



LakeVille Community Schools
Audited Financial Statements

June 30, 2018

Prepared by Taylor & Morgan, P.C.

2302 Stonebridge Drive, Bldg. D | Flint, MI 48532 | 810.230.8200
3150 Livernois Road, Suite 150 | Troy, MI 48083 | 248.688.9399
8832 Blakeney Professional Drive, Suite 107 | Charlotte, NC 28277 | 704.926.7570

www.tmcpa.com

LAKEVILLE COMMUNITY SCHOOLS
TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| <u>Financial Section</u> | |
| Independent Auditor's Report | 1-3 |
| Management's Discussion and Analysis | 4-10 |
| Basic Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Net Position | 11 |
| Statement of Activities | 12 |
| Fund Financial Statements: | |
| Balance Sheets-Governmental Funds | 13 |
| Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities | 14 |
| Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds | 15 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 16 |
| Statement of Fiduciary Net Position | 17 |
| Notes to the Basic Financial Statements | 18-36 |
| Required Supplemental Information: | |
| Budgetary Comparison Schedule-General Fund | 37 |
| Pension Plan Information | 38 |
| OPEB Plan Information | 39 |
| Other Supplemental Information: | |
| Combining Balance Sheet-Non-Major Governmental Funds | 40 |

(continued)

LAKEVILLE COMMUNITY SCHOOLS
TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances-Non-Major Governmental Funds | 41 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances-Debt Retirement Funds | 42 |
| Schedule of Revenues and Other Financing Sources-General Fund | 43 |
| Schedule of Expenditures and Other Financing Uses-General Fund | 44-45 |
| Statement of Changes in Assets and Liabilities-Agency Funds | 46 |
| Detail Schedule of 2012-B Bond Issue | 47 |
| Detail Schedule of 2012-A Bond Issue | 48 |
| Detail Schedule of Wastewater and Water System Improvement Bonds | 49 |
| Detail Schedule of 2008 Energy Conservation Bonds | 50 |
| Uniform Guidance Information | |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards | 51-52 |
| Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance | 53-54 |
| Schedule of Expenditures of Federal Awards | 55 |
| Notes/Reconciliation to Schedule of Expenditures of Federal Awards | 56 |
| Reconciliation of Grant Auditor Report to the Schedule of Expenditures of Federal Awards | 57 |
| Schedule of Findings and Questioned Costs | 58 |
| Schedule of Prior Year Federal Award Findings | 59-60 |

INDEPENDENT AUDITORS' REPORT

October 19, 2018

Board of Education
LakeVille Community Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the LakeVille Community Schools as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the LakeVille Community Schools as of June 30, 2018 and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension plan information and OPEB plan information on pages 4-10 and 37-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the LakeVille Community Schools' basic financial statements. The introductory, combining individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2018 on our consideration of the LakeVille Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LakeVille Community Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the LakeVille Community Schools' internal control over financial reporting and compliance.

Sincerely,

Taylor & Morgan, P.C.

Taylor & Morgan, P.C.
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

LAKEVILLE COMMUNITY SCHOOLS-OTISVILLE, MICHIGAN

Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Our discussion and analysis of the Lakeville Community School District's financial performance provides an overview of the Lakeville Community School District's financial activities for the fiscal year ended June 30, 2018.

FINANCIAL POSITION AND RESULTS OF OPERATIONS

The District's *net position* – the difference between assets and liabilities, as reported in the Statement of Net Position, is one way to measure the School District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position, as reported in the Statement of Activities, is one indicator of whether its *financial health* is improving or deteriorating. The relationship between revenues and expenses indicates the School District's *operating results*. However, the School District's goal is to provide services to its students, not to generate profits as commercial entities do. Many other non-financial factors, such as the quality of the education provided and the safety of the schools, must also be considered when assessing the *overall health* of the School District.

The School District's net position totaled \$(9,495,154) at June 30, 2018. Restricted net position is reported separately to show legal constraints from debt covenants and legislation that limits the School District's ability to use that net position for day-to-day operations. The following is a summary of the District's net position at June 30, 2018 and at June 30, 2017:

| | June 30, 2018 | June 30, 2017 |
|------------------------------------|----------------|----------------|
| Assets | | |
| Current assets | \$ 3,877,881 | \$ 3,348,257 |
| Capital assets net of depreciation | 14,977,150 | 15,876,340 |
| Total assets | 18,855,031 | 19,224,597 |
| Deferred outflows of resources | 3,369,839 | 1,910,101 |
| Liabilities | | |
| Current liabilities | 2,636,214 | 1,525,989 |
| Long-term liabilities | 26,759,017 | 24,028,698 |
| Total liabilities | 29,395,231 | 25,554,687 |
| Deferred inflows of resources | 2,324,793 | 972,882 |
| Net position | | |
| Net Investment in capital assets | 7,855,487 | 7,515,356 |
| Restricted for debt service | 290,646 | 294,293 |
| Unrestricted | (17,641,287) | (13,202,520) |
| Total net position | \$ (9,495,154) | \$ (5,392,871) |

The June 30, 2018 and the June 30, 2017 balances reflect the results of implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 and GASB Statement No. 75.

The \$(17,641,287) in unrestricted net position of governmental activities represents District assets that have not been committed contractually or for debt obligations and are available for future use.

LAKEVILLE COMMUNITY SCHOOLS-OTISVILLE, MICHIGANManagement Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

The results of this year's operations for the School District as a whole are reported in the Statement of Activities. A summary of the District-wide results of operations for the year ended June 30, 2018, with comparative totals for the year ended June 30, 2017 is as follows:

| | <u>June 30, 2018</u> | <u>June 30, 2017</u> |
|--|-----------------------|-----------------------|
| General revenue | | |
| Property taxes levied for general operations | \$ 1,044,901 | \$ 1,034,995 |
| State of Michigan aid, unrestricted | 7,696,418 | 8,145,729 |
| Property Taxes levied for debt service | 1,207,661 | 1,399,742 |
| Other – federal, state and local | <u>125,614</u> | <u>109,471</u> |
| Total general revenue | 10,074,594 | 10,689,937 |
| Program revenue | | |
| Charges for services – local | 362,459 | 392,492 |
| Operating grants – federal and state | <u>3,167,671</u> | <u>3,158,287</u> |
| Total revenues | 13,604,724 | 14,240,716 |
| Expenses | | |
| Instruction | 7,108,479 | 7,585,160 |
| Support services | 4,152,175 | 4,160,734 |
| Community services | 51,531 | 69,564 |
| Food services | 741,933 | 734,189 |
| Early childhood | 41,070 | 46,199 |
| Supportive service other | 253,690 | 234,823 |
| Interest on long-term debt | 254,844 | 446,077 |
| Depreciation (unallocated) | <u>87,363</u> | <u>87,296</u> |
| Total expenses | <u>12,691,085</u> | <u>13,364,042</u> |
| Change in net position | 913,639 | 876,674 |
| Net position – July 1 | <u>(5,392,871)</u> | <u>(6,269,545)</u> |
| Restatement for implementation of GASB 75 | <u>(5,015,922)</u> | <u>-</u> |
| Net position – June 30 | <u>\$ (9,495,154)</u> | <u>\$ (5,392,871)</u> |

LAKEVILLE COMMUNITY SCHOOLS-OTISVILLE, MICHIGAN

Management Discussion and Analysis For the Fiscal Year Ended June 30, 2018

Total net position decreased \$4.1 million in 2017-18. The major components of the increase in net assets are as follows:

➤ Depreciation expense

The provisions of GASB 34 require districts to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation is a reduction in net assets. Depreciation expense is recorded using a straight-line method over the estimated useful lives of the assets. In accordance with generally accepted accounting principles, depreciation expense is recorded based on the original cost of the asset less an estimated salvage value. For the year ended June 30, 2018 the increase in accumulated depreciation was \$910,342.

➤ Capital acquisitions

Capital acquisitions for the year ended June 30, 2018 totaled \$11,152. Combined with current year depreciation and the effect of disposals, net capital assets decreased by \$899,190.

➤ Debt repayment

Repayment of debt decreases the District's long-term principal obligations. The District repaid \$1,235,000 of long-term debt in the current fiscal year.

➤ GASB 68 adjustment

Adjustments to the government-wide statements include a decrease in pension expense totaling \$338,646.

➤ GASB 75 adjustment

Adjustments to the government-wide statements include an increase in Other Post-Employment Benefit (OPEB) expense totaling \$63,410 and the restatement of beginning net position of \$(5.0 million).

GOVERNMENTAL FUNDS FINANCIAL HIGHLIGHTS

Our financial statements provide the following insights about the results of this year's operations:

The overall condition of the governmental funds has improved from the prior year. In the General Fund, revenues exceeded expenditures and other financing uses by \$337,674.

The total revenues decreased by \$632,219 from last year. The decrease is primarily attributable to a decline in State Aid revenue as a result of a decline in student enrollment, as well as a decrease in property taxes levied for debt service.

Expenditures decreased by \$638,851 from last year. This decrease was mainly due to decreased expenditures in the general fund and decreased debt service retirement payments.

LAKEVILLE COMMUNITY SCHOOLS-OTISVILLE, MICHIGAN

Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The School District's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, before student enrollment counts are known. Therefore, it is expected that there will be changes between the initial budget and subsequent budgets, as actual enrollments and resultant staffing requirements are known. Currently, the most significant budgeted fund is the General Fund. During the fiscal year ended June 30, 2018, the School District amended the General Fund budget two times.

General Fund

General Fund revenues and other financing sources totaled \$11.45 million. This is below the final amended budgeted amount of \$11.70 million. The variance was \$183,672, or approximately 1.6%. Total expenditures and other financing uses totaled \$11.58 million. This is less than the final budget estimate of \$11.63 million. The variance was \$513,712 or 4.4% and is a result of less than anticipated costs in maintenance and supporting services.

The fund balance of the General Fund was \$1.66 million at June 30, 2018 and \$1.33 million at June 30, 2017.

A schedule is provided in the required supplemental information of these financial statements showing the District's original and final budget amounts compared with amounts actually paid and received.

GOVERNMENTAL FUND EXPENDITURES

The following chart illustrates that the General Fund comprises 84% of all the expenditures within the governmental funds of the School District. As of June 30, 2018, expenditures totaled \$13.25 million for all District programs. The ending fund balance for all funds was equal to \$2.18 million.

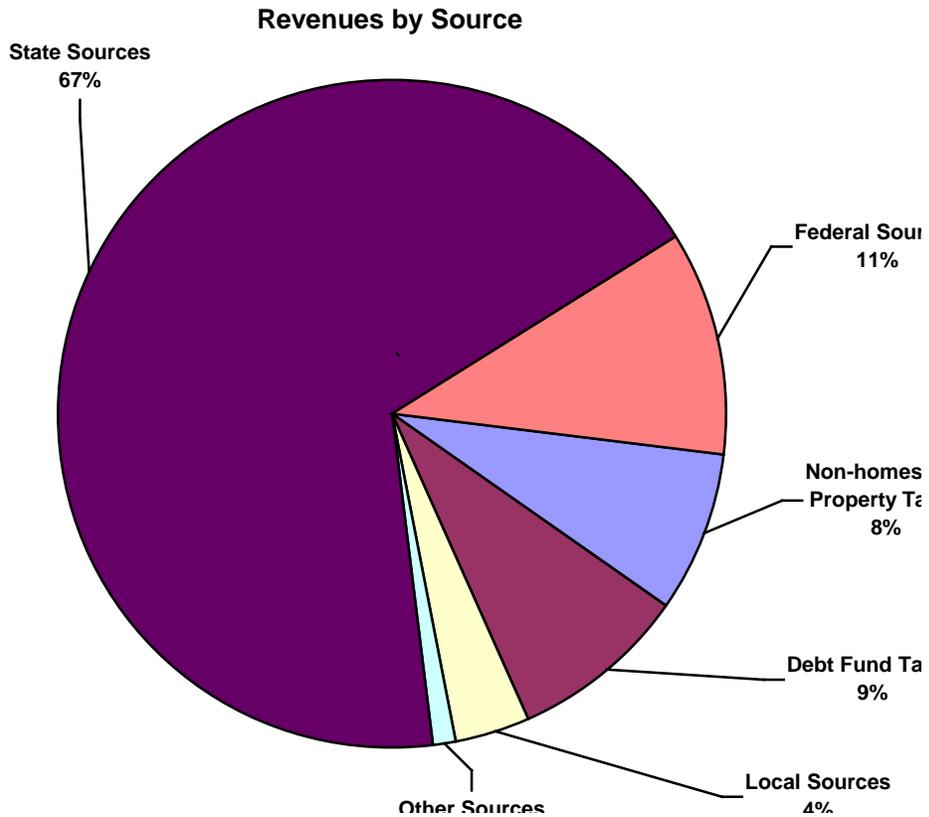
| | June 30, 2018 (In millions) | <u>% Of TOTAL</u> |
|-----------------------|--------------------------------|-------------------|
| General Fund | \$11.11 | 84% |
| Debt Service Fund | 1.39 | 10% |
| Other Non-major Funds | <u>.75</u> | <u>6%</u> |
| Total | <u>\$13.25</u> | 100% |

LAKEVILLE COMMUNITY SCHOOLS-OTISVILLE, MICHIGAN

Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

TOTAL REVENUES

Revenues for all governmental funds totaled \$13.6 million. The following graph illustrates the District revenues by source as a percentage of total revenue:



Unrestricted State Aid

The District's operating costs are predominantly funded by State Aid. The per-pupil allowance was \$7,631 for the 2017-18 school year. State Aid membership was computed in 2017-18 with a blended count of 90% of the September and 10% of the February counts.

Property Taxes

The District levies 18 mills of property taxes on all Non-Homestead property located within the District for General Fund operations. The levy is assessed on the taxable value of the property. The increase in taxable value is limited to the lesser of the inflation rate of the prior year or 5%. When a property is sold, the taxable valuation of the sold property is readjusted to the State Equalized Value, which is approximately 50% of market value. The 2017-18 Non-Homestead property tax levy totaled approximately \$1.04 million.

The District levied 4.76 mills of property taxes on all classes of property located within the district for bonded debt retirement. This levy is not subject to rollback provisions and is used to pay the principal and interest on bond obligations. The total amount levied for debt retirement in the current year was \$1.21 million.

LAKEVILLE COMMUNITY SCHOOLS-OTISVILLE, MICHIGAN

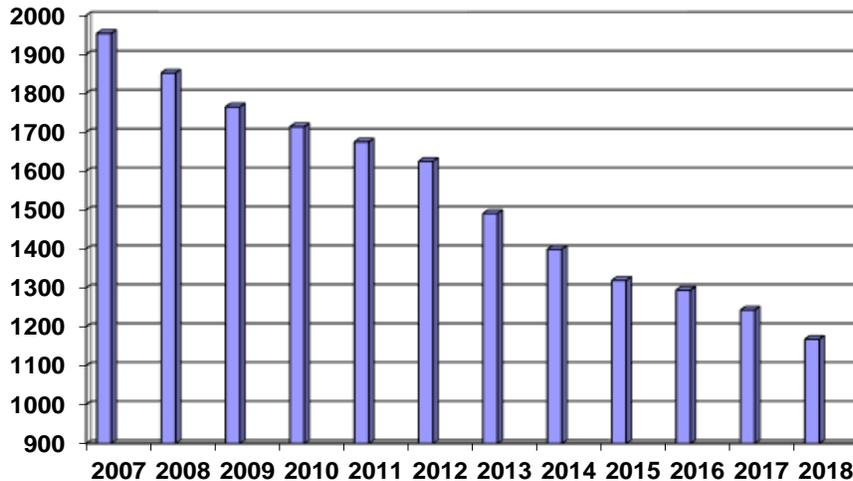
Management Discussion and Analysis For the Fiscal Year Ended June 30, 2018

ENROLLMENT

The District's 2017-18 enrollment totaled 1,168 students. This is a decrease in enrollment of 75 students from the prior year. The District is still experiencing declining enrollment due to low birth rates in Genesee County. Enrollment is expected to continue to decline for fiscal year 2018-19.

Enrollment history over the last ten years can be illustrated as follows:

Enrollment History



Enrollment is important to the financial health of the District because State funding is based on a per-pupil formula.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2018, the School District had over \$30 million invested in land and buildings, furniture and equipment, vehicles and buses. Of this amount, \$15.15 million has been depreciated. Net book value totals \$14.98 million. The District's buildings range in years of construction from 1952 to 1978. The majority of the buildings were constructed in the 1960's. The District is committed to the timely repairs and maintenance of its facilities.

CAPITAL ASSETS AT YEAR END (NET OF DEPRECIATION) (IN MILLIONS)

| | Governmental Activities |
|-------------------------|----------------------------|
| Land and Improvements | \$.12 |
| Buildings and Additions | 14.67 |
| Furniture and Equipment | .07 |
| Vehicles and Buses | .12 |
| Total | <u>\$14.98</u> |

LAKEVILLE COMMUNITY SCHOOLS-OTISVILLE, MICHIGAN

Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Debt

OUTSTANDING DEBT AT YEAR-END

The major outstanding debt is the debt fund for the 2012 Bond Issue. We made the tenth payment on the Energy Bond Loan which will be paid off over the next five years. Payments were also made on the 2012 Bond Issue.

For more detailed information regarding capital assets and debt administration, please review the Notes to the Basic Financial Statements located in the financial section of this report.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This report is designed to give an overview of the financial conditions of Lakeville Community Schools. If you should desire additional detailed financial program audits, they can be obtained by contacting the following person:

Mike Lytle, Superintendent
Lakeville Community Schools
(810) 591-6525

BASIC FINANCIAL STATEMENTS

LAKEVILLE COMMUNITY SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2018

| | | Governmental Activities |
|--|----|----------------------------|
| ASSETS | | |
| Cash, Cash Equivalents and Investments | \$ | 1,751,731 |
| Accounts Receivable | | 41,011 |
| Due from Other Governmental Units | | 2,068,926 |
| Prepaid Expenses | | 10,224 |
| Inventory | | 5,989 |
| Capital Assets: | | |
| Land and Land Improvements | | 118,000 |
| Buildings and Improvements | | 29,469,414 |
| Equipment and Furniture | | 239,298 |
| Vehicles | | 296,557 |
| Less: Accumulated Depreciation | | (15,146,119) |
| Net Capital Assets | | 14,977,150 |
| Total Assets | | 18,855,031 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred Pension Amounts | | 3,090,766 |
| Deferred OPEB amounts | | 279,073 |
| | | 3,369,839 |
| LIABILITIES | | |
| Accounts Payable | | 59,544 |
| State Aid Loan Payable | | 445,663 |
| Salaries Payable | | 502,538 |
| Accrued Expenses | | 333,478 |
| Advances from Grantors | | 352,869 |
| Accrued Interest on Long-Term Debt | | 45,398 |
| Long-Term Liabilities: | | |
| Due Within One Year | | 896,724 |
| Due in More than One Year: | | |
| Net Pension Liability | | 15,173,872 |
| Net OPEB liability | | 5,183,175 |
| Other | | 6,401,970 |
| | | 29,395,231 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Bond Premium on Bond Refunding | | 98,251 |
| Deferred Pension Amounts | | 2,051,312 |
| Deferred OPEB amounts | | 175,230 |
| | | 2,324,793 |
| NET POSITION | | |
| Net Investment in Capital Assets | | 7,855,487 |
| Restricted for: | | |
| Debt Service | | 290,646 |
| Unrestricted | | (17,641,287) |
| | | (9,495,154) |
| Total Net Position | \$ | (9,495,154) |

LAKEVILLE COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

| | | Program Revenues | | |
|---|----------------------|-------------------------|--|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Position |
| Functions/Programs: | | | | |
| Governmental Activities: | | | | |
| Instruction | \$ 7,108,479 | \$ - | \$ 2,316,231 | \$ (4,792,248) |
| Support Services | 4,152,175 | 81,597 | 118,924 | (3,951,654) |
| Community Services | 51,531 | 8,825 | - | (42,706) |
| Food Services | 741,933 | 163,930 | 554,192 | (23,811) |
| Support Services Other | 253,690 | 67,037 | - | (186,653) |
| Early Childhood Services | 41,070 | 41,070 | - | - |
| Interest and Other Cost on Long-Term Debt | 254,844 | - | 178,324 | (76,520) |
| Unallocated Depreciation | 87,363 | - | - | (87,363) |
| | <u>\$ 12,691,085</u> | <u>\$ 362,459</u> | <u>\$ 3,167,671</u> | <u>(9,160,955)</u> |
| General Purpose Revenues: | | | | |
| | | | | 2,252,562 |
| Property Tax | | | | 7,696,418 |
| State School Aid - Unrestricted | | | | 1,280 |
| Unrestricted Contributions | | | | 1,530 |
| Investment Earnings | | | | 122,804 |
| Miscellaneous | | | | <u>10,074,594</u> |
| | | | Total General Revenue | <u>10,074,594</u> |
| | | | Change in Net Position | 913,639 |
| | | | Net Position - July 1 (Restated - See Note 13) | <u>(10,408,793)</u> |
| | | | Net Position - June 30 | <u>\$ (9,495,154)</u> |

LAKEVILLE COMMUNITY SCHOOLS
BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2018

| | General Fund | Debt Service Funds | Non-Major Governmental Funds | Total Governmental Funds |
|---|---------------------|--------------------------|------------------------------------|--------------------------------|
| Assets: | | | | |
| Cash and Investments | \$ 1,269,895 | \$ 290,646 | \$ 191,190 | \$ 1,751,731 |
| Accounts Receivable | 2,055 | - | 38,956 | 41,011 |
| Due from Other Governmental Units | 2,068,926 | - | - | 2,068,926 |
| Prepaid Expenses | 6,739 | - | 3,485 | 10,224 |
| Inventory | - | - | 5,989 | 5,989 |
| | <u>3,347,615</u> | <u>290,646</u> | <u>239,620</u> | <u>3,877,881</u> |
| Total Assets | \$ 3,347,615 | \$ 290,646 | \$ 239,620 | \$ 3,877,881 |
| Liabilities and Fund Balance | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$ 58,004 | \$ - | \$ 1,540 | \$ 59,544 |
| State Aid Loan Payable | 445,663 | - | - | 445,663 |
| Salaries Payable | 499,328 | - | 3,210 | 502,538 |
| Accrued Expenses | 333,478 | - | - | 333,478 |
| Advances from Grantors | 347,503 | - | 5,366 | 352,869 |
| | <u>1,683,976</u> | <u>-</u> | <u>10,116</u> | <u>1,694,092</u> |
| Total Liabilities | 1,683,976 | - | 10,116 | 1,694,092 |
| Fund Balance: | | | | |
| Non-Spendable | 6,739 | - | 9,474 | 16,213 |
| Restricted for: | | | | |
| Debt Retirement | - | 290,646 | - | 290,646 |
| Child Care | - | - | 1,242 | 1,242 |
| Food Service | - | - | 218,788 | 218,788 |
| Assigned | 262,915 | - | - | 262,915 |
| Unassigned | 1,393,985 | - | - | 1,393,985 |
| | <u>1,663,639</u> | <u>290,646</u> | <u>229,504</u> | <u>2,183,789</u> |
| Total Fund Balance | 1,663,639 | 290,646 | 229,504 | 2,183,789 |
| Total Liabilities and Fund Balance | \$ 3,347,615 | \$ 290,646 | \$ 239,620 | \$ 3,877,881 |

LAKEVILLE COMMUNITY SCHOOLS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2018

| | | |
|---|---------------------|---------------------------|
| Total Governmental Fund Balances | \$ | 2,183,789 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. | | |
| Cost of Capital Assets | \$ 30,123,269 | |
| Accumulated Depreciation | <u>(15,146,119)</u> | |
| Net Capital Assets | | 14,977,150 |
| Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-Term Liabilities at year end consist of: | | |
| Bonds Payable | \$ (7,121,663) | |
| Compensated Absences Payable | (177,031) | |
| Net Pension Liability | (15,173,872) | |
| Net OPEB Liability | <u>(5,183,175)</u> | |
| Total Long-Term Liabilities | | (27,655,741) |
| Deferred inflows related to bond refundings are not included as liabilities in governmental funds. | | |
| Bond Premium | | (98,251) |
| Deferred inflows and outflows related to the implementation of GASB Statement No. 68 are not included as assets and liabilities in the governmental funds: | | |
| Deferred Inflows | | (2,051,312) |
| Deferred Outflows | | 3,090,766 |
| Deferred inflows and outflows related to the implementation of GASB Statement No. 75 are not included as assets and liabilities in the governmental funds: | | |
| Deferred Inflows | | (175,230) |
| Deferred Outflows | | 279,073 |
| In the Statement of Net Position, interest has been accrued on bonds payable as of June 30, 2018 | | <u>(45,398)</u> |
| Total Net Position - Governmental Activities | \$ | <u><u>(9,495,154)</u></u> |

LAKEVILLE COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

| | General Fund | Debt Service Funds | Non-Major Governmental Funds | Total Governmental Funds |
|--|------------------|--------------------------|------------------------------------|--------------------------------|
| Revenues: | | | | |
| Property Taxes | \$ 1,044,901 | \$ 1,207,661 | \$ - | \$ 2,252,562 |
| Other Local Sources | 278,720 | 1,390 | 205,081 | 485,191 |
| State Sources | 9,156,200 | 24,816 | 17,124 | 9,198,140 |
| Federal Sources | 785,844 | 153,508 | 537,068 | 1,476,420 |
| Incoming Transfers & Other Transactions | 149,136 | - | - | 149,136 |
| Total Revenues | 11,414,801 | 1,387,375 | 759,273 | 13,561,449 |
| Expenditures: | | | | |
| Instruction: | | | | |
| Basic Programs | 5,092,865 | - | - | 5,092,865 |
| Added Needs | 1,405,900 | - | - | 1,405,900 |
| Total Instruction | 6,498,765 | - | - | 6,498,765 |
| Support Services: | | | | |
| Pupil Services | 677,715 | - | - | 677,715 |
| Instructional Staff Services | 290,103 | - | - | 290,103 |
| General Administration | 291,432 | - | - | 291,432 |
| School Administration | 709,625 | - | - | 709,625 |
| Business Services | 189,087 | - | - | 189,087 |
| Operation & Maintenance | 913,428 | - | - | 913,428 |
| Pupil Transportation | 960,766 | - | - | 960,766 |
| Central Services | 172,155 | - | - | 172,155 |
| Support Services Other | 249,348 | - | 747,206 | 996,554 |
| Community Services | 51,531 | - | - | 51,531 |
| Principal Retirement | - | 1,160,000 | - | 1,160,000 |
| Interest on Debt | - | 229,669 | - | 229,669 |
| Other Fees | - | 1,353 | - | 1,353 |
| Total Support Services | 4,505,190 | 1,391,022 | 747,206 | 6,643,418 |
| Total Expenditures | 11,003,955 | 1,391,022 | 747,206 | 13,142,183 |
| Excess/(Deficiency) of Revenues Over/(Under) Expenditures | 410,846 | (3,647) | 12,067 | 419,266 |
| Other Financing Sources/(Uses): | | | | |
| Operating Transfers | 33,448 | - | (33,448) | - |
| Principal & Interest Payments | (106,620) | - | - | (106,620) |
| Total Other Financing Sources/(Uses) | (73,172) | - | (33,448) | (106,620) |
| Net Changes in Fund Balance | 337,674 | (3,647) | (21,381) | 312,646 |
| Fund Balance - July 1 | 1,325,965 | 294,293 | 250,885 | 1,871,143 |
| Fund Balance - June 30 | \$ 1,663,639 | \$ 290,646 | \$ 229,504 | \$ 2,183,789 |

LAKEVILLE COMMUNITY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

| | | |
|---|------------------|-----------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ | 312,646 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| <p>Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.</p> | | |
| Capitalized assets | \$ 11,152 | |
| Depreciation expense | <u>(910,342)</u> | (899,190) |
| <p>Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position. This is the amount of repayments reported as expenditures in the Governmental Funds.</p> | | |
| | | 1,235,000 |
| <p>Repayment of bus loans, sewer assessments, and water filtration system are expenditures in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position. This is the amount of repayments reported as expenditures in the Governmental Funds.</p> | | |
| | | 4,321 |
| <p>Amortization of debt issue discounts and premiums are recorded in the Statement of Activities over the life of the bonds. This is the amount of the amortization of debt issue discounts and premiums for the current year.</p> | | |
| | | 9,825 |
| <p>Accumulated unpaid benefits are recorded as liabilities in the Statement of Net Position but are not recorded in the Governmental Funds Statement. This is the increase in accumulated unpaid benefits.</p> | | |
| | | (27,676) |
| <p>Interest on Long-Term Debt in the Statement of Activities includes accrued interest while the Governmental Funds statement does not. This is the decrease in accrued interest on Long-Term Debt.</p> | | |
| | | 3,477 |
| <p>Pension expense in the government-wide statements has been adjusted to reflect the requirements of GASB No. 68. This is the amount of the adjustment to pension expense in the government-wide statements.</p> | | |
| | | 338,646 |
| <p>OPEB expense in the government-wide statements has been adjusted to reflect the requirements of GASB No. 75. This is the amount of the adjustment to OPEB expense in the government-wide statements.</p> | | |
| | | <u>(63,410)</u> |
| Change in Net Position of Governmental Activities | \$ | <u>913,639</u> |

LAKEVILLE COMMUNITY SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

| | <u>Agency Funds</u> |
|---------------------------------|-------------------------|
| Assets: | |
| Cash and Cash Equivalents | \$ <u>83,660</u> |
| Liabilities: | |
| Due to Student and Other Groups | \$ <u>83,660</u> |

NOTES TO FINANCIAL STATEMENTS

LAKEVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Lakeville Community Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

Reporting Entity

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes and determine its budget, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

Basic Financial Statements – Government-wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts: net investment in capital assets; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. General government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating grants and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District allocates indirect costs to the Food Service Fund and Early Childhood Fund. The amounts allocated for the year ended June 30, 2018 amounted to \$33,448. Interfund transactions have been eliminated in the government-wide financial statements.

Basic Financial Statements - Fund Financial Statements

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

LAKEVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1 – Summary of Significant Accounting Policies – (continued)

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Early Childhood Funds.

Debt Service Funds

The Debt Service Funds are used to record tax and interest revenue and the payment of general long-term debt principal, interest and related cost. The District maintains debt service funds for the 2012 issue and the 2015 refunding issue.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent.

Activities (Agency) Funds

Agency Funds are used to account for assets held by the School District as an agent, are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Basis of Accounting/Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt are recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

Cash and Investments

Cash and cash equivalents include amounts in demand deposits, sweep accounts, and certificate of deposits with original maturities less than 180 days. The District reports its investments in accordance with Governmental Accounting Standards Board (GASB) *Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External*

LAKEVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1 – Summary of Significant Accounting Policies – (continued)

Investment Pools and No. 40, Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), or National Credit Union Administration (NCUA), respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, mutual funds composed of investments outlined above, and investment pools, as authorized by the surplus funds investment pool act, Act. No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

Inventories

Items purchased for future use are recorded as inventory and charged to expenditure accounts when requisitioned for use. General and Food Service Fund inventories consists of food and paper goods recorded at cost and commodity inventory recorded at fair market value as determined by the USDA.

Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. The District has adopted a \$5,000 capitalization threshold for recording capital assets. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is computed on the straight-line basis over the estimated useful lives as follows:

| | |
|--------------------------|---------------|
| Buildings and Additions | 20 – 50 years |
| Buses and Other Vehicles | 5 – 10 years |
| Furniture and Equipment | 5 – 20 years |

Deferred Outflows of Resources

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period.

Property Taxes

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the District's boundaries. The District's entire tax base is within Genesee and Lapeer Counties.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 15. Collections are forwarded to the District as collected by the assessing municipality. Real property taxes uncollected as of March 1 are purchased by Genesee and Lapeer Counties and remitted to the District by June 30.

LAKEVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1 – Summary of Significant Accounting Policies – (continued)

Property taxes are recognized in the accounting period when they become measurable and available to finance operations. Available means when due or past due and receivable within the current period and collected no longer than 60 days after the current period.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Compensated Absences

Teachers and other employees earn sick days at the rate of 12 days per year. Employees with a minimum of ten (10) years of service with the District, either upon retirement or upon resignation, shall be compensated, based on their contract, at the average rate of 50% of unused accumulated sick leave to a maximum of ninety (90) days. Total estimated liability for unpaid sick days, including salary-related payments, was \$177,030 and \$149,355 at June 30, 2018 and 2017, respectively.

Vacation time earned but not used at June 30, 2018 and 2017 amounted to \$-0- and \$-0-, respectively.

Pension

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

Postemployment Benefits Other Than Pensions

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

Economic Dependency

The District receives approximately 76% of its operating revenue through the foundation allowance from the State of Michigan. This figure includes property taxes collected for operations.

Concentrations

Substantially all employees of the District are covered under collective bargaining agreements. The paraprofessionals' contract expired June 30, 2018 and is currently being negotiated. The following table details the terms of the District's employment contracts:

| | <u>Expiration Date</u> |
|----------------------------------|------------------------|
| Administrators' Contract | June 30, 2020 |
| Teachers' Contract | June 30, 2019 |
| Cafeteria Employees' Contract | June 30, 2021 |
| Secretaries Association Contract | June 30, 2019 |

LAKEVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 2 – Budget and Budgetary Accounting

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General, Special Revenue, and Debt Retirement Funds and an informational study of Capital Project Funds of school districts prior to the expenditure of monies in a fiscal year.

The Board of Education adopts appropriations utilizing the modified accrual basis of accounting for all governmental funds. The appropriation level adopted by the Board is the level of control authorized by the Act. The Act requires expenditures to be budgeted on a functional basis. A district is not considered to be in violation of the Act if reasonable procedures are in use by the District to detect violations.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The District's superintendent submits to the Board of Education a proposed budget by July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. The superintendent is authorized to transfer budgeted amounts between functions within any fund with the approval of the Budget and Finance Committee; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
4. Budgets for the General, Debt Service, and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles.
5. Budgeted amounts are as originally adopted, or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations, which were amended.
6. Appropriations lapse at year-end and, therefore, cancel all encumbrances. These appropriations are reestablished at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as required supplementary information.

Budgetary information

Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. In the body of the financial statements, the District's actual and budgeted expenditures for the period have been shown as adopted by function on a modified accrual basis.

Note 3 – Cash and Investments

Interest Rate Risk

Is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District's policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities and are invested primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools.

Concentration of Credit Risk

Is the risk of loss attributed to the magnitude of the District's investment in a single issuer. Cumulatively, portfolios of the District may not be invested in any given financial institution in excess of 5% of such institution's total assets. Additionally, no more than 5% of the total District portfolio may be placed with any single financial institution with the exception of repurchase agreements. U.S. government securities and 2a7-like investment pools are excluded from these restrictions.

LAKEVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 3 – Cash and Investments – (continued)

Credit Risk

Is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits this exposure by mandating that the District's investments in commercial paper and corporate bonds be limited to those with a prime rating or better issued by nationally recognized statistical rating organizations (NRSROs).

Custodial Credit Risk for Deposits

Is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities, if any, in the possession of an outside party. At June 30, 2018, the District had \$250,000 of its deposit balances insured and \$1,747,427 of its deposit balances uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent.

Custodial Credit Risk for Investments

Is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. This risk is minimized by the District through limiting investments to those of a prime or better rating and pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors.

Foreign Currency Risk

Is the risk that changes in exchange rates will adversely affect the fair value of an investment. The District is not authorized to invest in investments that would be subject to this type of risk.

Note 4 – Changes in Capital Assets

Summary of capital asset transactions:

| | <u>July 1, 2017</u> | <u>Additions</u> | <u>Adjustments</u> | <u>June 30, 2018</u> |
|---------------------------|----------------------|---------------------|--------------------|----------------------|
| Assets not Depreciated | | | | |
| Land & Improvements | \$ 118,000 | \$ - | \$ - | \$ 118,000 |
| Other Capital Assets: | | | | |
| Buildings & Additions | 29,469,414 | - | - | 29,469,414 |
| Furniture & Equipment | 228,146 | 11,152 | - | 239,298 |
| Buses & Other Vehicles | 296,557 | - | - | 296,557 |
| | <u>30,112,117</u> | <u>11,152</u> | <u>-</u> | <u>30,123,269</u> |
| Subtotal | 30,112,117 | 11,152 | - | 30,123,269 |
| Accumulated Depreciation: | | | | |
| Buildings & Additions | (13,921,521) | (878,649) | - | (14,800,170) |
| Furniture & Equipment | (161,504) | (7,939) | - | (169,443) |
| Buses & Other Vehicles | (152,752) | (23,754) | - | (176,506) |
| | <u>(14,235,777)</u> | <u>(910,342)</u> | <u>-</u> | <u>(15,146,119)</u> |
| Subtotal | (14,235,777) | (910,342) | - | (15,146,119) |
| Net Capital Assets | <u>\$ 15,876,340</u> | <u>\$ (899,190)</u> | <u>\$ -</u> | <u>\$ 14,977,150</u> |

LAKEVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 4 – Changes in Capital Assets – (continued)

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as “unallocated”. Depreciation was recorded on the Statement of Activities as follows:

| | | |
|----------------------------|----|----------------|
| Instruction | \$ | 786,266 |
| Support Services | | 30,023 |
| Food Service | | 2,349 |
| Athletics | | 4,343 |
| Unallocated | | <u>87,363</u> |
| Total Depreciation Expense | \$ | <u>910,342</u> |

Note 5 – Long-Term Debt

The following is a summary of long-term debt transactions for the year ended June 30, 2018:

| | Balance | | Retirements & Payments | Balance | Less: | Total Due after |
|------------------|---------------------|------------------|------------------------------|---------------------|------------------------|--------------------|
| | <u>June 30,2017</u> | <u>Additions</u> | <u>Payments</u> | <u>June 30,2018</u> | <u>Current Portion</u> | <u>One Year</u> |
| Bonds | \$7,740,000 | \$ - | \$1,160,000 | \$6,580,000 | \$790,000 | \$5,790,000 |
| Energy Bonds | 500,000 | - | 75,000 | 425,000 | 80,000 | 345,000 |
| Sewer Assessment | 120,984 | - | 4,321 | 116,663 | 4,321 | 112,342 |
| Comp Absences | <u>149,355</u> | <u>27,676</u> | <u>-</u> | <u>177,031</u> | <u>22,403</u> | <u>154,628</u> |
| Totals | <u>\$8,510,339</u> | <u>\$ 27,676</u> | <u>\$1,261,724</u> | <u>\$7,298,694</u> | <u>\$ 876,724</u> | <u>\$6,401,970</u> |

2008 Energy Conservation Improvements Bonds

The general obligation bonds are payable from the General Fund and consist of \$1,050,000 issued on May 1, 2008 for the purpose of acquisition and construction of energy improvements. They are due in annual installments of \$65,000-\$90,000 through May 1, 2023, with interest rate at 4.125%.

2012 School Bonds

The general obligation bonds are payable from the Debt Service Fund and consist of \$7,435,000 issued on October 17, 2012. The bonds include a 2012-A issue in the amount of \$2,435,000 and a 2012-B issue in the amount of \$5,000,000, with this issue classified as a “Qualified Zone Academy Bond,” for which the annual interest costs are offset by an annual federal subsidy. Both issues are for the purpose of acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. They are due in annual installments of \$70,000-\$790,000 through May 1, 2027, with interest from 2.0%-3.75%. As of June 30, 2018, the Debt Service Fund had a balance of \$204,756 to pay this debt. Future debt and interest will be payable from future tax levies, as well as the annual federal interest subsidy.

2015 Refunding Bonds

On March 17, 2015, \$2.805 million in general obligation bonds with an average interest rate of 1.39% were issued to advance refund \$3.7 million of outstanding bonds of the 2005 debt issue with an average interest rate of 4%. The net proceeds of \$2,830,500 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As of June 30, 2018, the Debt Service Fund had a balance of \$85,890. These bonds were paid in full during 2017-18.

LAKEVILLE COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

Note 5 – Long-Term Debt – (continued)

Future principal and interest requirements for bonded debt, bus loans, and water filter system debt are as follows:

| Year Ended June 30, | Principal | Interest | Total |
|------------------------|---------------------|---------------------|---------------------|
| 2019 | \$ 874,321 | \$ 235,969 | \$ 1,110,290 |
| 2020 | 874,321 | 208,731 | 1,083,052 |
| 2021 | 804,321 | 181,493 | 985,814 |
| 2022 | 809,321 | 158,800 | 968,121 |
| 2023 | 809,321 | 134,473 | 943,794 |
| 2024-2028 | 2,876,605 | 285,778 | 3,162,383 |
| 2029-2033 | 21,605 | 17,823 | 39,428 |
| 2034-2038 | 21,605 | 11,882 | 33,487 |
| 2039-2043 | 21,605 | 5,942 | 27,547 |
| 2044-2045 | 8,638 | 713 | 9,351 |
| Total | <u>\$ 7,121,663</u> | <u>\$ 1,241,604</u> | <u>\$ 8,363,267</u> |

The payment dates of compensated absences are indeterminable.

Interest expenditures for the year ended June 30, 2018 in the General and Debt Service Funds for long-term debt service were \$27,278 and \$229,669, respectively.

Note 6 – Interfund Transfers

The District made the following interfund transfers during the year:

| | General Fund | Food Service Fund | Early Childhood Fund |
|-------|-----------------|----------------------|-------------------------|
| To: | \$ 33,448 | \$ - | \$ 2,521 |
| From: | \$ - | \$ 35,969 | \$ - |

The transfers were for the purpose of recovering indirect costs in the Food Service Fund and Early Childhood Fund.

Note 7 - Fund Balance

Non-spendable, Restricted, Committed, Assigned and Unassigned

The Board of Education adopts a budget each year that includes the appropriation of fund balance. Non-spendable fund balance represents assets that are not available in spendable form and are not expected to be converted to cash.

Non-spendable:

| | |
|---------------------|------------------|
| Inventory | \$ 5,989 |
| Prepaid expenses | <u>10,224</u> |
| Total Non-spendable | <u>\$ 16,213</u> |

LAKEVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 7 - Fund Balance – (continued)

Restricted fund balances are reported separately to show legal constraints from debt covenants and legislation that limits the School District's ability to use those fund balances for day-to-day operations.

Restricted:

| | |
|------------------|-------------------|
| Debt service | \$ 290,646 |
| Child care | 1,242 |
| Food service | <u>218,788</u> |
| Total Restricted | <u>\$ 510,676</u> |

Assigned fund balance represents amounts intended to be used for specific purposes expressed by the Board of Education, Finance Committee, or the official authorized by the governing body. Residual amounts in governmental funds other than the General Fund are also assigned. The Board of Education adopted the 2018-19 General Fund budget whereby expenditures exceeded revenues by \$262,915. This amount is shown as Assigned fund balance as of June 30, 2018.

Committed fund balance represents constrained amounts imposed by school board resolution. The District had no amounts committed at June 30, 2018.

Unassigned fund balance is reported only in the General Fund and represents the remaining fund balance after non-spendable, restrictions, and assignments have been made.

The District applies restricted resources first for applicable expenditures. Assigned fund equity is applied when expenditures are incurred for the assigned purpose, followed by unassigned fund equity for budgeted expenditures.

Note 8 – Contingencies and Commitments

The District has received federal and state grants for specific purposes. These grants are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

Note 9 – Risk Management

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft and damage to various tort and liability claims. The district limits its exposure to such claims through its participation in and payment of premiums to the MASB-SEG Property/Casualty Pool, Inc. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may assess its member districts on a pro-rata basis to cover excess losses. In past years, the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

LAKEVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 10 – State Aid Anticipation Loan

The District was issued a State Aid Anticipation Loan through Michigan Finance Authority in the amount of \$1,300,000 on August 22, 2016. This loan had interest rates ranging between .76% and 1.133% and matured on July 20, 2017. At June 30, 2017, there was a balance of \$445,263, including interest. This loan was paid in full on July 20, 2017.

The District was issued a State Aid Anticipation Loan through Michigan Finance Authority in the amount of \$1,300,000 on August 21, 2017. This loan has interest rates ranging between .76% and 1.133% and matures on August 20, 2018. At June 30, 2018, there was a balance of \$445,663, including interest. This loan was paid in full on August 20, 2018.

Note 11 – Defined Benefit Pension Plan

Plan Description

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

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

LAKEVILLE COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

Note 11 – Defined Benefit Pension Plan – (continued)

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20 year period for the 2016 fiscal year.

The schedule below summarizes pension contribution rates in effect for fiscal year 2017.

Pension Contribution Rates

| Benefit Structure | Member | Employer |
|--------------------------|---------------|-----------------|
| Basic | 0.0 - 4.0 % | 19.03 % |
| Member Investment Plan | 3.0 - 7.0 | 19.06 |
| Pension Plus | 3.0 - 6.4 | 18.40 |
| Defined Contribution | 0.0 | 15.27 |

Required contributions to the pension plan from the District were \$1,373,406 for the year ended September 30, 2017.

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

At June 30, 2018, The District reported a liability of \$15,173,872 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2016. The District's proportionate share of the net pension liability was determined by dividing each district's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable districts during the measurement period. At September 30, 2017, the District's proportion was .05855 percent, which was a decrease of .004 percent from its proportion measured as of September 30, 2016.

LAKEVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 11 – Defined Benefit Pension Plan – (continued)

For the year ended June 30, 2018, the District recognized total pension expense of \$1,124,251. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 131,871 | \$ 74,455 |
| Changes of assumptions | 1,662,418 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 725,411 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 17,774 | 1,251,446 |
| District contributions subsequent to the measurement date* | <u>1,278,702</u> | <u>-</u> |
| Total | \$ <u>3,090,765</u> | \$ <u>2,051,312</u> |

*Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future Pension Expenses)

| Year Ending June 30 | Amount: |
|---------------------|-------------|
| 2018 | \$(172,109) |
| 2019 | \$ 114,608 |
| 2020 | \$ (49,922) |
| 2021 | \$(131,826) |

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

LAKEVILLE COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

Note 11 – Defined Benefit Pension Plan – (continued)

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Actuarial Assumptions

| | |
|-------------------------------------|---|
| Valuation Date | September 30, 2016 |
| Actuarial Cost Method: | Entry Age, Normal |
| Wage Inflation Rate: | 3.5% |
| Investment Rate of Return | |
| - MIP and Basic Plans (Non-Hybrid): | 7.5% |
| - Pension Plus Plan (Hybrid): | 7.0% |
| Projected Salary Increases: | 3.5 - 12.3%, including wage inflation at 3.5% |
| Cost-of-Living Pension Adjustments: | 3% Annual Non-Compounded for MIP Members |

Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the system. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Notes:

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.5188
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found in the OS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017, are summarized in the following table:

LAKEVILLE COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

Note 11 – Defined Benefit Pension Plan – (continued)

| Asset Class | Target Allocation | Long Term Expected Real Rate of Return* |
|--------------------------------------|------------------------------|--|
| Domestic Equity Pools | 28.0 % | 5.6 % |
| % Alternative Investment Pools | 18.0 | 8.7 |
| International Equity | 16.0 | 7.2 |
| Fixed Income Pools | 10.5 | (0.1) |
| Real Estate and Infrastructure Pools | 10.0 | 4.2 |
| Absolute Return Pools | 15.5 | 5.0 |
| Short Term Investment Pools | <u>2.0</u> | (0.9) |
| TOTAL | <u>100.0</u> % | |

*Long term rate of return does not include 2.3% inflation

Rate of Return

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 13.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.5% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long term expected rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

As required by GASB Statement No. 68, the following presents the District's proportionate share of the net pension liability, calculated using a discount rate of 7.5% (7.0% for the Hybrid Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

| 1% Decrease (Non-Hybrid/Hybrid)* | Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* | 1% Increase (Non-Hybrid/Hybrid)* |
|---|---|---|
| 6.5% / 6.0% | 7.5% / 7.0% | 8.5% / 8.0% |
| \$19,766,508 | \$15,173,872 | \$11,307,165 |

Michigan Public Schools Employees Retirement System (MPSERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available at www.michigan.gov/orsschools.

LAKEVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 12 – Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

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

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, and dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by the State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient.

For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by the statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2018 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

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

LAKEVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 12 – Postemployment Benefits Other Than Pensions (OPEB) – (continued)

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2017.

OPEB Contribution Rates

| Benefit Structure | Member | Employer |
|--------------------------------|--------|----------|
| Premium Subsidy | 3.00 % | 5.91 % |
| Personal Healthcare Fund (PHF) | 0.00 % | 5.69 % |

Required contributions to the pension plan from the District were \$455,687 for the year ended September 30, 2017.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the District reported a liability of \$5,183,175 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2016. The District's proportion share of the net OPEB liability was determined by dividing each district's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable districts during the measurement period. At September 30, 2017, the District's proportion was .0585 percent, which was a decrease of .055 percent from its proportion measured as of October 1, 2016.

For the year ended June 30, 2018, the District recognized total OPEB expense of \$175,230. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ - | \$ 55,186 |
| Changes of assumptions | - | - |
| Net difference between projected and actual earnings on OPEB plan investments | - | 120,044 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 958 | - |
| District contributions subsequent to the measurement date* | <u>278,115</u> | - |
| Total | \$ <u>279,073</u> | \$ <u>175,230</u> |

LAKEVILLE COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

Note 12 – Postemployment Benefits Other Than Pensions (OPEB) – (continued)

* Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflows) and Deferred Outflows of Resources by Year (To Be Recognized in Future OPEB Expenses)

| Year Ending June 30, | Amount: |
|----------------------|------------|
| 2018 | \$(42,131) |
| 2019 | \$(42,131) |
| 2020 | \$(42,131) |
| 2021 | \$(42,131) |
| 2022 | \$ (5,748) |

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Actuarial Assumptions

| | |
|-----------------------------|---|
| Valuation Date | September 30, 2015 |
| Actuarial Cost Method: | Entry Age, Normal |
| Wage Inflation Rate: | 3.5% |
| Investment Rate of Return | 7.5% |
| Projected Salary Increases: | 3.5 - 12.3%, including wage inflation at 3.5% |
| Healthcare Cost Trend Rate: | 7.5% Year 1 graded to 3.5% Year 12 |

Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Other Assumptions:

| | |
|---------------------------------|---|
| Opt Out Assumptions | 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan |
| Survivor Coverage | 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death |
| Coverage Election at Retirement | 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents |

LAKEVILLE COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

Note 12 – Postemployment Benefits Other Than Pensions (OPEB) – (continued)

Notes:

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.4744
- Recognition period for assets in years is 5.0000
- All actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found in the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2017, are summarized in the following table:

| Asset Class | Target Allocation | Long Term Expected Real Rate of Return* |
|--------------------------------------|------------------------------|--|
| Domestic Equity Pools | 28.0 % | 5.6 % |
| % Alternative Investment Pools | 18.0 | 8.7 |
| International Equity | 16.0 | 7.2 |
| Fixed Income Pools | 10.5 | (0.1) |
| Real Estate and Infrastructure Pools | 10.0 | 4.2 |
| Absolute Return Pools | 15.5 | 5.0 |
| Short Term Investment Pools | <u>2.0</u> | (0.9) |
| TOTAL | <u>100.0</u> % | |

**Long-term rate of returns are net of administrative expenses and 2.3% inflation.*

Rate of Return

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 11.82%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

LAKEVILLE COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

Note 12 – Postemployment Benefits Other Than Pensions (OPEB) – (continued)

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net OPEB liability calculated using a discount rate of 7.5%, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

| 1% Decrease | Current Single Discount Rate | 1% Increase |
|-------------|------------------------------|-------------|
| 6.5% | 7.5% | 8.5% |
| \$6,070,995 | \$5,183,175 | \$4,429,693 |

Sensitivity of the District’s Proportionate Share of the OPEB liability to Healthcare Cost Trend Rate

The following presents the District’s proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the District’s proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher:

| 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|-------------|------------------------------------|-------------|
| 6.5% | 7.5% | 8.5% |
| \$4,389,452 | \$5,183,175 | \$6,084,391 |

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2017 MPSERS CAFR, available on the ORS website at www.michigan.com/orsschools.

Note 13 – Net Position Restatement

The District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits other than Pensions,” effective for the year ended June 30, 2018. Accordingly, beginning net position in the government-wide financial statements was re-stated downward in the amount of \$5,015,922 reflecting the recognition of net OPEB liability in the financial statements.

Note 14 – Tax Abatements

Effective for the year ended June 30, 2018, the District is required to disclose significant tax abatements as required by GASB statement 77.

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by cities and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities.

As part of section 22 of the State School Aid Act, any taxes abated for the General Fund operating millage are paid to the District by the State of Michigan. The District was not significantly impacted by tax abatements for the year ended June 30, 2018.

Note 15 – Subsequent Events

Management has reviewed subsequent events through October 19, 2018, the date of the auditor’s report, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

LAKEVILLE COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

| | Budget | | | Variance with Final Budget Positive (Negative) |
|--|--------------|--------------|--------------|---|
| | Original | Final | Actual | |
| Revenues: | | | | |
| Local Sources | \$ 1,276,488 | \$ 1,369,018 | \$ 1,323,621 | \$ (45,397) |
| State Sources | 9,067,219 | 9,219,918 | 9,156,200 | (63,718) |
| Federal Sources | 826,573 | 848,584 | 785,844 | (62,740) |
| Incoming Transfers & Other Transactions | 162,080 | 152,912 | 149,136 | (3,776) |
| Total Revenues | 11,332,360 | 11,590,432 | 11,414,801 | (175,631) |
| Expenditures: | | | | |
| Education: | | | | |
| Instruction : | | | | |
| Basic Programs | 5,052,072 | 5,204,102 | 5,092,865 | 111,237 |
| Added Needs | 1,652,844 | 1,568,177 | 1,405,900 | 162,277 |
| Supporting Services: | | | | |
| Pupil Services | 722,719 | 696,741 | 677,715 | 19,026 |
| Instructional Staff | 260,017 | 323,646 | 290,103 | 33,543 |
| General Administration | 365,099 | 300,951 | 291,432 | 9,519 |
| School Administration | 668,092 | 723,580 | 709,625 | 13,955 |
| Business Services | 210,757 | 203,968 | 189,087 | 14,881 |
| Operations & Maintenance | 867,178 | 945,194 | 913,428 | 31,766 |
| Pupil Transportation | 921,588 | 990,437 | 960,766 | 29,671 |
| Central Services | 189,739 | 201,522 | 172,155 | 29,367 |
| Support Services Other | 250,803 | 283,069 | 249,348 | 33,721 |
| Community Services | 73,580 | 73,455 | 51,531 | 21,924 |
| Total Expenditures | 11,234,488 | 11,514,842 | 11,003,955 | 510,887 |
| Excess/(Deficiency) of Revenues Over/(Under) Expenditures | 97,872 | 75,590 | 410,846 | 335,256 |
| Other Financing Sources/(Uses) | (62,935) | (67,956) | (73,172) | (5,216) |
| Net Change in Fund Balances | 34,937 | 7,634 | 337,674 | 330,040 |
| Fund Balance - July 1 | 1,325,965 | 1,325,965 | 1,325,965 | - |
| Fund Balance - June 30 | \$ 1,360,902 | \$ 1,333,599 | \$ 1,663,639 | \$ 330,040 |

LAKEVILLE COMMUNITY SCHOOLS
 REQUIRED SUPPLEMENTAL INFORMATION
 PENSION PLAN INFORMATION
 JUNE 30, 2018

**Schedule of District's Proportionate Share of the Net Pension Liability
 Determined As of 9/30 of Each Fiscal Year**

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|---------------|---------------|---------------|---------------|
| District's proportion of net pension liability (%) | 0.05855% | 0.06220% | 0.06504% | 0.06720% |
| District's proportionate share of net pension liability | \$ 15,173,872 | \$ 15,518,359 | \$ 15,885,510 | \$ 14,802,799 |
| District's covered-employee payroll | \$ 4,996,946 | \$ 5,139,396 | \$ 5,429,527 | \$ 5,760,315 |
| District's proportionate share of net pension liability as a percentage of its covered-employee payroll | 304% | 302% | 293% | 257% |
| Plan fiduciary net position as a percentage of total pension liability | 64.21% | 63.27% | 63.17% | 66.20% |

**Schedule of the District's Contributions
 Determined as of 6/30 of Each Fiscal Year**

| | <u>2017</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|---------------------------|---------------------------|----------------------------|---------------------|
| Statutorily required contributions | \$ 1,373,406 | \$ 1,396,730 | \$ 1,254,664 | \$ 1,581,866 |
| Contributions in relation to statutorily required contributions | <u>\$ 1,458,421</u> | <u>\$ 1,413,065</u> | <u>\$ 1,423,201</u> | <u>\$ 1,581,866</u> |
| Contribution deficiency/(excess) | <u><u>\$ (85,015)</u></u> | <u><u>\$ (16,335)</u></u> | <u><u>\$ (168,537)</u></u> | <u><u>\$ -</u></u> |
| District's covered-employee payroll | \$ 4,600,187 | \$ 4,996,946 | \$ 5,253,192 | \$ 5,557,346 |
| Contributions as a percentage of covered-employee payroll | 31.70% | 28.28% | 23.88% | 28.46% |

Notes

See note 11 to the financial statements for discussion of benefit terms and assumptions.

LAKEVILLE COMMUNITY SCHOOLS
 REQUIRED SUPPLEMENTAL INFORMATION
 OPEB PLAN INFORMATION
 JUNE 30, 2018

**Schedule of District's Proportionate Share of the Net OPEB Liability
 Determined As of 9/30 of Each Fiscal Year**

| | 2017 |
|--|--------------|
| District's proportion of net OPEB liability (%) | 0.05853% |
| District's proportionate share of net OPEB liability | \$ 5,183,175 |
| District's covered-employee payroll | \$ 9,539,688 |
| District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll | 54.33% |
| Plan fiduciary net position as a percentage of total OPEB liability | 36.39% |

**Schedule of the District's Contributions
 Determined as of 6/30 of Each Fiscal Year**

| | 2018 |
|--|--------------|
| Statutorily required OPEB contributions | \$ 455,687 |
| OPEB Contributions in relation to statutorily required contributions | \$ 351,208 |
| Contribution deficiency/(excess) | \$ 104,479 |
| District's covered-employee payroll | \$ 4,596,809 |
| OPEB Contributions as a percentage of covered-employee payroll | 7.64% |

Notes

See Note 12 to the financial statements for discussion of benefit terms and assumptions.

OTHER SUPPLEMENTAL INFORMATION

LAKEVILLE COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

| | Special Revenue Funds | | Non-Major Governmental Funds Total |
|------------------------------------|-----------------------|----------------------------|---|
| | Food Service Fund | Early Childhood Fund | |
| Assets: | | | |
| Cash and Equivalents | \$ 190,234 | \$ 956 | \$ 191,190 |
| Accounts Receivable | 37,474 | 1,482 | 38,956 |
| Prepaid Expenses | 3,485 | - | 3,485 |
| Inventory | 5,989 | - | 5,989 |
| Total Assets | \$ 237,182 | \$ 2,438 | \$ 239,620 |
| Liabilities: | | | |
| Accounts Payable | \$ 1,165 | \$ 375 | \$ 1,540 |
| Salaries Payable | 2,509 | 701 | 3,210 |
| Advances from Grantors | 5,246 | 120 | 5,366 |
| Total Liabilities | 8,920 | 1,196 | 10,116 |
| Fund Balances: | | | |
| Non-Spendable | 9,474 | - | 9,474 |
| Restricted for Capital Projects | - | - | - |
| Restricted for Child Care | - | 1,242 | 1,242 |
| Restricted for Food Service | 218,788 | - | 218,788 |
| Total Fund Balance | 228,262 | 1,242 | 229,504 |
| Total Liabilities and Fund Balance | \$ 237,182 | \$ 2,438 | \$ 239,620 |

LAKEVILLE COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

| | <u>Special Revenue Funds</u> | | <u>Non-Major Governmental Funds Total</u> |
|---|------------------------------|-------------------------------------|---|
| | <u>Food Service Fund</u> | <u>Early Childhood Fund</u> | |
| Revenues: | | | |
| Revenues from Local Sources: | | | |
| Food Sales and Other Revenue | \$ 163,930 | \$ - | \$ 163,930 |
| Earnings on Investments and Deposits | 81 | - | 81 |
| Child Care Revenue | - | 41,070 | 41,070 |
| State Aid | 17,124 | - | 17,124 |
| Federal Aid: | | | |
| National School Breakfast/Lunch | 504,937 | - | 504,937 |
| U.S.D.A. Commodities | 32,131 | - | 32,131 |
| | <u>718,203</u> | <u>41,070</u> | <u>759,273</u> |
| Total Revenues | 718,203 | 41,070 | 759,273 |
| Expenditures: | | | |
| Salaries | 202,524 | 19,165 | 221,689 |
| Employee Benefits | 128,038 | 8,852 | 136,890 |
| Purchased Services | 17,953 | 14,574 | 32,527 |
| Supplies and Materials | 310,719 | 475 | 311,194 |
| Capital Outlay | 38,779 | - | 38,779 |
| Other | 5,602 | 525 | 6,127 |
| | <u>703,615</u> | <u>43,591</u> | <u>747,206</u> |
| Total Expenditures | 703,615 | 43,591 | 747,206 |
| Excess/(Deficiency) of Revenues Over/(Under) Expenditures | 14,588 | (2,521) | 12,067 |
| Other Financing Sources/(Uses): | | | |
| Operating Transfers | (35,969) | 2,521 | (33,448) |
| | <u>(35,969)</u> | <u>2,521</u> | <u>(33,448)</u> |
| Total Other Financing Sources/(Uses) | (35,969) | 2,521 | (33,448) |
| Excess/(Deficiency) of Revenues and Other Financing Sources/(Uses) Over/(Under) Expenditures | (21,381) | - | (21,381) |
| Fund Balance - July 1 | <u>249,643</u> | <u>1,242</u> | <u>250,885</u> |
| Fund Balance - June 30 | <u>\$ 228,262</u> | <u>\$ 1,242</u> | <u>\$ 229,504</u> |

LAKEVILLE COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
DEBT RETIREMENT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

| | <u>2012</u> | <u>2015</u> | <u>Total</u> |
|---|-------------------|------------------------|-------------------|
| | <u>Bond Issue</u> | <u>Refunding Issue</u> | |
| Revenues: | | | |
| Property Taxes | \$ 280,713 | \$ 926,948 | \$ 1,207,661 |
| Earnings on Investments and Deposits | 663 | 727 | 1,390 |
| State Revenue | 5,770 | 19,046 | 24,816 |
| Federal Revenue | <u>153,508</u> | <u>-</u> | <u>153,508</u> |
| Total Revenues | 440,654 | 946,721 | 1,387,375 |
| Expenditures: | | | |
| Interest on Debt | 217,020 | 12,649 | 229,669 |
| Principal Retirement | 250,000 | 910,000 | 1,160,000 |
| Fees and Tax Chargebacks | <u>813</u> | <u>540</u> | <u>1,353</u> |
| Total Expenditures | <u>467,833</u> | <u>923,189</u> | <u>1,391,022</u> |
| Excess/(Deficiency) of Revenues Over/(Under) Expenditures | (27,179) | 23,532 | (3,647) |
| Other Financing Sources/(Uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess/(Deficiency) of Revenues and Other Financing Sources/(Uses) Over/(Under) Expenditures | (27,179) | 23,532 | (3,647) |
| Fund Balance - July 1 | <u>231,935</u> | <u>62,358</u> | <u>294,293</u> |
| Fund Balance - June 30 | <u>\$ 204,756</u> | <u>\$ 85,890</u> | <u>\$ 290,646</u> |

LAKEVILLE COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

| | <u>June 30,</u> <u>2018</u> | <u>June 30,</u> <u>2017</u> |
|---|--------------------------------|--------------------------------|
| Local Sources: | | |
| Current Tax Levy | \$ 1,044,901 | \$ 1,034,995 |
| Tuition-Instruction | - | 320 |
| Earnings on Investments & Deposits | 59 | 324 |
| Athletics Revenues | 67,037 | 76,575 |
| Tuition-Community Service | 8,825 | 12,561 |
| Medicaid Fee-for-Service | 24,162 | 20,010 |
| Other Local Revenues | <u>178,637</u> | <u>164,582</u> |
| Total Revenues from Local Sources | 1,323,621 | 1,309,367 |
| State Sources: | | |
| Grants - Unrestricted: | | |
| State School Aid | 7,696,418 | 8,145,729 |
| Grants - Restricted: | | |
| Special Education | 289,512 | 259,473 |
| At Risk | 292,070 | 380,017 |
| Other Grants | <u>878,200</u> | <u>776,326</u> |
| Total Revenues from State Sources | 9,156,200 | 9,561,545 |
| Federal Sources: | | |
| Grants - Restricted | | |
| Title I | 284,768 | 289,428 |
| Title IIA | 79,086 | 78,664 |
| Title IV | 9,466 | - |
| Medicaid Outreach | 379 | 1,020 |
| Special Education - IDEA Flowthrough | 408,392 | 403,228 |
| Preschool Incentive - IDEA | <u>3,753</u> | <u>9,090</u> |
| Total Revenues from Federal Sources | 785,844 | 781,430 |
| Incoming Transfers & Other Transactions: | | |
| County Special Education Tax | 70,984 | 75,121 |
| Incoming Transfers-Other Local | <u>78,152</u> | <u>89,454</u> |
| Total Incoming Transfers & Other Transactions | 149,136 | 164,575 |
| Other Financing Sources: | | |
| Operating Transfers | 35,969 | 43,061 |
| Sale/Disposal of Fixed Assets | <u>-</u> | <u>7,200</u> |
| Total Other Financing Sources | <u>35,969</u> | <u>50,261</u> |
| Total Revenues and Other Financing Sources | \$ <u>11,450,770</u> | \$ <u>11,867,178</u> |

LAKEVILLE COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

| | Salaries & Benefits | Purchased Services | Supplies & Materials | Cap. Outlay & Other | TOTALS | |
|-------------------------------------|------------------------|-----------------------|-------------------------|------------------------|------------------|------------------|
| | | | | | June 30, 2018 | June 30, 2017 |
| Instruction: | | | | | | |
| Basic Programs: | | | | | | |
| Elementary | \$ 1,095,792 | \$ 28,987 | \$ 15,672 | \$ - | \$ 1,140,451 | \$ 1,322,000 |
| Middle School | 655,915 | 18,640 | 7,447 | 30,474 | 712,476 | 779,839 |
| High School | 937,369 | 126,651 | 20,274 | 40,298 | 1,124,592 | 1,137,244 |
| Other Basic Programs | 5,340 | - | 5,980 | - | 11,320 | - |
| Employee Benefits | 2,104,026 | - | - | - | 2,104,026 | 2,111,222 |
| Added Needs: | | | | | | |
| Special Education | 465,259 | 36,288 | 8,626 | 8,242 | 518,415 | 611,928 |
| Compensatory Education | 258,393 | 15,153 | 120,130 | 644 | 394,320 | 433,256 |
| Employee Benefits | 493,165 | - | - | - | 493,165 | 581,351 |
| Total Instruction | 6,015,259 | 225,719 | 178,129 | 79,658 | 6,498,765 | 6,976,840 |
| Support Services: | | | | | | |
| Pupil: | | | | | | |
| Attendance Services | - | 3,684 | - | - | 3,684 | 3,229 |
| Guidance Services | 238,397 | 2,362 | 2,365 | - | 243,124 | 276,972 |
| Psychological Services | - | 10,160 | 1,028 | - | 11,188 | 9,315 |
| Speech Pathology/Audiology | - | 157,359 | 866 | - | 158,225 | 144,456 |
| Social Work Services | - | - | - | 76,394 | 76,394 | 83,781 |
| Teacher Consultant | 5,062 | - | - | - | 5,062 | - |
| Other Pupil Services | 8,365 | 2,167 | - | - | 10,532 | 11,766 |
| Employee Benefits | 169,506 | - | - | - | 169,506 | 181,258 |
| Instructional Staff: | | | | | | |
| Improvement of Instruction | 72,704 | 17,029 | 79 | - | 89,812 | 79,507 |
| Media | 2,466 | - | 45 | - | 2,511 | 3,209 |
| PEG Grant Supply | - | 25 | 381 | - | 406 | 935 |
| Instruction Related Technology | - | 7,344 | - | - | 7,344 | 17,882 |
| Supervision Direction - Inst. Staff | 64,201 | 15,734 | 437 | 80 | 80,452 | 55,593 |
| Academic Student Assessment | - | - | 13,704 | - | 13,704 | 10,187 |
| Employee Benefits | 95,874 | - | - | - | 95,874 | 74,083 |
| General Administration: | | | | | | |
| Board of Education | - | 72,922 | - | 5,566 | 78,488 | 101,747 |
| Executive Administration | 113,000 | 25,238 | 744 | 1,509 | 140,491 | 107,767 |
| Employee Benefits | 72,453 | - | - | - | 72,453 | 21,186 |
| School Administration: | | | | | | |
| Office of Principal | 357,162 | 92,790 | 3,421 | 1,044 | 454,417 | 507,740 |
| Other School Administration | - | - | 8,593 | - | 8,593 | 8,674 |
| Employee Benefits | 246,615 | - | - | - | 246,615 | 268,695 |
| Business Services: | | | | | | |
| Fiscal Services | - | 3,654 | 1,417 | 133,630 | 138,701 | 137,895 |
| Internal Services | - | 9,901 | - | - | 9,901 | 9,952 |
| Other Business Services | - | 7,280 | - | 33,205 | 40,485 | 37,487 |
| Operations & Maintenance: | | | | | | |
| Operations & Maintenance of Plant | 11,000 | 523,304 | 366,540 | 4,083 | 904,927 | 819,843 |
| Employee Benefits | 8,501 | - | - | - | 8,501 | 9,101 |

(continued)

LAKEVILLE COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

| | Salaries & Benefits | Purchased Services | Supplies & Materials | Cap. Outlay & Other | TOTALS | |
|---|------------------------|-----------------------|-------------------------|------------------------|----------------------|----------------------|
| | | | | | June 30, 2018 | June 30, 2017 |
| Pupil Transportation: | | | | | | |
| Pupil Transportation Services | 11,000 | 816,219 | 75,256 | 49,793 | 952,268 | 1,041,907 |
| Employee Benefits | 8,498 | - | - | - | 8,498 | 9,097 |
| Central: | | | | | | |
| Central Services | - | 96,451 | 1,523 | 74,181 | 172,155 | 167,469 |
| Support Services Other: | | | | | | |
| Athletic Services | 47,133 | 111,972 | 19,280 | 7,284 | 185,669 | 194,742 |
| Employee Benefits | 63,679 | - | - | - | 63,679 | 35,738 |
| Total Support Services | 1,595,616 | 1,975,595 | 495,679 | 386,769 | 4,453,659 | 4,431,213 |
| Community Services: | | | | | | |
| Community Services | 36,237 | 5,933 | 5,723 | - | 47,893 | 64,810 |
| Employee Benefits | 3,638 | - | - | - | 3,638 | 4,754 |
| Total Community Services | 39,875 | 5,933 | 5,723 | - | 51,531 | 69,564 |
| Total Expenditures | 7,650,750 | 2,207,247 | 679,531 | 466,427 | 11,003,955 | 11,477,617 |
| Other Financing Uses: | | | | | | |
| Principal & Interest Payments | - | - | - | 106,620 | 106,620 | 105,155 |
| Operating Transfers | - | - | - | 2,521 | 2,521 | - |
| Total Other Financing Uses | - | - | - | 109,141 | 109,141 | 105,155 |
| Total Expenditures & Other Financing Uses | <u>\$ 7,650,750</u> | <u>\$ 2,207,247</u> | <u>\$ 679,531</u> | <u>\$ 575,568</u> | <u>\$ 11,113,096</u> | <u>\$ 11,582,772</u> |

LAKEVILLE COMMUNITY SCHOOLS
 OTHER SUPPLEMENTAL INFORMATION
 AGENCY FUNDS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2018

| | <u>Balance</u> <u>July 1, 2017</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>June 30, 2018</u> |
|---------------------------------|---------------------------------------|------------------|-------------------|--|
| Assets: | | | | |
| Cash and Cash Equivalents | \$ <u>81,250</u> | \$ <u>84,044</u> | \$ <u>81,634</u> | \$ <u>83,660</u> |
| Liabilities: | | | | |
| Due to Student and Other Groups | \$ <u>81,250</u> | \$ <u>84,044</u> | \$ <u>81,634</u> | \$ <u>83,660</u> |

LAKEVILLE COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
2012-B BOND ISSUE
SCHEDULE OF BOND INTEREST AND PRINCIPAL REQUIREMENTS
JUNE 30, 2018

| | <u>Interest Requirement</u> | <u>Rate</u> | <u>Principal Requirement</u> | <u>Totals</u> |
|------------------|---------------------------------|-------------|----------------------------------|---------------------|
| November 1, 2018 | \$ 82,310 | | \$ | \$ 82,310 |
| May 1, 2019 | 82,310 | | | 82,310 |
| November 1, 2019 | 82,310 | | | 82,310 |
| May 1, 2020 | 82,310 | | | 82,310 |
| November 1, 2020 | 82,310 | | | 82,310 |
| May 1, 2021 | 82,310 | 2.650% | 715,000 | 797,310 |
| November 1, 2021 | 72,836 | | | 72,836 |
| May 1, 2022 | 72,836 | 2.850% | 715,000 | 787,836 |
| November 1, 2022 | 62,648 | | | 62,648 |
| May 1, 2023 | 62,647 | 3.050% | 715,000 | 777,647 |
| November 1, 2023 | 51,744 | | | 51,744 |
| May 1, 2024 | 51,744 | 3.500% | 715,000 | 766,744 |
| November 1, 2024 | 39,231 | | | 39,231 |
| May 1, 2025 | 39,231 | 3.500% | 715,000 | 754,231 |
| November 1, 2025 | 26,719 | | | 26,719 |
| May 1, 2026 | 26,719 | 3.750% | 715,000 | 741,719 |
| November 1, 2026 | 13,313 | | | 13,313 |
| May 1, 2027 | 13,312 | 3.750% | 710,000 | 723,312 |
| Totals | \$ <u>1,026,840</u> | | \$ <u>5,000,000</u> | \$ <u>6,026,840</u> |

Bonds issued October 17, 2012 for the purpose of acquisition, construction and improvement of major capital facilities.

LAKEVILLE COMMUNITY SCHOOLS
 OTHER SUPPLEMENTAL INFORMATION
 2012-A BOND ISSUE
 SCHEDULE OF INTEREST AND PRINCIPAL PAYMENTS
 JUNE 30, 2018

| | <u>Interest Requirement</u> | <u>Rate</u> | <u>Principal Requirement</u> | <u>Totals</u> |
|------------------|---------------------------------|-------------|----------------------------------|---------------------|
| November 1, 2018 | \$ 23,700 | | \$ | \$ 23,700 |
| May 1, 2019 | 23,700 | 3.000% | 790,000 | 813,700 |
| November 1, 2019 | 11,850 | | | 11,850 |
| May 1, 2020 | 11,850 | 3.000% | 790,000 | 801,850 |
| Totals | <u>\$ 71,100</u> | | <u>\$ 1,580,000</u> | <u>\$ 1,651,100</u> |

Bonds issued October 17, 2012 for the purpose of acquisition, construction and improvement of major capital facilities.

LAKEVILLE COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
WASTEWATER AND WATER SYSTEM IMPROVEMENT BONDS
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
JUNE 30, 2018

| | <u>Interest Requirement</u> | <u>Rate</u> | <u>Principal Requirement</u> | <u>Totals</u> |
|--------------|---------------------------------|-------------|----------------------------------|-------------------|
| July 1, 2018 | \$ 6,417 | 5.500000% | \$ 4,321 | \$ 10,738 |
| July 1, 2019 | 6,179 | | 4,321 | 10,500 |
| July 1, 2020 | 5,941 | | 4,321 | 10,262 |
| July 1, 2021 | 5,704 | | 4,321 | 10,025 |
| July 1, 2022 | 5,466 | | 4,321 | 9,787 |
| July 1, 2023 | 5,228 | | 4,321 | 9,549 |
| July 1, 2024 | 4,991 | | 4,321 | 9,312 |
| July 1, 2025 | 4,753 | | 4,321 | 9,074 |
| July 1, 2026 | 4,515 | | 4,321 | 8,836 |
| July 1, 2027 | 4,278 | | 4,321 | 8,599 |
| July 1, 2028 | 4,040 | | 4,321 | 8,361 |
| July 1, 2029 | 3,802 | | 4,321 | 8,123 |
| July 1, 2030 | 3,565 | | 4,321 | 7,886 |
| July 1, 2031 | 3,327 | | 4,321 | 7,648 |
| July 1, 2032 | 3,089 | | 4,321 | 7,410 |
| July 1, 2033 | 2,852 | | 4,321 | 7,173 |
| July 1, 2034 | 2,614 | | 4,321 | 6,935 |
| July 1, 2035 | 2,376 | | 4,321 | 6,697 |
| July 1, 2036 | 2,139 | | 4,321 | 6,460 |
| July 1, 2037 | 1,901 | | 4,321 | 6,222 |
| July 1, 2038 | 1,664 | | 4,321 | 5,985 |
| July 1, 2039 | 1,426 | | 4,321 | 5,747 |
| July 1, 2040 | 1,188 | | 4,321 | 5,509 |
| July 1, 2041 | 951 | | 4,321 | 5,272 |
| July 1, 2042 | 713 | | 4,321 | 5,034 |
| July 1, 2043 | 475 | | 4,321 | 4,796 |
| July 1, 2044 | 238 | | 4,317 | 4,555 |
| Totals | \$ <u>89,832</u> | | \$ <u>116,663</u> | \$ <u>206,495</u> |

LAKEVILLE COMMUNITY SCHOOLS
 OTHER SUPPLEMENTAL INFORMATION
 2008 ENERGY CONSERVATION BONDS
 SCHEDULE OF BOND INTEREST AND PRINCIPAL REQUIREMENTS
 JUNE 30, 2018

| | <u>Interest Requirement</u> | <u>Rate</u> | <u>Principal Requirement</u> | <u>Totals</u> |
|------------------|---------------------------------|-------------|----------------------------------|-------------------|
| November 1, 2018 | \$ 8,766 | 4.125% | \$ | \$ 8,766 |
| May 1, 2019 | 8,766 | | 80,000 | 88,766 |
| November 1, 2019 | 7,116 | | | 7,116 |
| May 1, 2020 | 7,116 | | 80,000 | 87,116 |
| November 1, 2020 | 5,466 | | | 5,466 |
| May 1, 2021 | 5,466 | | 85,000 | 90,466 |
| November 1, 2021 | 3,712 | | | 3,712 |
| May 1, 2022 | 3,712 | | 90,000 | 93,712 |
| November 1, 2022 | 1,856 | | | 1,856 |
| May 1, 2023 | 1,856 | | 90,000 | 91,856 |
| Totals | \$ <u>53,832</u> | | \$ <u>425,000</u> | \$ <u>478,832</u> |

Bonds issued June 2, 2008 to acquire and construct certain energy conservation improvements

UNIFORM GUIDANCE INFORMATION

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

October 19, 2018

Board of Education
LakeVille Community Schools

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the LakeVille Community Schools as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the LakeVille Community Schools' basic financial statements, and have issued our report thereon dated October 19, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the LakeVille Community Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the LakeVille Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of LakeVille Community Schools' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LakeVille Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Taylor & Morgan, P.C.

TAYLOR & MORGAN, P.C.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PORGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

October 19, 2018

Board of Education
LakeVille Community Schools

Report on Compliance for Each Major Federal Program

We have audited LakeVille Community Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of LakeVille Community Schools' major federal programs for the year ended June 30, 2018. LakeVille Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of LakeVille Community Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about LakeVille Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of LakeVille Community Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, LakeVille Community Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of LakeVille Community Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LakeVille Community Schools' internal control over compliance with types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LakeVille Community Schools' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Taylor & Morgan, P.C.

TAYLOR & MORGAN, P.C.
Certified Public Accountants

LAKEVILLE COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018

| FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE | FEDERAL CFDA NUMBER | PASS- THROUGH PROJECT NUMBER | PROGRAM OR AWARD AMOUNT | ACCRUED (DEFERRED) REVENUE JULY 1, 2017 | PRIOR YEAR EXPENDITURES | CURRENT YEAR EXPENDITURES | CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED | ACCRUED (DEFERRED) REVENUE JUNE 30, 2018 |
|--|---------------------------|---------------------------------------|-------------------------------|--|-------------------------------|---------------------------------|---|---|
| U.S. DEPARTMENT OF EDUCATION | | | | | | | | |
| Passed Through Michigan Department of Education: | | | | | | | | |
| Title I Grants to Local Education Agencies | | | | | | | | |
| Title I, Part A Improving Basic Programs (16-17) | 84.010 | 171530-1617 | \$ 318,942 | \$ 165,459 | \$ 289,428 | \$ 1,539 | \$ 166,998 | \$ - |
| Title I, Part A Improving Basic Programs (17-18) | 84.010 | 181530-1718 | <u>334,620</u> | <u>-</u> | <u>-</u> | <u>283,229</u> | <u>152,962</u> | <u>130,267</u> |
| Total Title I Grants | | | 653,562 | 165,459 | 289,428 | 284,768 | 319,960 | 130,267 |
| Title II Part A - Teacher/Principal Training & Recruiting | | | | | | | | |
| Title II, Part A Teacher/Principal Training & Recruiting (16-17) | 84.367 | 170520-1617 | 95,295 | 33,514 | 73,913 | 2,279 | 35,793 | - |
| Title II, Part A Teacher/Principal Training & Recruiting (17-18) | 84.367 | 180520-1718 | <u>86,576</u> | <u>-</u> | <u>-</u> | <u>76,807</u> | <u>60,212</u> | <u>16,595</u> |
| Total Title II Grants | | | 181,871 | 33,514 | 73,913 | 79,086 | 96,005 | 16,595 |
| Title IV Grants | | | | | | | | |
| Title IV, Part A SSAE (17-18) | 84.424 | 180750-1718 | <u>10,000</u> | <u>-</u> | <u>-</u> | <u>9,466</u> | <u>9,466</u> | <u>-</u> |
| | | | 10,000 | - | - | 9,466 | 9,466 | - |
| Total Passed Through Michigan Department of Education | | | 845,433 | 198,973 | 363,341 | 373,320 | 425,431 | 146,862 |
| Passed Through Genesee Intermediate School District: | | | | | | | | |
| Special Education - Grants to States | | | | | | | | |
| IDEA Flowthrough (16-17) | 84.027 | 170450-1617 | 403,228 | 77,548 | 403,228 | - | 77,548 | - |
| IDEA Flowthrough (17-18) | 84.027 | 180450-1718 | 408,392 | - | - | 408,392 | 257,332 | 151,060 |
| IDEA Preschool Flowthrough (16-17) | 84.173 | 170460-1617 | 8,565 | 3,763 | 8,565 | - | 3,763 | - |
| IDEA Preschool Flowthrough (17-18) | 84.173 | 180460-1718 | <u>3,753</u> | <u>-</u> | <u>-</u> | <u>3,753</u> | <u>3,022</u> | <u>731</u> |
| Total Special Education - Grants to States | | | 823,938 | 81,311 | 411,793 | 412,145 | 341,665 | 151,791 |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | <u>1,669,371</u> | <u>280,284</u> | <u>775,134</u> | <u>785,465</u> | <u>767,096</u> | <u>298,653</u> |
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | | | |
| Passed Through Michigan Department of Education: | | | | | | | | |
| National School Breakfast Program (16-17) | 10.553 | N/A | 202,153 | 12,444 | 202,153 | - | 12,444 | - |
| National School Breakfast Program (17-18) | 10.553 | N/A | <u>201,473</u> | <u>-</u> | <u>-</u> | <u>201,473</u> | <u>188,944</u> | <u>12,529</u> |
| Total National School Breakfast Program | | | 403,626 | 12,444 | 202,153 | 201,473 | 201,388 | 12,529 |
| National School Lunch Program (16-17) | 10.555 | N/A | 309,549 | 14,974 | 309,549 | - | 14,974 | - |
| National School Lunch Program (17-18) | 10.555 | N/A | 295,188 | - | - | 295,188 | 280,427 | 14,761 |
| National School Lunch Program - Entitlement Commodities | 10.550 | N/A | <u>32,131</u> | <u>-</u> | <u>-</u> | <u>32,131</u> | <u>32,131</u> | <u>-</u> |
| Total National School Lunch Program | | | 636,868 | 14,974 | 309,549 | 327,319 | 327,532 | 14,761 |
| Summer Food Service Program for Children (16-17) | 10.559 | N/A | 7,702 | 967 | 7,702 | - | 967 | - |
| Summer Food Service Program for Children (17-18) | 10.559 | N/A | <u>8,276</u> | <u>-</u> | <u>-</u> | <u>8,276</u> | <u>7,005</u> | <u>1,271</u> |
| Total Summer Food Service Program | | | 15,978 | 967 | 7,702 | 8,276 | 7,972 | 1,271 |
| Total Passed Through Michigan Department of Education | | | 1,056,472 | 28,385 | 519,404 | 537,068 | 536,892 | 28,561 |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | <u>1,056,472</u> | <u>28,385</u> | <u>519,404</u> | <u>537,068</u> | <u>536,892</u> | <u>28,561</u> |
| U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES | | | | | | | | |
| Passed Through Genesee Intermediate School District: | | | | | | | | |
| Medical Assistance Program Title XIX | | | | | | | | |
| Medicaid Outreach (16-17) | 93.778 | N/A | 1,020 | 1,020 | 1,020 | - | 1,020 | - |
| Medicaid Outreach (17-18) | 93.778 | N/A | <u>379</u> | <u>-</u> | <u>-</u> | <u>379</u> | <u>-</u> | <u>379</u> |
| Total Medicaid Outreach | | | 1,399 | 1,020 | 1,020 | 379 | 1,020 | 379 |
| TOTAL FEDERAL AWARDS | | | <u>\$ 2,727,242</u> | <u>\$ 309,689</u> | <u>\$ 1,295,558</u> | <u>\$ 1,322,912</u> | <u>\$ 1,305,008</u> | <u>\$ 327,593</u> |

LAKEVILLE COMMUNITY SCHOOLS
 NOTES/RECONCILIATION TO THE SCHEDULE OF
 EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2018

| | | |
|---|----|------------------|
| FEDERAL REVENUE RECOGNIZED FOR SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | \$ | <u>1,322,912</u> |
| | | |
| FEDERAL REVENUE RECOGNIZED PER THE GENERAL PURPOSE FINANCIAL STATEMENTS | | |
| General Fund | \$ | 785,844 |
| School Service Fund | | 537,068 |
| Debt Retirement Fund | | <u>153,508</u> |
| Total Federal Revenue Recognized | | 1,476,420 |
| Less: QSCB interest subsidy not subject to Single Audit | | <u>(153,508)</u> |
| TOTAL | \$ | <u>1,322,912</u> |

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Grant Auditor Report have been reconciled in the attached reconciliation.

LAKEVILLE COMMUNITY SCHOOLS
RECONCILIATION OF GRANT AUDITOR REPORT
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

| | |
|---|-------------------------|
| Current Payments Per the Grant Auditor Report | \$ 930,193 |
| <u>Add:</u> Grants Passed Through the Genesee Intermediate School District | 342,684 |
| Entitlement Commodities (CFDA 10.550) | <u>32,131</u> |
| Total Additions | <u>374,815</u> |
| TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | \$ <u>1,305,008</u> |

LAKEVILLE COMMUNITY SCHOOLS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

| | |
|---|-----------|
| Material weakness(es) identified? | <i>No</i> |
| Significant deficiency(ies) identified that are not considered to be material weaknesses? | <i>No</i> |
| Noncompliance material to financial statements noted? | <i>No</i> |

Federal Awards

Internal control over major programs:

| | |
|---|-----------|
| Material weakness(es) identified? | <i>No</i> |
| Significant deficiency(ies) identified that are not considered to be material weaknesses? | <i>No</i> |
| Audit findings required to be reported in accordance with sections 510(a) of the Uniform Guidance | <i>No</i> |

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of the Uniform Guidance? *No*

Identification of major programs:

| CFDA Number(s) | Name of Federal Program of Cluster |
|----------------|------------------------------------|
| <i>10.555</i> | <i>Child Nutrition Cluster</i> |
| <i>10.553</i> | <i>Child Nutrition Cluster</i> |
| <i>10.550</i> | <i>Child Nutrition Cluster</i> |
| <i>10.559</i> | <i>Child Nutrition Cluster</i> |

Dollar threshold used to distinguish between Type A and Type B programs: *\$750,000*

Auditee qualified as low-risk auditee? *No*

Section II - Financial Statement Findings

No matters were noted.

Section III - Federal Award Findings and Questioned Costs

No matters were noted.

LAKEVILLE COMMUNITY SCHOOLS
PRIOR YEAR AUDIT SCHEDULE OF FEDERAL AWARD FINDINGS
JUNE 30, 2018

Finding 2017-001 Student Eligibility for the Free and Reduced Lunch Program

Condition:

Out of a sample size of 40 children receiving free or reduced lunch benefit, we identified one instance in which a child received a level of benefit greater than that to which he/she was entitled based on established household income guidelines.

Criteria:

Guideline established by the USDA require recipients of funds in the Child Nutrition Cluster to make determinations of eligibility based on income eligibility guidelines. Children belonging to households meeting nationwide income eligibility guidelines may receive meals at no charge or at a reduced price.

Cause:

Applications are completed on paper and manually entered into the software system that calculates free and reduced eligibility. In this instance the household income was erroneously entered as a lower dollar amount than what the application showed.

Effect:

The District provided free meals to a student who qualified for reduced meals, thus receiving a larger reimbursement from the State of Michigan for those meals.

Recommendation:

We recommend the District carefully review the input of applications for accuracy when determining whether children are eligible for free and reduced meals.

Management Response:

The District is currently double checking all applications that are entered into the system to ensure the system computed eligibility matches the determination made based on the eligibility guidelines.

Questioned Costs:

None

LAKEVILLE COMMUNITY SCHOOLS
PRIOR YEAR AUDIT SCHEDULE OF FEDERAL AWARD FINDINGS
JUNE 30, 2018

Finding 2017-002 Fund Balance Requirement

Condition:

Food service fund balance at June 30, 2017 exceeds three months' average food service expenditures.

Criteria:

Guideline established by the USDA do not allow food service fund balance to exceed three months' average food service program expenditures.

Cause:

Charges for services in the food service program exceeded program expenditures.

Effect:

An excess fund balance in the food service program was created.

Recommendation:

We recommend the District submit a plan of action to the Michigan Department of Education that details how this excess fund balance is going to be used to benefit the food service program.

Management Response:

The District is currently working on a plan of action that will be submitted to the Michigan Department of Education. The plan will detail how the monies will be spent down in the next school year to meet the allowable food service fund balance.

Questioned Costs:

None

October 19, 2018

To the Board of Education
LakeVille Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of LakeVille Community Schools for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated July 26, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by LakeVille Community Schools are described in Note 1 to the financial statements. As noted in Note 12 to the financial statements, the District changed accounting policies related to reporting of Other Postemployment Benefits (OPEB) by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions, in 2018. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the government-wide financial statements. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

FLINT, MI OFFICE

G-2302 STONEBRIDGE DR., BUILDING D,
FLINT, MICHIGAN 48532
OFFICE # (810) 230-8200 FAX # (810) 230-8203

CHARLOTTE, NC OFFICE

8832 BLAKENEY PROFESSIONAL DR., SUITE 107
CHARLOTTE, NC 28277
OFFICE # (704) 926-7570 FAX # (704) 247-6433

TROY, MI OFFICE

3150 LIVERNOIS RD., SUITE 150
TROY, MI 48083
OFFICE # (248) 688-9399 FAX # (248) 688-9397

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that we had no such disagreements arise during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Required Supplemental Information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the Other Information, which accompanies the financial statements but is not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Board of Education and management of Lakeville Community Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Taylor & Morgan, P.C.

Taylor & Morgan, P.C.
Certified Public Accountants