeview Community Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements were prepared for the purpose of complying with the provisions of the Revised School Code, Public Act 451 of 1976. The presentation is not intended to be a presentation of the District's total revenues and expenditures.

In our opinion, the statements referred to above presents fairly, in all material respects, the financial position of the 2013 Construction Fund of Lakeview Community Schools at June 30, 2016 and the results of its operations for the three year and four month period then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



# LAKEVIEW COMMUNITY SCHOOLS

## Balance Sheet 2013 and 2014 Building and Site Bonds June 30, 2016

	2013 Construction Fund
Assets	
Cash and cash equivalents	<u>\$ 68,614</u>
Fund balances	
Restricted	<u>\$ 68,614</u>

# LAKEVIEW COMMUNITY SCHOOLS

## Statement of Revenues, Expenditures and Changes in Fund Balance 2013 and 2014 Building and Site Bonds For the Three Year and Four Month Period Ended June 30, 2016

	2013 Construction Fund				Total
	For the Period March 11, 2013 to June 30, 2013	For the Year Ended to June 30, 2014	For the Year Ended to June 30, 2015	For the Year Ended to June 30, 2016	
<b>Revenues</b>					
Local sources	\$ (3,040)	\$ 26,887	\$ 10,761	\$ 1,743	\$ 36,351
<b>Expenditures</b>					
Debt service:					
Principal	-	333,330	-	-	333,330
Interest and fiscal charges	107,095	59,789	-	-	166,884
Capital outlay	29,651	5,762,030	3,939,324	2,051,698	11,782,703
<b>Total expenditures</b>	<b>136,746</b>	<b>6,155,149</b>	<b>3,939,324</b>	<b>2,051,698</b>	<b>12,282,917</b>
Revenues under expenditures	(139,786)	(6,128,262)	(3,928,563)	(2,049,955)	(12,246,566)
<b>Other financing sources (uses)</b>					
Issuance of long-term debt	9,890,000	2,265,000	-	-	12,155,000
Premium on issuance of long-term debt	228,907	57,738	-	-	286,645
Discount on issuance of long-term debt	(126,965)	-	-	-	(126,965)
Proceeds from sale of capital assets	-	-	-	500	500
<b>Total other financing sources (uses)</b>	<b>9,991,942</b>	<b>2,322,738</b>	<b>-</b>	<b>500</b>	<b>12,315,180</b>
Net changes in fund balances	9,852,156	(3,805,524)	(3,928,563)	(2,049,455)	68,614
Fund balances, beginning of year	-	9,852,156	6,046,632	2,118,069	-
<b>Fund balances, end of year</b>	<b>\$ 9,852,156</b>	<b>\$ 6,046,632</b>	<b>\$ 2,118,069</b>	<b>\$ 68,614</b>	<b>\$ 68,614</b>



# LAKEVIEW COMMUNITY SCHOOLS

## Notes to 120-day Bond Audit

### 1. REPORTING ENTITY

*Lakeview Community Schools* (the "District") is a K-12 school district. The District's Board of Education members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. This report includes only the balance sheet and statement of revenues, expenditures and changes in fund balance of the 2013 Construction Fund of the District. Its activities are considered to be part of the District and controlled by the Board of Education.

### 2. BOND DESCRIPTION

In March 2013, the District's Board of Education authorized the issuance of Building and Site Bonds in the amount of \$12,250,000 (the "Bonds"). Although the full \$12,250,000 was authorized, \$9,989,000 was issued in the fiscal year 2013 based on bonding requirements from the State. \$2,265,000 was issued during the 2014 fiscal year.

The bond proceeds and interest earnings thereon were authorized and expended for the purpose of erecting, furnishing and equipping additions to the Bright Start Elementary building; remodeling, refurbishing and reequipping school district buildings and facilities; acquiring and installing educational technology improvements together with supporting infrastructure improvements; purchasing school buses; and developing and improving playgrounds and sites. Proceeds of the Bonds were used to pay a portion of the cost of such capital expenditures and to pay the costs of issuing the Bonds.

### 3. BASIS OF ACCOUNTING

The accompanying statements have been prepared based on the modified accrual basis of accounting, in accordance with generally accepted accounting principles. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred.

The Revised School Code, Public Act 451 of 1976, Section 1351a, requires that an independent audit be performed on certain operating results and compliance tests performed related to specified bond activities.

The accompanying statements reflect the activity of the Bonds, from the date of the bond issue, March 11, 2013, through the date the project was deemed substantially complete, June 30, 2016.

