

# **Lapeer Community Schools of Lapeer County**

---

**Financial Report  
with Supplemental Information  
June 30, 2017**

# Lapeer Community Schools of Lapeer County

---

## Contents

<b>Independent Auditor's Report</b>	1-2
<b>Management's Discussion and Analysis</b>	3-11
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	15
Statement of Revenue, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Fiduciary Funds:	
Statement of Fiduciary Net Position	18
Statement of Changes in Fiduciary Net Position	19
Notes to Financial Statements	20-41
<b>Required Supplemental Information</b>	42
Budgetary Comparison Schedule - General Fund	43
Schedule of Lapeer Community Schools of Lapeer County's Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System Determined as of the Plan Year Ended September 30	44
Schedule of Lapeer Community Schools of Lapeer County's Contributions to the Michigan Public School Employees' Retirement System Determined as of the Year Ended June 30	45
Note to Pension Required Supplemental Information Schedules	46

# **Lapeer Community Schools of Lapeer County**

---

## **Contents (Continued)**

<b>Other Supplemental Information</b>	47
Nonmajor Governmental Funds:	
Combining Balance Sheet	48-49
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	50-51
Private Purpose Trust Funds:	
Combining Statement of Net Position	52
Combining Statement of Revenue, Expenses, and Changes in Net Position	53
Schedule of Bonded Indebtedness	54
<b>Federal Awards Supplemental Information</b>	Issued Under Separate Cover

## Independent Auditor's Report

To the Board of Education  
Lapeer Community Schools of Lapeer County

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the the governmental activities, the major funds, and the aggregate remaining fund information of Lapeer Community Schools of Lapeer County (the "School District") as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise Lapeer Community Schools of Lapeer County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the the governmental activities, the major funds, and the aggregate remaining fund information of Lapeer Community Schools of Lapeer County as of June 30, 2017 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Education  
Lapeer Community Schools of Lapeer County

**Required Supplemental Information**

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

**Other Information**

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2017 on our consideration of Lapeer Community Schools of Lapeer County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lapeer Community Schools of Lapeer County's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

September 28, 2017

# **Lapeer Community Schools of Lapeer County**

## **Management's Discussion and Analysis**

This section of the Lapeer Community Schools of Lapeer County's (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2017. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund and the 2016 Refunding Bond Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the School District acts as a trustee or as an agent for the benefit of students and parents. This report is comprised of the following elements:

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

### **Basic Financial Statements**

Government-wide Financial Statements      Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary Information for Major Funds

Schedule of Proportionate Share of the Net Pension Liability

Schedule of the School District's Pension Plan Contributions

Other Supplemental Information

# Lapeer Community Schools of Lapeer County

## Management's Discussion and Analysis (Continued)

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

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

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

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

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

# Lapeer Community Schools of Lapeer County

## Management's Discussion and Analysis (Continued)

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

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

### The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table I provides a summary of the School District's net position as of June 30, 2017:

TABLE I	Governmental Activities	
	June 30	
	2017	2016
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 13.9	\$ 16.3
Capital assets	<u>64.8</u>	<u>66.1</u>
Total assets	78.7	82.4
<b>Deferred Outflows of Resources</b>	<u>11.4</u>	<u>10.2</u>
Total assets and deferred outflows of resources	90.1	92.6
<b>Liabilities</b>		
Current liabilities	10.7	10.8
Long-term liabilities	49.4	53.6
Net pension liability	<u>76.1</u>	<u>75.9</u>
Total liabilities	136.2	140.3
<b>Deferred Inflows of Resources</b>	<u>3.8</u>	<u>2.6</u>
Total liabilities and deferred inflows of resources	<u>140.0</u>	<u>142.9</u>
<b>Net Position (Deficit)</b>		
Net investment in capital assets	16.4	15.8
Restricted	1.4	1.1
Unrestricted (deficit)	<u>(67.7)</u>	<u>(67.2)</u>
Total net position (deficit)	<u>\$ (49.9)</u>	<u>\$ (50.3)</u>



# **Lapeer Community Schools of Lapeer County**

---

## **Management's Discussion and Analysis (Continued)**

The above analysis focuses on the net position (deficit) (see Table 1). The change in net position (deficit) (see Table 2) of the School District's governmental activities is discussed below. The School District's net position (deficit) was (\$49.9) million at June 30, 2017. Capital assets net of related debt totaling \$16.4 million compares the original cost, less depreciation, of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net position for day-to-day operations. The remaining amount of net position (deficit) totaling (\$67.7) million was unrestricted.

The (\$67.7) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations and the impact of the net pension liability. The unrestricted net position balance, when positive, enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

# Lapeer Community Schools of Lapeer County

## Management's Discussion and Analysis (Continued)

The results of this year's operations for the School District as a whole are reported in the statement of activities (Table 2), which shows the changes in net position for fiscal years 2017 and 2016.

TABLE 2

	Governmental Activities	
	2017	2016
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 1.4	\$ 1.4
Operating grants and contributions	11.5	9.2
General revenue:		
Property taxes	9.5	9.7
State foundation allowance	32.2	32.9
Other	0.2	0.5
Total revenue	<u>54.8</u>	<u>53.7</u>
<b>Functions/Program Expenses</b>		
Instruction	30.0	30.7
Support services	16.2	15.7
Athletics	0.8	0.9
Food services	2.4	2.5
Community services	0.4	0.4
Interest on long-term debt	1.7	2.3
Debt issuance cost	-	0.3
Depreciaton (unallocated)	2.9	2.8
Total functions/program expenses	<u>54.4</u>	<u>55.6</u>
<b>Change in Net Position</b>	0.4	(1.9)
<b>Net Position - Beginning of year</b>	<u>(50.3)</u>	<u>(48.4)</u>
<b>Net Position - End of year</b>	<u><u>\$ (49.9)</u></u>	<u><u>\$ (50.3)</u></u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$54.4 million. Certain activities were partially funded from those who benefited from the programs (\$1.4 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$11.5 million). We paid for the remaining "public benefit" portion of our governmental activities with \$9.5 million in taxes, \$32.2 million in state foundation allowance, and with our other revenue, i.e., interest and general entitlements.

# **Lapeer Community Schools of Lapeer County**

## **Management's Discussion and Analysis (Continued)**

The School District experienced an increase in net position of \$400,000. The key reason for the change in net position were increases in operating grants and contributions revenue by \$2.3 million compared to 2016. State foundation allowance was down \$700,000, while all other revenue remained consistent with 2016. Expenditures for instructional services were down \$700,000, while support services increased by \$500,000. The 2016 bond refunding resulted in a savings of \$600,000 in interest expense on long-term debt.

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

### **The School District's Funds**

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$5.8 million, which is consistent with the prior year.

In the General Fund, our principal operating fund, the fund balance increased \$0.5 million to \$3.5 million. The following are some of the elements which contributed to our original budgeted to actual change:

- An increase in revenue from athletic admissions of \$45,000
- An increase in the number of special education students who qualify for Medicaid reimbursable expenses, resulting in an increase in revenue of \$30,000
- Implementation of a new software system to monitor facility rental resulted in an increase in facility rental revenue of \$20,000.
- A strategic decrease in administration position elimination/alignment that resulted in \$170,000 in expenditure reductions.
- Continuing to budget fuel at \$4 per gallon resulted in a positive variance of \$220,000.
- Instructional staff departures halfway through the year resulted in lower than budgeted salaries, FICA, retirement, healthcare, long-term disability, and other fringe benefits, resulting in a positive variance of \$100,000.
- Several instructional staff went on medical leaves, which resulted in lower than budgeted salaries, FICA, retirement, healthcare, long-term disability, and other fringe benefits, resulting in a positive variance of \$200,000.
- Long-term substitute expenses increased by \$60,000 due to leaves and departures.
- Affordable Care Act fines that were not realized this year resulted in a positive variance of \$200,000.
- Aligning instructional textbook purchases for the year of consumption resulted in \$150,000 in expenditure reductions.

# **Lapeer Community Schools of Lapeer County**

## **Management's Discussion and Analysis (Continued)**

- \$800,000 in expenditure reductions associated with instructional staff retirements, resignations and replacements
- Reductions in substitute costs resulted in a positive variance of \$140,000.

The General Fund fund balance is available to fund costs related to allowable school operating purposes.

During the year, the School District collected taxes authorized by the 2007 and 2016 refinancings of capital bonds amount to approximately \$3.5 million. Bond principal and interest payments were made in the amounts of \$1.6 million and \$1.9 million, respectively, during the fiscal year, and the fund balance at June 30, 2017 for the 2007 and 2016 Debt Service Funds was approximately \$1.72 million. This amount is necessary for the payment of bond interest due in November 2017. The 2007 Capital Bond was refinanced to save the taxpayers approximately \$5.8 million over the next 21 years. The 2017 debt millage will be levied at 2.75 mills.

### **General Fund Budgetary Highlights**

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

There were revisions made to the 2016-2017 General Fund original budget. Budgeted revenue were increased by \$161,000 due to federal funding increases, revenue increases from property taxes of \$100,000 according to the L4028, and state funding decreases related to the local property tax increases, along with other various changes.

Among other changes, budgeted expenditures were decreased \$177,000 to account for declines in salaries and purchased professional services resulting from the School District's revised operating plan.

There were no significant variances between the final budget and actual amounts.

# Lapeer Community Schools of Lapeer County

## Management's Discussion and Analysis (Continued)

### Capital Assets and Debt Administration

#### *Capital Assets*

As of June 30, 2017, the School District had \$64.8 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately \$1.3 million from last year.

	<u>2017</u>	<u>2016</u>
Land and land improvements	\$ 11,613,796	\$ 10,371,858
Buildings and building improvements	78,914,754	78,902,154
Buses and other vehicles	4,746,137	4,496,669
Furniture and equipment	<u>9,208,901</u>	<u>9,136,891</u>
Total capital assets	104,483,588	102,907,572
Less accumulated depreciation	<u>39,654,323</u>	<u>36,795,710</u>
Net capital assets	<u><b>\$ 64,829,265</b></u>	<u><b>\$ 66,111,862</b></u>

This year's additions of \$1.6 million included Athletic Complex improvements/construction and equipment and new school buses. No debt was issued for these additions.

No major capital projects are planned for the 2017-2018 fiscal year.

#### *Debt*

The School District has two unlimited tax bond obligations outstanding for \$43.6 million whereby repayment will be funded by the millage passed for the 2007 bond and 2016 bond refunding issues. During the year, taxes were collected in the amount of approximately \$3.5 million and principal and interest payments were made totaling approximately \$3.3 million. Bonded debt millage rates are determined annually to ensure that the School District has sufficient resources to pay annual bond principal and interest payments. The School District also has three separate limited tax general obligation bond issues. These bonds have face values of \$775,000, \$500,000, and \$995,000, and outstanding balances of \$635,000, \$415,000, and \$935,000, respectively. These bonds were used to provide for energy-related improvements throughout the School District, as well as to provide funds to assist in the renovations of the high schools and the building of the athletic complex on the west campus. Repayment of these bonds will come from a combination of energy savings, fundraising activities, and general funds. More detailed information regarding these bonds is presented in Note 7.

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

# **Lapeer Community Schools of Lapeer County**

---

## **Management's Discussion and Analysis (Continued)**

### **Economic Factors and Next Year's Budgets and Rates**

Our elected officials and administration consider many factors when setting the School District's Board of Education fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2017 fiscal year is 10 and 90 percent of the February 2016 and September 2016 student counts, respectively. The original budget was adopted in June 2016, based on an estimate of students that will be enrolled in September 2017. Approximately 66 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the state's ability to fund local school operations. Based on early enrollment data at the start of the 2018 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2017-2018 budget. Once the final student count and related per pupil funding is validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to school districts. The state periodically holds a revenue-estimating conference to estimate revenue. Based on the results of the most recent conference, the state estimates funds are sufficient to fund the appropriation, including a foundation allowance increase of \$120/pupil.

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

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

# Lapeer Community Schools of Lapeer County

## Statement of Net Position June 30, 2017

	Primary Government <u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents (Note 3)	\$ 4,416,429
Receivables (Note 4)	7,579,944
Inventories	38,586
Prepaid costs	117,923
Restricted assets (Note 9)	1,722,285
Capital assets - Net (Note 5)	<u>64,829,265</u>
Total assets	78,704,432
<b>Deferred Outflows of Resources</b>	
Deferred charges on bond refunding (Note 7)	2,188,162
Deferred outflows related to pensions (Note 10)	<u>9,261,449</u>
Total deferred outflows of resources	<u>11,449,611</u>
Total assets and deferred outflows of resources	90,154,043
<b>Liabilities</b>	
Accounts payable	866,081
Accrued payroll-related liabilities	3,839,342
State aid anticipation note (Note 11)	2,480,516
Accrued interest (Note 11)	335,381
Due to other governmental units	581,799
Unearned revenue (Note 4)	299,771
Noncurrent liabilities:	
Due within one year (Note 7)	2,226,472
Due in more than one year (Note 7)	49,399,731
Net pension liability (Note 10)	<u>76,130,317</u>
Total liabilities	136,159,410
<b>Deferred Inflows of Resources</b> - Deferred inflows related to pensions and revenue in support of pension payments made subsequent to the measurement date (Note 10)	
	<u>3,847,452</u>
Total liabilities and deferred inflows of resources	<u>140,006,862</u>
<b>Net Position</b>	
Net investment in capital assets	16,366,124
Restricted - Debt service	1,434,537
Unrestricted	<u>(67,653,480)</u>
Total net position	<u><u>\$ (49,852,819)</u></u>

# Lapeer Community Schools of Lapeer County

## Statement of Activities Year Ended June 30, 2017

	Expenses	Program Revenue		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
<b>Functions/Programs</b>				Governmental Activities
Primary government - Governmental activities:				
Instruction	\$ 29,954,128	\$ -	\$ 6,871,594	\$ (23,082,534)
Support services	16,247,718	123,118	2,719,061	(13,405,539)
Athletics	824,269	219,118	-	(605,151)
Food services	2,355,128	686,400	1,868,757	200,029
Community services	440,509	346,528	-	(93,981)
Intergovernmental transfers	48,230	-	-	(48,230)
Interest	1,641,596	-	-	(1,641,596)
Depreciation expense (unallocated)	2,858,613	-	-	(2,858,613)
Total primary government	<u>\$ 54,370,191</u>	<u>\$ 1,375,164</u>	<u>\$ 11,459,412</u>	(41,535,615)
General revenue:				
Taxes:				
Property taxes - Levied for general purposes				6,005,550
Property taxes - Levied for debt service				3,537,800
State aid not restricted to specific purposes				32,184,590
Interest and investment earnings				14,778
Other				281,804
Total general revenue				<u>42,024,522</u>
<b>Change in Net Position</b>				488,907
<b>Net Position - Beginning of year</b>				<u>(50,341,726)</u>
<b>Net Position - End of year</b>				<u><b>\$ (49,852,819)</b></u>



# Lapeer Community Schools of Lapeer County

## Governmental Funds Balance Sheet June 30, 2017

	General Fund	2016 Refunding Bond	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 3,752,595	\$ -	\$ 663,834	\$ 4,416,429
Receivables (Note 4)	7,464,309	-	115,635	7,579,944
Due from other funds (Note 6)	169,895	-	-	169,895
Inventories	38,586	-	-	38,586
Prepaid costs	117,923	-	-	117,923
Restricted assets (Note 9)	-	1,517,845	204,440	1,722,285
<b>Total assets</b>	<b>\$11,543,308</b>	<b>\$ 1,517,845</b>	<b>\$ 983,909</b>	<b>\$ 14,045,062</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 836,035	\$ -	\$ 97,450	\$ 933,485
Accrued payroll-related liabilities	3,839,342	-	-	3,839,342
State aid anticipation note (Note 11)	2,480,516	-	-	2,480,516
Accrued interest (Note 11)	47,213	-	-	47,213
Due to other governmental units	581,799	-	-	581,799
Due to other funds (Note 6)	-	-	102,491	102,491
Unearned revenue (Note 4)	299,771	-	-	299,771
<b>Total liabilities</b>	<b>8,084,676</b>	<b>-</b>	<b>199,941</b>	<b>8,284,617</b>
<b>Fund Balances</b>				
Nonspendable:				
Inventories	38,586	-	-	38,586
Prepaid costs	117,923	-	-	117,923
Restricted:				
Debt service	-	1,517,845	204,860	1,722,705
Food services	-	-	579,108	579,108
Unassigned	3,302,123	-	-	3,302,123
<b>Total fund balances</b>	<b>3,458,632</b>	<b>1,517,845</b>	<b>783,968</b>	<b>5,760,445</b>
<b>Total liabilities and fund balances</b>	<b>\$11,543,308</b>	<b>\$ 1,517,845</b>	<b>\$ 983,909</b>	<b>\$ 14,045,062</b>

# Lapeer Community Schools of Lapeer County

## Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2017

<b>Fund Balance Reported in Governmental Funds</b>	\$	5,760,445
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Cost of capital assets	\$ 104,483,588	
Accumulated depreciation	<u>(39,654,323)</u>	64,829,265
Deferred charges on bond refunding reported as expenditures in the governmental funds are capitalized and amortized in the statement of activities		2,188,162
Deferred outflows related to pension payments made subsequent to the measurement date		9,261,449
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:		
Bonds payable including premium	(50,651,303)	
Compensated absences	(343,300)	
Risk liabilities	<u>(631,600)</u>	(51,626,203)
Accrued interest payable on long-term debt is not included as a liability in governmental funds		(288,168)
Net pension obligations do not present a claim on current financial resources and are not reported as fund liabilities		(76,130,317)
Deferred inflows related to pension investment returns and changes in assumptions and revenue in support of pension contributions subsequent to the measurement date are not reported in the governmental funds		<u>(3,847,452)</u>
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>(49,852,819)</u></b>

# Lapeer Community Schools of Lapeer County

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2017

	General Fund	2016 Refunding Bond	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>				
Local sources	\$ 7,309,366	\$ 3,189,940	\$ 1,097,066	\$ 11,596,372
State sources	40,110,249	-	140,803	40,251,052
Federal sources	1,545,481	-	1,727,954	3,273,435
Total revenue	48,965,096	3,189,940	2,965,823	55,120,859
<b>Expenditures</b>				
Current:				
Instruction:				
Basic program	22,736,719	-	-	22,736,719
Added needs	7,134,302	-	-	7,134,302
Support services	16,297,646	-	7,072	16,304,718
Athletics	826,448	-	-	826,448
Food services	-	-	2,357,792	2,357,792
Community services	442,505	-	-	442,505
Debt service:				
Principal	-	-	1,590,000	1,590,000
Interest	-	1,672,095	218,222	1,890,317
Other	7,344	-	500	7,844
Capital outlay	839,432	-	948,216	1,787,648
Intergovernmental transfers	48,230	-	-	48,230
Total expenditures	48,332,626	1,672,095	5,121,802	55,126,523
<b>Excess of Revenue Over (Under) Expenditures</b>	632,470	1,517,845	(2,155,979)	(5,664)
<b>Other Financing Sources (Uses)</b>				
Transfers in (Note 6)	87,813	-	206,790	294,603
Transfers out (Note 6)	(206,790)	-	(87,813)	(294,603)
<b>Net Change in Fund Balances</b>	513,493	1,517,845	(2,037,002)	(5,664)
<b>Fund Balances - Beginning of year</b>	2,945,139	-	2,820,970	5,766,109
<b>Fund Balances - End of year</b>	<u>\$ 3,458,632</u>	<u>\$ 1,517,845</u>	<u>\$ 783,968</u>	<u>\$ 5,760,445</u>

# Lapeer Community Schools of Lapeer County

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2017

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	(5,664)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Depreciation expense	\$ (2,858,613)	
Capitalized capital outlay	<u>1,576,016</u>	(1,282,597)
Underwriter's premium reported as revenue in the funds and amortized in the statement of activities		353,315
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		1,590,000
Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid		12,658
Deferred charges on debt refunding were recognized at the government-wide level and are being amortized to expense over the life of the bonds in the statement of activities		(109,408)
Change in pension expense related to deferred items		186,964
Compensated absences and self-insured liability claims are recorded when incurred in the statement of activities. In the current year, more was paid out than incurred		5,400
Revenue in support of pension contributions made subsequent to the measurement date		<u>(261,761)</u>
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>488,907</u></b>

# Lapeer Community Schools of Lapeer County

---

## Fiduciary Funds Statement of Fiduciary Net Position June 30, 2017

	Private Purpose Trust	Student Activities Agency Fund
<b>Assets</b> - Cash and cash equivalents	\$ 23,292	<u>\$ 625,449</u>
<b>Liabilities</b>		
Due to student groups	-	\$ 558,045
Due to other funds (Note 6)	-	<u>67,404</u>
Total liabilities	-	<u>\$ 625,449</u>
<b>Net Position</b> - Restricted for endowments	<u>\$ 23,292</u>	

# Lapeer Community Schools of Lapeer County

---

## Fiduciary Funds Statement of Changes in Fiduciary Net Position Year Ended June 30, 2017

	Private Purpose Trust
<b>Additions - Revenue</b>	\$ 70
<b>Deductions - Scholarships and other expenses</b>	<u>498</u>
<b>Change in Net Position</b>	(428)
<b>Net Position - Beginning of year</b>	<u>23,720</u>
<b>Net Position - End of year</b>	<u><u>\$ 23,292</u></u>

# Lapeer Community Schools of Lapeer County

---

## Notes to Financial Statements June 30, 2017

### Note I - Nature of Business and Significant Accounting Policies

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

#### **Reporting Entity**

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

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

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

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

Separate financial statements are provided for governmental funds 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.

# Lapeer Community Schools of Lapeer County

---

## Notes to Financial Statements June 30, 2017

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

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

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

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

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

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

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

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



# Lapeer Community Schools of Lapeer County

---

## Notes to Financial Statements June 30, 2017

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

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

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

**2016 Refunding Bond Debt Service Fund** - The 2016 Refunding Debt Service Fund is used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures of the 2016 refunding bond.

Additionally, the School District reports the following fund types:

**Special Revenue Fund** - Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School District's special revenue fund is the Cafeteria Fund. Any operating deficit generated by this fund is the responsibility of the General Fund. Revenue sources for the Cafeteria Fund consist of sales to customers, as well as dedicated state and federal grants.

**Debt Service Funds** - The 2007 Debt Service Fund is used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures of the 2007 bond issue. The 2013 Debt Service Fund, 2014 Debt Service Fund, and 2015 Debt Service Fund are used to record interest, principal, and other expenditures of the 2013, 2014, and 2015 resolution bonds, respectively.

**Capital Projects Funds** - Capital projects funds are used to report capital project activities. The School District has the following capital projects funds:

**Sale of Facilities Fund** - The Capital Projects Sale of Facilities Fund reports proceeds received from the sale of the School District's buildings or other revenue and the disbursement of invoices specifically designated for school district renovation of student facilities. The fund operates until the purpose for which it was created is accomplished.

**Athletic Complex Fund** - The Athletic Complex Fund reports contributions as revenue and the disbursement of invoices specifically designated for school district athletic facilities. The fund operates until the purpose for which it was created is accomplished.

# Lapeer Community Schools of Lapeer County

---

## Notes to Financial Statements June 30, 2017

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

Resolution Bond Fund - The 2015 Limited Tax School Building and Site Bonds Capital Project Fund Resolution Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for capital projects. The fund operates until the purpose for which it was created is accomplished.

**Fiduciary Funds** - The School District manages certain funds in a fiduciary capacity. These funds are recorded in the Private Purpose Trust Fund or in the Agency Fund.

Agency Fund - The Agency Fund is used to record the transactions of student and community groups for school and school-related purposes. The fund is segregated and held in trust for the students.

Private Purpose Trust Fund - The Private Purpose Trust Fund is used to account for resources legally held in trust, including contributions received by the School District to be awarded in the form of scholarships.

#### **Assets, Liabilities, and Net Position or Equity**

**Cash and Cash Equivalents** - Cash and cash equivalents include cash on hand and demand deposits.

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

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

**Inventories and Prepaid Assets** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

**Restricted Assets** - The unspent property taxes levied in the debt service funds are required to be set aside for future bond principal and interest payments. These amounts have been classified as restricted assets.

# Lapeer Community Schools of Lapeer County

## Notes to Financial Statements June 30, 2017

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

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

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and building additions	20 to 50 years
Buses and other vehicles	5 to 10 years
Furniture and other equipment	3 to 10 years

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

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

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

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

# Lapeer Community Schools of Lapeer County

---

## Notes to Financial Statements June 30, 2017

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

**Deferred Outflows/Inflows of Resources** - In addition to assets, the statement of net position reports deferred outflows of resources, which represents consumptions of net position or fund balance that applies to a future period and will not be recognized as outflows of resources (expenses/expenditures) until then. The School District has two items that qualify for reporting in this category. One is the deferred charge on bond refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price and is deferred and amortized over the life of the refunded or refunding debt. The other deferred outflow item is related to the pension plan described in Note 10.

In addition to liabilities, the statement of net position reports deferred inflows of resources, which represents acquisitions of net position that apply to a future period and will not be recognized as inflows of resources (revenue) until then. The School District's two items that qualify for reporting in this category are the deferred inflows related to the pension plan and revenue in support of pension payments made subsequent to the measurement date.

Deferred inflows related to pensions at June 30, 2017 include \$2,331,038 for funding received through state appropriations for contributions to the MPSERS pension plan after the measurement date and \$1,516,414 related to the pension plan described in Note 10.

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

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed:** Amounts that have been formally set aside by the Board of Education for use for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education.
- **Assigned:** Intent to spend resources on specific purposes expressed by the Board of Education
- **Unassigned:** Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund, and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

# Lapeer Community Schools of Lapeer County

---

## Notes to Financial Statements June 30, 2017

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

The Board of Education has set a target fund balance as 10 percent of expenditures in the General Fund. This is deemed to be the prudent amount to maintain the School District's ability to meet obligations as they come due throughout the year.

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

**Comparative Data** - Comparative data are not included in the School District's financial statements.

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

### **Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General Fund and special revenue fund, except for the following reclassifications. For budgeting purposes, capital outlay and debt service are classified within the related functions, and athletics is included within central services. Capital outlay and athletics are segregated on the statement of revenue, expenditures, and changes in fund balances. Additionally, for budgeting purposes, proceeds from the sale of capital assets are classified within local revenue. Proceeds are segregated on the statement of revenue, expenditures, and changes in fund balances. In addition, interfund transfers are classified as revenue and expenditures for budgeting purposes. All annual appropriations lapse at fiscal year end.

# Lapeer Community Schools of Lapeer County

## Notes to Financial Statements June 30, 2017

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

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

Encumbrances (e.g., purchase orders, contracts) outstanding at year end do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the School District incurred the following expenditures in the General Fund which were in significant excess of the amounts budgeted:

	<u>Budget</u>	<u>Actual</u>
General Fund - Instruction - Capital outlay	\$ 39,418	\$ 70,623

### Note 3 - Deposits and Investments

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

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

The investment policy adopted by the Board of Education in accordance with state statutes has authorized investment in all the allowable investment vehicles noted above.

# Lapeer Community Schools of Lapeer County

## Notes to Financial Statements June 30, 2017

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

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

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level be used for the School District's deposits for custodial credit risk. As of year end, the School District's deposit balance of \$7,146,572 included \$3,375,344 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Custodial Credit Risk of Investments** - Custodial credit risk of investments is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The School District's policy for custodial credit risk states custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. At June 30, 2017, the School District did not have investments with custodial credit risk.

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

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

**Concentration of Credit Risk** - The School District places no limit on the amount the School District may invest in any one issuer. The School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The School District has no investments as of June 30, 2017.

# Lapeer Community Schools of Lapeer County

## Notes to Financial Statements June 30, 2017

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

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

### Note 4 - Receivables and Unavailable/Unearned Revenue

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

	General Fund	Nonmajor Governmental Funds	Total
Receivables:			
Taxes	\$ 1,393	\$ 420	\$ 1,813
Accounts receivable	4,527	-	4,527
Intergovernmental	<u>7,458,389</u>	<u>115,215</u>	<u>7,573,604</u>
Total receivables	<u>\$ 7,464,309</u>	<u>\$ 115,635</u>	<u>\$ 7,579,944</u>

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue in connection with resources that have been received but not yet earned. At June 30, 2017, there was no unavailable revenue recorded, and there was unearned revenue recorded related to grant and categorical aid payments received prior to meeting all eligibility requirements in the amount of \$299,771.



# Lapeer Community Schools of Lapeer County

## Notes to Financial Statements June 30, 2017

### Note 5 - Capital Assets

Capital asset activity of the School District was as follows:

	Balance July 1, 2016	Additions and Adjustments	Disposals and Adjustments	Balance June 30, 2017
<b>Governmental Activities</b>				
Capital assets not being depreciated -				
Land	\$ 993,061	\$ -	\$ -	\$ 993,061
Capital assets being depreciated:				
Land improvements	9,378,797	1,241,938	-	10,620,735
Building and building improvements	78,902,154	12,600	-	78,914,754
Furniture and equipment	9,136,891	72,010	-	9,208,901
Buses and other vehicles	4,496,669	249,468	-	4,746,137
Subtotal	101,914,511	1,576,016	-	103,490,527
Accumulated depreciation:				
Land improvements	3,311,202	458,386	-	3,769,588
Buildings and improvements	25,429,532	1,552,396	-	26,981,928
Furniture and equipment	4,773,030	553,238	-	5,326,268
Buses and other vehicles	3,281,946	294,593	-	3,576,539
Subtotal	36,795,710	2,858,613	-	39,654,323
Net capital assets being depreciated	65,118,801	(1,282,597)	-	63,836,204
Net capital assets	\$ 66,111,862	\$ (1,282,597)	\$ -	\$ 64,829,265

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

### Note 6 - Interfund Receivables, Payables, and Transfers

Interfund balances due to the General Fund of \$102,491 from nonmajor governmental funds and \$67,404 from the Agency Fund result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. The amount due to the General Fund from the Cafeteria Fund was to repay the General Fund for indirect costs incurred on behalf of the Cafeteria Fund.

#### Interfund Transfers

Transfers of \$206,790 from the General Fund to the 2013 Project Bond Debt Service Fund, the 2014 Project Bond Debt Service Fund, and the 2015 Project Bond Debt Service Fund covered the principal and interest payments owed on the bonds.

The transfer of \$2,000 from the 2013 Project Bond Debt Service Fund to the General Fund reimbursed an earlier excess transfer of funds.

The transfer of \$85,813 from the Cafeteria Fund to the General Fund reimbursed the General Fund for its share of indirect costs.

# Lapeer Community Schools of Lapeer County

## Notes to Financial Statements June 30, 2017

### Note 7 - Long-term Debt

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

Long-term debt activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds	\$ 45,175,000	\$ -	\$ 1,590,000	\$ 43,585,000	\$ 1,665,000
Bond premium	7,419,618	-	353,315	7,066,303	353,315
Deferred outflow - Deferred charges from refunding bonds	(2,297,570)	-	(109,408)	(2,188,162)	(109,408)
Total bonds payable	50,297,048	-	1,833,907	48,463,141	1,908,907
Other obligations	980,300	1,132,091	1,137,491	974,900	208,157
Total governmental activities	\$ 51,277,348	\$ 1,132,091	\$ 2,971,398	\$ 49,438,041	\$ 2,117,064

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

Years Ending June 30	Governmental Activities		
	Principal	Interest	Total
2018	\$ 1,665,000	\$ 2,098,100	\$ 3,763,100
2019	1,575,000	2,018,410	3,593,410
2020	1,635,000	1,957,570	3,592,570
2021	1,700,000	1,893,705	3,593,705
2022	1,775,000	1,827,286	3,602,286
2023-2027	10,235,000	7,766,034	18,001,034
2028-2032	12,190,000	5,041,773	17,231,773
2033-2037	12,810,000	1,924,250	14,734,250
Total	\$ 43,585,000	\$ 24,527,128	\$ 68,112,128

# Lapeer Community Schools of Lapeer County

## Notes to Financial Statements June 30, 2017

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

#### Governmental Activities

General obligation bonds consist of the following:

\$55,205,000 - 2007 General Obligation Bonds due in one remaining installment of \$1,525,000 in May 2018; interest at 4.75 to 5.25 percent	\$ 1,525,000
\$500,000 - Limited Tax School Building and Site Bonds due in annual installments of \$30,000 to \$40,000 through May 2029; interest at 2.60 percent	415,000
\$775,000 - Limited Tax School Building and Site Bonds due in annual installments of \$50,000 to \$65,000 through May 2028; interest at 1.72 to 3.62 percent	635,000
\$995,000 - Limited Tax School Building and Site Bonds due in annual installments of \$60,000 to \$85,000 through May 2030; interest at 3.00 to 4.00 percent	935,000
\$40,075,000 - Refunding Bonds due in annual installments of \$1,435,000 to \$2,575,000 from May 2019 through May 2037; interest at 4.00 to 5.00 percent	<u>40,075,000</u>
Total bonded debt	<u>\$ 43,585,000</u>

Other governmental activities long-term obligations include the following:

Employee compensated absences	\$ 343,300
Risk liabilities (Note 8)	<u>631,600</u>
Total	<u>\$ 974,900</u>

**Debt Defeasances** - In 2016, the School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2017, \$43,625,000 of bonds outstanding are considered defeased.

# Lapeer Community Schools of Lapeer County

## Notes to Financial Statements June 30, 2017

### Note 8 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical benefits, certain property loss, and errors and omissions claims and participates in the MAISL shared-risk pool for claims relating to property loss and torts. The School District is self-insured for dental and vision benefits. The School District is uninsured up to a \$300,000 specific occurrence retention limit for employee injuries (workers' compensation) claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The School District estimates the liability for employee injury claims and for dental and vision benefits that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the government-wide statements. Changes in the estimated liability for the past two fiscal years were as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Estimated liability - Beginning of year	\$ 687,300	\$ 707,700
Estimated claims incurred - Including changes in estimates	1,024,891	889,311
Claim payments	<u>(1,080,591)</u>	<u>(909,711)</u>
Estimated liability - End of year	<u>\$ 631,600</u>	<u>\$ 687,300</u>

### Note 9 - Restricted Assets

The balance of \$1,722,285 in restricted assets recorded in the debt service funds is reserved to pay off future debt obligations.

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

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

# Lapeer Community Schools of Lapeer County

## Notes to Financial Statements June 30, 2017

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

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

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

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

The range of rates is as follows:

**School District**

October 1, 2015 - September 30, 2016	14.56% - 18.95%
October 1, 2016 - June 30, 2017	15.27% - 19.03%

Depending on the plan selected, plan member contributions range from 0 percent up to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

The School District's required and actual contributions to the plan for the year ended June 30, 2017 was \$7,066,388, which includes the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual contributions include an allocation of \$2,331,038 of revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2017.

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

# Lapeer Community Schools of Lapeer County

---

## Notes to Financial Statements June 30, 2017

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

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

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

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

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

**Net Pension Liability, Deferrals, and Pension Expense** - At June 30, 2017, the School District reported a liability of \$76,130,317 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015, which used updated procedures to roll forward the estimated liability to September 30, 2016. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2016, the School District's proportion was 0.305142 percent.

# Lapeer Community Schools of Lapeer County

## Notes to Financial Statements June 30, 2017

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

For the year ended June 30, 2017, the School District recognized pension expense of \$6,867,147, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 948,785	\$ (180,431)
Changes in assumptions	1,190,238	-
Net difference between projected and actual earnings on pension plan assets	1,265,285	-
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	1,666	(1,335,983)
The School District's contributions subsequent to the measurement date	<u>5,855,475</u>	<u>-</u>
Total	<u>\$ 9,261,449</u>	<u>\$ (1,516,414)</u>

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

Years Ending June 30	Amount
2018	\$ 210,498
2019	111,040
2020	1,466,248
2021	<u>101,774</u>
Total	<u>\$ 1,889,560</u>

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

# Lapeer Community Schools of Lapeer County

## Notes to Financial Statements June 30, 2017

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

**Actuarial Assumptions** - The total pension liability as of September 30, 2016 is based on the results of an actuarial valuation date of September 30, 2015 and rolled forward:

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

The actuarial assumptions used for the September 30, 2015 valuation were based on the results of an actuarial experience study for the period from October 1, 2007 to September 30, 2014. As a result of this study, the actuarial assumptions were adjusted to more closely reflect actual experience.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.00 to 8.00 percent depending on the plan option. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



# Lapeer Community Schools of Lapeer County

## Notes to Financial Statements June 30, 2017

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

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

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

On February 23, 2017, MPSERS approved a decrease in the discount rate for the September 30, 2016 annual actuarial valuation of 0.5 percent. As a result, the actuarial computed employer contributions and the net pension liability will increase for the measurement period ending September 30, 2017.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the School District calculated using the discount rate of 7.00-8.00 percent, depending on the plan option. The following also reflects what the School District's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower (6.0-7.0 percent) or 1.00 percentage point higher (8.0-9.0 percent) than the current rate:

1.00 Percent Decrease (6.0-7.0 Percent)	Current Discount Rate (7.0-8.0 Percent)	1.00 Percent Increase (8.0-9.0 Percent)
\$ 98,036,686	\$ 76,130,317	\$ 57,661,142

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

# Lapeer Community Schools of Lapeer County

## Notes to Financial Statements June 30, 2017

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

**Amount Payable to the Pension Plan** - At June 30, 2017, the School District reported a liability of \$953,584 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

**Postemployment Benefits Other Than Pensions (OPEB)** - Under the MPSERS act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate ranged from 2.2 to 2.71 percent of covered payroll for the period from July 1, 2016 to September 30, 2016 and from 6.4 to 6.83 percent of covered payroll for the period from October 1, 2016 through June 30, 2017 dependent upon the employee's date of hire and plan election as noted above. Members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 403(b) account.

The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2017, 2016, and 2015 were \$1,491,400, \$1,402,957, and \$1,710,540, respectively. In addition, a portion ranging from 35-100 percent of the the MPSERS UAAL stabilization rate is considered a contribution to the retiree healthcare plan.

### **Note 11 - State Aid Anticipation Note**

On August 22, 2016, Lapeer Community Schools of Lapeer County borrowed \$5.5 million in state aid anticipation notes. The notes bear interest at rates ranging from 0.76 to 1.2 percent. A repayment of \$2 million is due on August 21, 2017 and the remaining \$3.5 million is due in monthly installments, including interest, ranging from \$500,357 to \$512,316 from January 20, 2017 through July 20, 2017. As of June 30, 2017, \$2,480,516 in principal is outstanding and interest of \$47,213 has been accrued.

# Lapeer Community Schools of Lapeer County

---

## Notes to Financial Statements June 30, 2017

### **Note 12 - Tax Abatements**

The School District receives reduced property tax revenue as a result of Industrial Facilities Tax exemptions (PA 198 of 1974) granted by cities, villages, and townships within the boundaries of the School District. Industrial Facilities Tax exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities.

For the fiscal year ended June 30, 2017, the School District's property tax revenue was reduced by approximately \$482,000 under these programs.

The School District is reimbursed by the State of Michigan under the school aid formula for lost revenue caused by tax abatements on the operating millage of nonhomestead properties. The School District received approximately \$418,000 during the year in reimbursements from the State of Michigan. The School District is not reimbursed for lost revenue from debt service millages. There are no tax abatements made by the School District.

### **Note 13 - Subsequent Events**

On August 21, 2017, Lapeer Community Schools of Lapeer County borrowed \$6.5 million on a state aid anticipation note. The note bears interest at 1.49 percent. A total payment, including principal and interest, of approximately \$6.6 million is due on August 20, 2018.

### **Note 14 - Upcoming Accounting Pronouncements**

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

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

# **Lapeer Community Schools of Lapeer County**

---

## **Notes to Financial Statements June 30, 2017**

### **Note 14 - Upcoming Accounting Pronouncements (Continued)**

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

## **Required Supplemental Information**

---

# Lapeer Community Schools of Lapeer County

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Over (Under) <u>Final Budget</u>
<b>Revenue</b>				
Local sources	\$ 7,054,088	\$ 7,305,469	\$ 7,397,181	\$ 91,712
State sources	40,621,335	40,367,475	40,110,248	(257,227)
Federal sources	1,588,327	1,751,777	1,545,480	(206,297)
Total revenue	49,263,750	49,424,721	49,052,909	(371,812)
<b>Expenditures - Current:</b>				
Instruction:				
Basic programs	24,114,548	23,453,585	22,460,412	(993,173)
Added needs	7,127,898	7,094,081	7,056,670	(37,411)
Capital outlay	16,813	39,418	70,623	31,205
Support services:				
Pupil	3,030,547	2,885,572	2,923,037	37,465
Instructional staff	2,510,699	2,603,332	2,366,079	(237,253)
General administration	543,112	575,454	571,381	(4,073)
School administration	2,659,068	2,831,462	2,696,088	(135,374)
Business services	1,137,899	1,067,548	1,079,560	12,012
Operations and maintenance	3,579,133	3,467,049	3,248,307	(218,742)
Pupil transportation services	2,797,422	3,058,910	2,991,018	(67,892)
Central services	1,785,937	1,633,256	1,658,138	24,882
Capital outlay	302,402	456,525	393,941	(62,584)
Community services	468,892	459,705	442,505	(17,200)
Capital outlay	100,000	389,917	374,867	(15,050)
Intergovernmental transfers and other	215,590	206,790	206,790	-
Total expenditures	50,389,960	50,222,604	48,539,416	(1,683,188)
<b>Net Change in Fund Balance</b>	(1,126,210)	(797,883)	513,493	1,311,376
<b>Fund Balance - July 1, 2016</b>	2,945,139	2,945,139	2,945,139	-
<b>Fund Balance - June 30, 2017</b>	<u>\$ 1,818,929</u>	<u>\$ 2,147,256</u>	<u>\$ 3,458,632</u>	<u>\$ 1,311,376</u>

# Lapeer Community Schools of Lapeer County

---

## Required Supplemental Information Schedule of Lapeer Community Schools of Lapeer County's Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System Determined as of the Plan Year Ended September 30

	2016	2015	2014
School District's proportion of the net pension liability	0.30514 %	0.31068 %	0.31237 %
School District's proportionate share of the net pension liability	\$ 76,130,317	\$ 75,884,606	\$ 68,803,150
School District's covered employee payroll	25,449,765	25,788,550	\$ 26,526,013
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	299 %	294 %	259 %
Plan fiduciary net position as a percentage of the total pension liability	63.01000 %	62.92000 %	66.20000 %

# Lapeer Community Schools of Lapeer County

---

## Required Supplemental Information Schedule of Lapeer Community Schools of Lapeer County's Contributions to the Michigan Public School Employees' Retirement System Determined as of the Year Ended June 30

	2017	2016	2015
Statutorily required contribution	\$ 7,024,145	\$ 7,064,308	\$ 5,701,242
Contributions in relation to the statutorily required contribution	7,024,145	7,064,308	5,701,242
School District's covered employee payroll	24,841,140	25,165,151	26,190,001
Contributions as a percentage of covered employee payroll	28.28 %	28.07 %	21.77 %



# **Lapeer Community Schools of Lapeer County**

---

## **Note to Pension Required Supplemental Information Schedules Year Ended June 30, 2017**

**Benefit Changes** - There were no changes of benefit terms in 2016.

**Changes in Assumptions** - There were no changes of benefit assumptions in 2016.

**Changes in Size or Composition of the Covered Population** - There were no significant changes in size or composition of the covered population in 2016.

## **Other Supplemental Information**

---

# Lapeer Community Schools of Lapeer County

	Special Revenue Fund	Debt Service Funds			
	Cafeteria	2015 Project Bond	2014 Project Bond	2013 Project Bond	2007 Debt
<b>Assets</b>					
Cash and cash equivalents	\$ 663,834	\$ -	\$ -	\$ -	\$ -
Receivables	115,215	-	-	-	420
Restricted assets	-	-	-	-	204,440
<b>Total assets</b>	<b>\$ 779,049</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 204,860</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 97,450	\$ -	\$ -	\$ -	\$ -
Due to other funds	102,491	-	-	-	-
<b>Total liabilities</b>	<b>199,941</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances - Restricted</b>					
Debt service	-	-	-	-	204,860
Food services	579,108	-	-	-	-
<b>Total fund balances</b>	<b>579,108</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>204,860</b>
<b>Total liabilities and fund balances</b>	<b>\$ 779,049</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 204,860</b>

**Other Supplemental Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2017**

Capital Projects Funds			
Sale of Facilities	Athletic Complex	2015 Limited Tax School Building and Site Bonds Capital Project Fund Resolution	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 663,834
-	-	-	115,635
-	-	-	204,440
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 983,909</u>
\$ -	\$ -	\$ -	\$ 97,450
-	-	-	102,491
-	-	-	199,941
-	-	-	204,860
-	-	-	579,108
<u>-</u>	<u>-</u>	<u>-</u>	<u>783,968</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 983,909</u>

# Lapeer Community Schools of Lapeer County

	Special	Debt Service Funds			
	Revenue Fund				
	Cafeteria	2007 Debt	2013 Project Bond	2014 Project Bond	2015 Project Bond
<b>Revenue</b>					
Local sources	\$ 687,482	\$ 400,916	\$ -	\$ -	\$ -
State sources	140,803	-	-	-	-
Federal sources	1,727,954	-	-	-	-
Total revenue	2,556,239	400,916	-	-	-
<b>Expenditures</b>					
Current:					
Support services	-	-	-	-	-
Food services	2,357,792	-	-	-	-
Debt service:					
Principal	-	1,450,000	50,000	30,000	60,000
Interest	-	151,932	20,407	11,570	34,313
Other	-	-	-	-	500
Capital outlay	13,993	-	-	-	-
Total expenditures	2,371,785	1,601,932	70,407	41,570	94,813
<b>Excess of Revenue Over (Under) Expenditures</b>	184,454	(1,201,016)	(70,407)	(41,570)	(94,813)
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	70,407	41,570	94,813
Transfers out	(85,813)	-	(2,000)	-	-
Total other financing (uses) sources	(85,813)	-	68,407	41,570	94,813
<b>Net Change in Fund Balances</b>	98,641	(1,201,016)	(2,000)	-	-
<b>Fund Balances - Beginning of year</b>	480,467	1,405,876	2,000	-	-
<b>Fund Balances - End of year</b>	<b>\$ 579,108</b>	<b>\$ 204,860</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Other Supplemental Information  
Combining Statement of Revenue, Expenditures, and  
Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2017**

Capital Projects Funds			
Sale of Facilities	Athletic Complex	2015 Limited Tax School Building and Site Bonds Capital Project Fund Resolution	Total Nonmajor Governmental Funds
\$ -	\$ 8,668	\$ -	\$ 1,097,066
-	-	-	140,803
-	-	-	1,727,954
-	8,668	-	2,965,823
-	7,072	-	7,072
-	-	-	2,357,792
-	-	-	1,590,000
-	-	-	218,222
-	-	-	500
189,571	539,549	205,103	948,216
189,571	546,621	205,103	5,121,802
(189,571)	(537,953)	(205,103)	(2,155,979)
-	-	-	206,790
-	-	-	(87,813)
-	-	-	118,977
(189,571)	(537,953)	(205,103)	(2,037,002)
189,571	537,953	205,103	2,820,970
<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 783,968</b>

# Lapeer Community Schools of Lapeer County

---

## Other Supplemental Information Combining Statement of Net Position Private Purpose Trust Funds June 30, 2017

	Hall Endowment	Project Close-up	Beckwith	Total
<b>Assets - Cash and cash equivalents</b>	<b>\$ 7,876</b>	<b>\$ 8,994</b>	<b>\$ 6,422</b>	<b>\$ 23,292</b>
<b>Net Position - Restricted for endowments</b>	<b>\$ 7,876</b>	<b>\$ 8,994</b>	<b>\$ 6,422</b>	<b>\$ 23,292</b>

# Lapeer Community Schools of Lapeer County

## Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Private Purpose Trust Funds Year Ended June 30, 2017

	Hall Endowment	Project Close-up	Beckwith	Total
<b>Operating Revenue</b> - Interest and other	\$ 28	\$ 30	\$ 12	\$ 70
<b>Operating Expenses</b> - Scholarships, other expenses, and transfers out to Lapeer County Community Foundation	498	-	-	498
<b>Change in Net Position</b>	(470)	30	12	(428)
<b>Net Position</b> - Beginning of year	8,346	8,964	6,410	23,720
<b>Net Position</b> - End of year	<u>\$ 7,876</u>	<u>\$ 8,994</u>	<u>\$ 6,422</u>	<u>\$ 23,292</u>



# Lapeer Community Schools of Lapeer County

## Other Supplemental Information Schedule of Bonded Indebtedness Year Ended June 30, 2017

June 30	2007 Debt Principal	2013 Project Bond Principal	2014 Project Bond Principal	2015 Project Bond Principal	2016 Refunding Bond Principal	Total
2018	\$ 1,525,000	\$ 50,000	\$ 30,000	\$ 60,000	\$ -	\$ 1,665,000
2019	-	50,000	30,000	60,000	1,435,000	1,575,000
2020	-	50,000	30,000	65,000	1,490,000	1,635,000
2021	-	55,000	30,000	65,000	1,550,000	1,700,000
2022	-	55,000	35,000	70,000	1,615,000	1,775,000
2023	-	60,000	35,000	70,000	1,695,000	1,860,000
2024	-	60,000	35,000	70,000	1,780,000	1,945,000
2025	-	60,000	35,000	75,000	1,870,000	2,040,000
2026	-	65,000	35,000	75,000	1,965,000	2,140,000
2027	-	65,000	40,000	80,000	2,065,000	2,250,000
2028	-	65,000	40,000	80,000	2,170,000	2,355,000
2029	-	-	40,000	80,000	2,275,000	2,395,000
2030	-	-	-	85,000	2,385,000	2,470,000
2031	-	-	-	-	2,445,000	2,445,000
2032	-	-	-	-	2,525,000	2,525,000
2033	-	-	-	-	2,545,000	2,545,000
2034	-	-	-	-	2,565,000	2,565,000
2035	-	-	-	-	2,565,000	2,565,000
2036	-	-	-	-	2,560,000	2,560,000
2037	-	-	-	-	2,575,000	2,575,000
<b>Total</b>	<b>\$ 1,525,000</b>	<b>\$ 635,000</b>	<b>\$ 415,000</b>	<b>\$ 935,000</b>	<b>\$ 40,075,000</b>	<b>\$ 43,585,000</b>
Principal payments due	May 1	May 1	May 1	May 1	May 1	
Interest payments due	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	
Interest rate	4.75% - 5.25%	1.72% - 3.62%	2.60%	3.00% - 4.00%	4.00% - 5.00%	
Original issue	<b>\$ 55,205,000</b>	<b>\$ 775,000</b>	<b>\$ 500,000</b>	<b>\$ 995,000</b>	<b>\$ 40,075,000</b>	<b>\$ 97,550,000</b>