Lake City Area Schools
Lake City, Michigan

FINANCIAL STATEMENTS

June 30, 2017

Lake City Area Schools

Lake City, Michigan

June 30, 2017

Lake City Area Schools

TABLE OF CONTENTS

June 30, 2017

STEVENS KIRINOVIC & TUCKER P.C.

INDEPENDENT AUDITOR'S REPORT

Board of Education
Lake City Area Schools
Lake City, Michigan

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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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 Lake City Area Schools, as of June 30, 2017, 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, and schedules of proportionate share of net pension liability and contributions, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

September 22, 2017

This section of the annual financial report presents management's discussion and analysis of the financial performance for the fiscal year ended June 30, 2017. This discussion and analysis is intended to be read in conjunction with the District's financial statements.

Generally Accepted Accounting Principles (GAAP) requires the reporting of two types of financial statements: Government-wide (District-wide) and Fund-level financial statements.

District-wide Financial Statements:

District-wide financial statements provide information about the activities of the entire school district. They present an overall view of the District's finances, reporting the District's assets and liabilities both short and long term-basis, regardless if they are "currently available" or not. District-wide financial statements are reported on a full accrual basis.

Fund-level Financial Statements:

Fund-level financial statements are reported on a more detailed level than district-wide financial statements. Fund-level financial statements provide information on the District's most significant funds and are reported on a modified accrual basis. Only those assets that are "measurable" and "available" are reported on a modified accrual basis. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's Accounting Manual. In the state of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are classified as Major Funds, such as one (1) of the four (4) Capital Projects Funds, or Nonmajor Governmental Funds on the financial statements and include the Food Service Special Revenue Fund.

Statement of Fiduciary Net Position:

The Statement of Fiduciary Net Position presents financial information about resources for which the District acts solely as an agent for the benefit of students and parents. These activities are excluded from the District's other financial statements because as a fiduciary, the District is unable to use these assets for its operations. The school district's responsibility for assets reported in the Statement of Fiduciary Net Position is to ensure the funds are used for their intended purposes.

Summary of Net Position:

The following table summarizes the District's net position for the fiscal year ended June 30, 2017 with comparative information for June 30, 2016.

Condensed Statement of Net Position
Years Ended June 30, 2016 and 2017

	Governmental Activities	
	2016	2017
Assets		
Current Assets	$ 3,603,144	$ 25,959,888
Noncurrent Assets	5,061,566	6,643,945
Total assets	**8,664,710**	**32,603,833**
Deferred Outflows of Resources	**1,512,676**	**2,163,981**

Condensed Statement of Net Position
Years Ended June 30, 2016 and 2017 - continued

	Governmental Activities	
	2016	2017
Liabilities		
Current Liabilities	$ 1,244,722	$ 1,731,787
Noncurrent Liabilities	15,125,978	38,305,515
Total Liabilities	**16,370,700**	**40,037,302**
Deferred Inflows of Resources	**590,327**	**744,491**
Net Position		
Net investment in capital assets	5,061,566	5,126,407
Restricted	612,289	993,539
Unrestricted	(12,457,496)	(12,133,925)
Total Net Position	**$ (6,783,641)**	**$ (6,013,979)**

Analysis of Financial Position:

At the end of the current fiscal year, Lake City Area Schools reported a negative balance in net position for the school district. This means that if the District liquidated all of its assets as of June 30, 2017, it would not be able to pay off all liabilities (net pension liability; for example), there would be almost $6 million in liabilities remaining. By far the most significant portion of the District's net position is the negative unrestricted portion related to pensions.

Results of Operations:

For the fiscal years ended June 30, 2016 and 2017, the District-wide results of were:

Condensed Statement of Activities
Years Ended June 30, 2016 and 2017

	Governmental Activities	
	2016	2017
Revenues		
Program Revenues		
Charges for services	$ 202,793	$ 206,798
Operating grants and contributions	2,375,837	2,514,251
Capital grants and contributions	105,939	6,600
General Revenues		
Property Taxes	3,102,304	4,211,952
State unrestricted foundation aid	5,608,356	5,788,755
Other	269,105	498,378
Total Revenues	11,664,334	13,226,734

Condensed Statement of Activities
Years Ended June 30, 2016 and 2017 - continued

	Governmental Activities	
	2016	2017
Expenses		
Instruction	$ 6,773,880	$ 6,706,427
Support services	4,025,794	3,919,314
Food services	630,368	598,989
Interest on long-term debt	-	824,233
Unallocated depreciation	398,334	408,109
Total Expenses	11,828,376	12,457,072
Change in Net Position	$ (164,042)	$ 769,662

Analysis of Results of Operations:

During fiscal year ended June 30, 2017, the District's net position increased by $769,662. Several factors which contributed to the decrease are discussed in the following sections.

A. Governmental Funds Operating Results
The District's revenues and other financing sources from governmental funds activities exceeded expenditures by $22,429,797 for the fiscal year ended June 30, 2017, but capital outlay additions outpaced depreciation expenses and losses on capital asset disposals by $1,582,379, changes in pension related assets and liabilities increased net position by $279,278 and the District borrowed $20,505,000 for various construction projects. Further discussion of the District's operating results is available in the section entitled "Results of 2016-17 Operations" following this section.

Results of 2016-2017 Operations

During fiscal year ended June 30, 2017, the District's net position increased by $769,662 at the district-wide, full accrual level. A few additional significant factors affecting net position during the year are discussed below:

A. General Fund Operations

The General Fund is the main fund for the District and includes all the cost related to educating the students of the Lake City Area Schools such as: Salaries and benefits for Teachers, Paraprofessionals, Administrators, Secretaries, Custodians, Maintenance staff, Librarians, Counselors, Bus Drivers, and other support positions; teaching supplies, employee training, utilities, building maintenance supplies and miscellaneous expenses needed to run the District.

The District's revenues for General Fund operations exceeded expenditures by $40,477 for the fiscal year ended June 30, 2017. The General Fund as of June 30, 2017, has a fund balance of $1,439,739 or 13% of expenditures and other financing uses for the 2016-2017 fiscal year.

B. Capital Projects Funds

The District maintains four (4) Capital Projects Funds. The General Capital Projects Fund has funds in it that were set aside in prior years that were committed to be used for capital projects throughout the District. In the current year the District expended $41,844 on capital outlay from this fund to leave $211,535 remaining in fund balance. The Legacy Fund has funds for the purpose of capital projects and academic program improvement. Throughout the current year, the District received $6,680 in restricted revenues from local sources and transferred out $24,698 to leave $77,853 remaining in fund balance. The Capital Projects Sinking Fund, accounts for the voter approved millage funds to be expended on allowable expenditures throughout the District. In the current year the District expended $498,869 on capital outlay from this fund to leave $352,239 remaining in fund balance. The other fund, a major fund, the 2016 Construction Project Fund, was established in the current year for the purpose of accounting for the financial resources for the construction and improvement of school facilities. In the current year the District issued $20,505,000 in bonds and expended $1,517,543 on capital outlay from this fund to leave $22,051,527 remaining in fund balance.

C. Food Service Fund

The Food Service Fund is a fund that reports the food service program activities in the District. In 2016-2017, the Food Service Fund revenues exceeded expenditures by $40,630. The fund balance for Food Service as of June 30, 2017, was $201,878. The District continued to participate in the K-12 Universal Breakfast and the Summer Food Program which provided a free lunch to any person under the age of eighteen (18) and was funded through a Federal grant.

D. Net Investment in Capital Assets

The District's net investment in capital assets increased by a net of $546,034 during the fiscal year. This can be summarized as follows:

	Balance July 1, 2016	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2017
Capital assets	$ 11,826,894	$ 1,990,488	$ (300,490)	$ 13,516,892
Less: Accumulated depreciation	(6,765,328)	(393,594)	285,975	(6,872,947)
Net Investment in capital assets	$ 5,061,566	$ 1,596,894	$ (14,515)	$ 6,643,945

More information related to capital assets can be found in Note C of the financial statements.

E. Debt

At the end of this year, the District had $23,574,501 in bonds and other obligations outstanding versus $202,792 in the previous year as the result of the issuance of $20,505,000 in 2016 School Building and Site Bonds in the current year. Those obligations consisted of the following:

	2017	2016
General obligation bonds	$ 20,505,000	$ -
Premium on bonds	2,879,480	-
Compensated absences	190,021	202,792
Total	$ 23,574,501	$ 202,792

See Note D to the financial statements for more information related to long-term debt.

IMPORTANT ECONOMIC FACTORS

A. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

a. State of Michigan State Aid Act per student foundation allowance.
b. The District's non-principal residence exempt property valuation.

B. Per Student Foundation Allowance

Annually, the State of Michigan establishes the per student foundation allowance. The Lake City Area Schools foundation allowance was $7,511 per student for the 2016-2017 school year.

Student Enrollment

The District's student enrollment for the fall count of 2016-2017 was 1,151 students as compared to 1,125 for 2015-2016. The following summarizes fall student enrollments in the past five years:

	Student FTE	FTE Change from Prior Year
2016-2017	1151	26
2015-2016	1125	9
2014-2015	1116	-29
2013-2014	1145	-2
2012-2013	1147	-10

Because economic conditions in Northern Michigan remain unchanged, the District is closely monitoring any change in student enrollment.

Lake City Area Schools continues to attempt to reach the needs of the families we serve. In the 2015-16 school year a before and after school latchkey program was established to help parents with daycare needs. During the 2016-17 school year a tuition based preschool program was launched to help meet the needs of our students not qualifying for existing preschool programs. Both of these programs are targeting enrollment retention and expansion.

C. Property Taxes levied for General Operations (General Fund Non-Principal Residence Exempt Taxes)

The District levies 17.9712 mills of property taxes for operations (General Fund) on non-principal residence exempt properties. An election is held biannually to reestablish the 18 mills and prevent a Headlee Rollback. Under Michigan law, the operating tax levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or five (5) percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value. The District's non-principal residence exempt property tax revenue generated for 2016-2017 fiscal year was approximately $2,712,096. This was less than the original levy due to unpaid personal property tax and December board of review changes. The non-principal residence exempt tax levy increased by about 1% from the prior year.

D. Sinking Fund Property Taxes

The District's sinking fund levy, which is used to finance capital projects, is based on the taxable valuation of all properties: principal residence exempt and non-principal residence exempt.

For 2016-2017, the District's sinking fund levy was 1.1 mills that generated revenue of approximately $330,894.

E. Debt Fund Property Taxes

The District's debt fund levy, which is used to finance capital projects, is based on the taxable valuation of all properties: principal residence exempt and non-principal residence exempt.

For 2016-2017, the District's debt fund levy was 3.89 mills that generated revenue of approximately $1,169,062.

Analysis of Original Budget, Final Budget, and Actual Results:

The Uniform Budget Act of the State of Michigan requires that the Board of Education approve the original budget for the upcoming year prior to July 1, the start of the fiscal year.

As a matter of practice, Lake City Area Schools amends its budget periodically during the school year. The June 2017 budget amendment was the final budget for the fiscal year.

Changes from Original Budget, Final Budget and Actual:

				Variances	
	Original Budget	Final Budget	Actual	Final & Original Budget	Actual & Final Budget
Total Revenues and Other Financing Sources	$ 10,597,367	$ 10,944,411	$ 10,881,532	3.3%	-0.6%
Total Expenditures, Other Financing Uses, and Special Item	11,228,012	11,390,560	10,841,055	1.4%	4.8%

Revenues:

The District's final budget for revenues and other financing sources was $347,044 or 3.3% higher than the original budget projections. A conservative approach to state aid revenues was used due to the uncertainty of enrollment and funding from the State.

Because of uncertainties in funding sources at the time the original budget is adopted the District amends its budget during the year to reflect actual amounts to be received. Unused grant dollars are carried over to the following school year.

Expenditures:

The District's final budget for expenditures and other financing uses was $162,548 or 1.4% higher than the original budget projections. Actual expenditures were approximately $549,505 under the final budget due to continued efforts by the District to contain expenditures.

Contacting the District's Financial Management:

Management discussion and analysis documents are prepared to provide the District's constituents with a general overview of the District's financial position. Question or requests for additional information can be directed to the Business Department of Lake City Area Schools, 710 E. Mitchell Street, PO Box 900, Lake City, Michigan 49651.

BASIC FINANCIAL STATEMENTS

Lake City Area Schools

STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	$ 13,530,757
Investments	11,000,000
Due from other governmental units	1,370,445
Accounts receivable	40,147
Inventories	8,739
Prepaids	9,800
Total current assets	25,959,888
Noncurrent assets	
Capital assets not being depreciated	1,734,644
Capital assets, net of accumulated depreciation	4,909,301
Total noncurrent assets	6,643,945
TOTAL ASSETS	32,603,833
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	2,163,981
LIABILITIES	
Current liabilities	
Accounts payable	128,623
Accrued payroll	561,632
Other accrued liabilities	409,252
Accrued interest payable	150,083
Unearned revenue	4,564
Current portion of compensated absences	63,341
Current portion of long-term debt	414,292
Total current liabilities	1,731,787
Noncurrent liabilities	
Noncurrent portion of compensated absences	126,680
Net pension liability	15,208,647
Noncurrent portion of long-term debt	22,970,188
Total noncurrent liabilities	38,305,515
TOTAL LIABILITIES	40,037,302
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	744,491
NET POSITION	
Net investment in capital assets	5,126,407
Restricted for food and nutrition	7,899
Restricted for debt service	370,963
Restricted for capital projects	614,677
Unrestricted	(12,133,925)
TOTAL NET POSITION	$ (6,013,979)

See accompanying notes to financial statements.

Lake City Area Schools

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental activities					
Instruction	$ 6,706,427	$ -	$ 1,613,645	$ -	$ (5,092,782)
Supporting services	3,919,314	58,367	387,147	6,600	(3,467,200)
Food service	598,989	148,431	513,459	-	62,901
Interest and costs on long-term debt	824,233	-	-	-	(824,233)
Unallocated depreciation	408,109	-	-	-	(408,109)
TOTAL GOVERNMENTAL ACTIVITIES	$ 12,457,072	$ 206,798	$ 2,514,251	$ 6,600	(9,729,423)
General revenues					
Property taxes					4,211,952
State school aid - unrestricted					5,788,755
Investment earnings					192,729
Intermediate School District allocations					229,987
Miscellaneous					75,662
TOTAL GENERAL REVENUES					10,499,085
CHANGE IN NET POSITION					769,662
Net position, beginning of year					(6,783,641)
Net position, end of year					$ (6,013,979)

See accompanying notes to financial statements.

Lake City Area Schools

Governmental Funds

BALANCE SHEET

June 30, 2017

	General	2016 Construction Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 1,064,417	$ 11,154,409	$ 1,311,931	$ 13,530,757
Investments	-	11,000,000	-	11,000,000
Due from other funds	-	-	17,848	17,848
Due from other governmental units	1,370,445	-	-	1,370,445
Accounts receivable	147	-	40,000	40,147
Inventories	-	-	8,739	8,739
Prepaids	9,800	-	-	9,800
TOTAL ASSETS	$ 2,444,809	$ 22,154,409	$ 1,378,518	$ 25,977,736
LIABILITIES				
Accounts payable	$ 11,774	$ 102,882	$ 13,967	$ 128,623
Accrued payroll	561,632	-	-	561,632
Other accrued liabilities	409,252	-	-	409,252
Unearned revenues	4,564	-	-	4,564
Due to other funds	17,848	-	-	17,848
TOTAL LIABILITIES	1,005,070	102,882	13,967	1,121,919
FUND BALANCES				
Nonspendable				
Prepaids	9,800	-	-	9,800
Restricted				
Food and nutrition	-	-	201,878	201,878
Capital projects	-	22,051,527	430,092	22,481,619
Debt service	-	-	521,046	521,046
Committed				
Capital projects	-	-	211,535	211,535
Assigned				
Subsequent year's expenditures	372,362	-	-	372,362
Unassigned	1,057,577	-	-	1,057,577
TOTAL FUND BALANCES	1,439,739	22,051,527	1,364,551	24,855,817
TOTAL LIABILITIES AND FUND BALANCES	$ 2,444,809	$ 22,154,409	$ 1,378,518	$ 25,977,736

See accompanying notes to financial statements.

Lake City Area Schools

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2017

Total fund balance - governmental funds		$ 24,855,817
Amounts reported for the 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 the governmental funds.		
The cost of capital assets is	$ 13,516,892	
Accumulated depreciation is	(6,872,947)	
Capital assets, net		6,643,945
Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the Statement of Net Position. In addition, resources related to changes of assumptions differences between expected and actual experience, differences between projected and actual pension plan investment earnings, and change in proportionate share of contributions will be deferred over time in the government-wide financial statements. These amounts consist of:		
Deferred outflows of resources related to pensions	2,163,981	
Deferred inflows of resources related to pensions	(744,491)	
		1,419,490
Long-term liabilities 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:		
Capitalized bond premiums	(2,879,480)	
Bonds payable	(20,505,000)	
Accrued interest payable	(150,083)	
Net pension liability	(15,208,647)	
Compensated absences	(190,021)	
		(38,933,231)
Net position of governmental activities		$ (6,013,979)

See accompanying notes to financial statements.

Lake City Area Schools

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2017

	General	2016 Construction Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Local sources	$ 2,907,675	$ 184,585	$ 1,667,938	$ 4,760,198
State sources	7,294,334	-	22,649	7,316,983
Federal sources	428,755	-	490,811	919,566
TOTAL REVENUES	10,630,764	184,585	2,181,398	12,996,747
EXPENDITURES				
Current				
Instruction	6,887,198	-	-	6,887,198
Supporting services	3,947,847	-	-	3,947,847
Food service	-	-	613,966	613,966
Debt service	-	-	674,150	674,150
Capital outlay	-	1,517,543	540,713	2,058,256
TOTAL EXPENDITURES	10,835,045	1,517,543	1,828,829	14,181,417
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(204,281)	(1,332,958)	352,569	(1,184,670)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	20,781	5	30,703	51,489
Intermediate School District allocations	229,987	-	-	229,987
Bond proceeds	-	20,505,000	-	20,505,000
Premium on refunding bonds issued	-	2,879,480	-	2,879,480
Transfers to other funds	(6,010)	-	(45,479)	(51,489)
TOTAL FINANCING SOURCES (USES)	244,758	23,384,485	(14,776)	23,614,467
NET CHANGE IN FUND BALANCES	40,477	22,051,527	337,793	22,429,797
Fund balances, beginning of year	1,399,262	-	1,026,758	2,426,020
Fund balances, end of year	$ 1,439,739	$ 22,051,527	$ 1,364,551	$ 24,855,817

See accompanying notes to financial statements.

Lake City Area Schools

RECONCILIATION OF THE CHANGE IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

Net change in fund balances - total governmental funds		$ 22,429,797
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 1,990,488	
Depreciation expense	(408,109)	
Excess of capital outlay over depreciation expense		1,582,379
Repayments of long-term debt and borrowings of long-term debt are reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. Also, governmental funds report the effect of issuance premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the current year, these amounts consisted of:		
Net additions to issuance premium	(2,879,480)	
Borrowing of long-term debt	(20,505,000)	
		(23,384,480)
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported in governmental funds. These activities consist of:		
Increase in deferred outflows of resources related to pensions	651,305	
(Decrease) in deferred inflows of resources related to pensions	(154,164)	
(Increase) in net pension liability	(217,863)	
(Increase) in accrued interest payable	(150,083)	
Decrease in compensated absences	12,771	
		141,966
Change in net position of governmental activities		$ 769,662

See accompanying notes to financial statements.

Lake City Area Schools

Fiduciary Funds

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2017

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and cash equivalents	$ 10,114	$ 88,627
LIABILITIES		
Due to individuals and others		
Band Boosters	-	$ 16,228
Central Office	-	2,047
Elementary	-	14,106
Middle School	-	6,129
High School	-	50,117
TOTAL LIABILITIES	-0-	$ 88,627
NET POSITION		
Held in trust for scholarships	$ 10,114	

See accompanying notes to financial statements.

Lake City Area Schools

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2017

	Private Purpose Trust Fund
ADDITIONS	
Contributions	$ 550
Interest	1
TOTAL ADDITIONS	551
Net position - beginning of year	9,563
Net position - end of year	$ 10,114

See accompanying notes to financial statements.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Lake City Area Schools (the District) have been prepared in conformity with accounting principles generally accepted in the Unites States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the Unites States of America, these financial statements present the financial activities of Lake City Area Schools. The District has no activities that would be classified as component units.

Based upon the application of these criteria, the financial statements of the District contain all the funds controlled by the District.

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the district-wide financial statements) present information for the District as a whole. All non-fiduciary activities of the District are included (i.e., fiduciary fund activities are not included in the district-wide financial statements). Interfund activity has been eliminated in the preparation of the district-wide financial statements.

The statement of activities presents the direct functional expenses of the District and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the District.

FUND FINANCIAL STATEMENTS

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District utilizes governmental and fiduciary funds.

The governmental fund financial statements present the District's individual major funds and aggregated nonmajor funds. A separate column is shown for each major fund on the balance sheet and statement of revenues, expenditures, and changes in fund balances. Nonmajor funds are combined and shown in a single column. The fiduciary funds are reported by type.

The District presents the following major governmental funds:

a. General Fund - The General Fund is used to account for money or other resources provided to the District to support the educational programs and general operations of the District.

b. 2016 Construction Project Fund - The 2016 Construction Project Fund was established for the purpose of providing financial resources for the construction and improvement of school facilities of the District with a 2016 bond issuance.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The district-wide and fiduciary private purpose trust fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the district-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet, when applicable. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement focus for the fiduciary agency fund since assets equal liabilities.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The district-wide and fiduciary fund financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the District before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty (60) days of the end of the current period. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

If/when both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources if they are needed.

5. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General and Special Revenue Funds. All unexpended appropriations lapse at fiscal year-end.

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

a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means for financing them.

b. Public hearings are conducted to obtain taxpayer comments.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting - continued

   c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amounts appropriated.

   d. The budgets are legally adopted at the functional level; however, they are maintained at the object level for control purposes. Any revisions that alter the total expenditures at the functional level must be approved by the School Board.

   e. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.

   f. The budget, as presented, has been amended in a legally permissible manner.

6. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, savings, money market accounts, and pooled investment funds with an original maturity of ninety (90) days or less. Investments consist of pooled investments with original maturities of greater than 90 days. Cash equivalents and investments are recorded at fair value.

7. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” and “due to other funds” on the governmental funds balance sheet.

8. Due From Other Governmental Units

Due from other governmental units consists of various amounts owed to the District for grant programs and State Aid payments. The State of Michigan’s funding stream of State Aid payments results in the final two (2) payments, related to the fiscal year ended June 30, 2017, to be paid in July and August 2017. The total amount of $1,370,445 due from other governmental units consists of $1,319,904 and $50,541 related to State Aid and grant and local programs, respectively.

9. Inventories

Inventories are stated at cost on a first in/first out basis. The Food Services Fund inventory mainly consists of food and miscellaneous paper goods. Inventory that will be sold, rather than used in providing services (i.e., food in the Food Service Fund), and for which the proceeds from the sales are restricted for food service activities are not classified as “nonspendable” but instead are reflected as a component of restricted fund balance in accordance with GASB Statement No. 54.

10. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are those with an initial individual cost greater than $5,000 and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the district-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Capital Assets - continued

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and additions	20 - 50 years
Equipment, furniture, and other assets	3 - 20 years
Vehicles	8 years

11. Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the District has recorded all liabilities associated with compensated absences. Accumulated compensated absences amounts related to vested severance amounts and nonvested severance amounts that are probable to vest and be paid at termination are considered payable from future resources and are recorded along with the related payroll taxes as a long-term liability in the district-wide financial statements.

12. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the district-wide financial statements related to interest payable on general obligation bonds.

13. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of net position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The District has several items that qualify for reporting in these categories and are reported in the district-wide financial statement of net position. These items correspond to the District's net pension liability and are related to differences between expected and actual experience, changes in assumptions, differences between projected and actual pension plan investment earnings, changes in proportion and differences between employer contributions and proportionate share of contributions, state aid amounts related to pensions, and contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply.

14. Unearned Revenues

The unexpended balance of various federal and/or state categorical and local grants is carried forward as unearned revenue until the period in which eligible expenditures are incurred. Other monies collected in advance are also presented as unearned. These same amounts have been shown as "unearned revenue" on the Statement of Net Position and the Balance Sheet, when applicable, to indicate that the revenue has not been recognized because it has not been earned.

15. Long-term Obligations

Long-term debt is recognized as a liability in the district-wide financial statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

15. Long-term Obligations - continued

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

16. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied.

The District levies taxes of $17.9712 per $1,000 of taxable valuation on most non-primary residency exempt property and $5.9712 per $1,000 of taxable value on commercial personal property for general governmental services. The District levies $1.10 per $1,000 of taxable valuation on the total applicable taxable valuation of all property within the District for a sinking fund. The District levies $3.89 per $1,000 of taxable valuation on the total applicable taxable valuation of all property within the District for debt service. The District is also permitted to levy additional amounts for enhancement and/or debt service if voter approval is obtained. The above millages generated $2,712,096, $330,894, and $1,169,062 for the General, Capital Projects Sinking, and 2016 Building and Site Bonds debt service funds, respectively.

17. State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. Prior to the fiscal year ended June 30, 1995, the State utilized a district power equalizing approach. The foundation is funded from State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of State funds to school districts based on information supplied by the districts. For the year ended June 30, 2017, the foundation allowance was based on the average of pupil membership counts taken in February 2016 and September 2016. The average calculation was weighted 90% for the September counts and 10% for the February counts.

The State portion of the foundation is provided primarily by a State education property tax millage of 6 mills and an allocated portion of State sales and other taxes. The local portion of the foundation is funded primarily by non-principal residence exempt property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through nine (9) payments made during the fiscal year and two (2) payment made subsequent to year-end. The local revenue is recognized as outlined above under Property Taxes.

18. State Categorical Revenue

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as unearned revenue.

19. Intermediate School District Allocations

Among other revenues and reimbursements received from Intermediate School Districts, the District continued to receive revenue based on excess funds remaining from a County-wide Special Education millage approved in prior years.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

19. Intermediate School District Allocations - continued

The millage, a one-half mill which was collected by Wexford-Missaukee Intermediate School District (WMISD), was approved to cover additional, unreimbursable special education costs not covered by grant programs. The amount available for Lake City Area Schools is based on the District's Taxable Value multiplied by the one-half mill. This amount is then used to cover the District's unreimbursable costs related to special education children served at WMISD. If there are any funds left after these unreimbursable costs are covered they are distributed to the District from WMISD. In any given year, the District may receive a one-half mill distribution or they may receive more or less than a one-half mill of this special education funding.

20. Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (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.

21. Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Transfers of resources to other funds are recorded as operating transfers. Transfers are netted as part of the reconciliation to the district-wide financial statements.

22. Federal Programs

Federal programs are accounted for in the General Fund and specific Special Revenue Funds. The District has not integrated its Single Audit reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

23. Comparative Data

Comparative data for the prior year has not been presented in the basic financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: DEPOSITS

In accordance with Michigan Public Act 451 of 1976, Section 1223(1), as amended, the District is authorized to invest its surplus funds in the following types of investments:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.

2. Certificates of deposit issued by a State or national bank, savings accounts of a State or Federal savings and loan association, or certificates of deposit or share certificates of a State or Federal credit union organized and authorized to operate in this State.

3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

NOTE B: DEPOSITS - CONTINUED

4. Securities issued or guaranteed by agencies or instrumentalities of the United States government.

5. United States government or federal District obligation repurchase agreements.

6. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation.

7. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.

8. Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a School District.

Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations. Deposits of the District are at federally insured banks and credit unions in the State of Michigan in the name of the School District.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2017, the carrying amount of the District's deposits was $1,451,170 and the bank balance was $1,738,968, of which $471,650 was covered by federal depository insurance, and the remaining $1,267,318 was uninsured and uncollateralized. The District had $200 of imprest cash on hand.

Due to significantly higher cash flow at certain periods during the year, the amount the District held as cash, cash equivalents and investments increased significantly. As a result, the amount of uninsured and uncollateralized cash, cash equivalents, and investments were substantially higher at these peak periods than at year-end.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs. There are three (3) levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

Investments

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy.

NOTE B: DEPOSITS - CONTINUED

Investments - continued

The District participates in the following Michigan Liquid Asset Fund (MILAF) portfolios: Michigan Liquid Asset Fund Plus (MILAF+) Portfolio and Michigan Term Portfolio. These portfolios securities are valued at amortized cost, which approximates market value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium. It is MILAF's policy to compare amortized cost and fair values of the securities periodically throughout each month and as of the last business day of each month. Fair value is determined by reference to quoted market prices. MILAF's annual financial statement may be obtained at www.milaf.org. As of June 30, 2017, the District has $12,178,128 invested with MILAF+ and $11,000,000 invested with Michigan Term.

MILAF+ and Michigan Term Portfolio investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Money market securities are valued using amortized cost, as outlined in GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Generally, amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted price in an active market, such securities held by the MILAF+ Portfolio and Michigan Term are categorized as Level 2.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2017, the District's investments in the MILAF+ Portfolio and Michigan Term were rated AAAm and AAAf, by Standard and Poor's and had weighted average maturities (WAM) of < 60 days and < 1 year, respectively.

Interest Rate Risk

The District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Concentration of Credit Risk

The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business in accordance with Board approved policy.

NOTE B: DEPOSITS - CONTINUED

As of June 30, 2017, the cash and cash equivalents referred to above have been reported in the cash and cash equivalents and investment captions in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total
Cash and cash equivalents	$ 13,530,757	$ 98,741	$ 13,629,498
Investments	11,000,000	-	11,000,000
	$ 24,530,757	$ 98,741	$ 24,629,498

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Governmental activities				
Capital assets not being depreciated				
Land	$ 269,504	$ -	$ -	$ 269,504
Construction in progress	-	1,465,140	-	1,465,140
Subtotal of capital assets not being depreciated	269,504	1,465,140	-0-	1,734,644
Capital assets being depreciated				
Building and additions	9,151,248	452,723	(103,150)	9,500,821
Equipment, furniture, and other assets	1,855,896	72,625	(18,029)	1,910,492
Vehicles	550,246	-	(179,311)	370,935
Subtotal of capital assets being depreciated	11,557,390	525,348	(300,490)	11,782,248
Less accumulated depreciation for:				
Building and additions	(4,996,288)	(178,221)	89,685	(5,084,824)
Equipment, furniture, and other assets	(1,280,261)	(199,274)	16,979	(1,462,556)
Vehicles	(488,779)	(16,099)	179,311	(325,567)
Subtotal	(6,765,328)	(393,594)	285,975	(6,872,947)
Net capital assets being depreciated	4,792,062	131,754	(14,515)	4,909,301
Capital assets, net	$ 5,061,566	$ 1,596,894	$ (14,515)	$ 6,643,945

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as “unallocated”.

NOTE C: CAPITAL ASSETS - CONTINUED

The current year depreciation expense of $393,594 has been adjusted by $14,515 for the disposal of capital assets during the year, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

NOTE D: LONG-TERM DEBT

The following is a summary of changes in long-term debt obligations of the District for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Amounts Due within One Year
2016 School Building and Site Bonds	$ -	$ 20,505,000	$ -	$ 20,505,000	$ 315,000
Capitalized bond premium	-	2,879,480	-	2,879,480	99,292
Compensated absences	202,792	4,336	(17,107)	190,021	63,341
	$ 202,792	$ 23,388,816	$ (17,107)	$ 23,574,501	$ 477,633

Significant details regarding outstanding long-term debt (including current portions) are presented below:

General Obligation Bonds

$20,505,000 2016 Construction Project Bonds dated July 12, 2016, due in annual installments ranging from $315,000 to $1,190,000 through May 1, 2046, with interest ranging from 4.00 to 5.00 percent, payable semi-annually.	$ 20,505,000

Compensated Absences - In recognition of services to the District, a severance payment is made to eligible employees according to their respective employment contracts.

Under GASB Statement No. 16 requirements, the District has elected to implement the "vesting" method of calculating the compensated absences liability. The amounts accumulated for all employees currently vested are calculated along with an amount for other employees who currently are not vested but are probable to vest in future years. The amounts for employees who currently are not vested are calculated taking total unused sick pay amounts at June 30, 2017, for all nonvested employees and multiplying it by a historical termination percentage. This percentage is based on an estimate of the percentage of employees who have terminated employment fully vested in the past five (5) years.

A summary of the calculated amounts of compensated absences related to severance pay and related payroll taxes as of June 30, 2017, which have been recorded in the district-wide financial statements, is as follows:

	Vested Employees	Nonvested Employees	Total
Compensated absences	$ 140,829	$ 35,689	$ 176,518
Payroll taxes	10,773	2,730	13,503
	$ 151,602	$ 38,419	$ 190,021

NOTE D: LONG-TERM DEBT - CONTINUED

The annual requirements to pay the debt principal and interest outstanding for the long-term debt are as follows:

Year Ending	General Obligation Debt	
June 30,	Principal	Interest
2018	$ 315,000	$ 900,500
2019	345,000	887,900
2020	375,000	874,100
2021	395,000	859,100
2022	415,000	843,300
2023-2027	2,380,000	3,924,700
2028-2032	3,035,000	3,271,500
2033-2037	3,900,000	2,430,250
2038-2042	4,805,000	1,499,000
2043-2046	4,540,000	461,800
	$ 20,505,000	$ 15,952,150

NOTE E: SHORT-TERM NOTES

On September 14, 2016, the District issued short-term State School Aid Anticipation Notes in the amount of $1,250,000 for the purpose of funding operating expenditures until the 2017 State Aid payments resumed. These short-term notes, including $5,439 in interest, were paid in full during fiscal year 2017.

NOTE F: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2017, are as follows:

Due to nonmajor governmental funds from:	
General Fund	$ 17,848

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE G: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to General Fund from:	
Nonmajor governmental funds	$ 20,781
Transfers to 2016 Construction Project Fund	
Nonmajor governmental funds	$ 5

NOTE G: INTERFUND TRANSFERS - CONTINUED

Transfers to nonmajor governmental funds from:		
General Fund	$	6,010
Nonmajor governmental funds		24,693
	$	30,703

The transfers from the nonmajor governmental funds to the General Fund was for reimbursement of current year operating costs. The transfers from the General Fund to the nonmajor governmental funds were funds related to food service originally deposited in the General Fund but expended out of the nonmajor governmental fund for capital improvement projects. The transfer between nonmajor governmental funds was to move money collected from the community to reduce to debt levy.

NOTE H: RISK MANAGEMENT

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for boiler and machinery, property, fleet, liability, employee dishonesty, data breach, in-land marine, crime, and errors and omissions. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self-insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required in any of the past three (3) fiscal years.

The District also participates in a pool, the SEG Self-Insurer Workers' Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required in any of the past three (3) fiscal years.

NOTE I: CONTINGENT LIABILITIES

The District participates in a number of Federal and State assisted grant programs which are subject to compliance audits. The periodic program compliance audits of many of the programs have not yet been completed or final resolution has not been received. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

NOTE J: EMPLOYEE RETIREMENT SYSTEM

PLAN DESCRIPTION

The Michigan Public School Employees' Retirement System (System or MPSERS) 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.

NOTE J: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

PLAN DESCRIPTION - CONTINUED

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

The System's financial statements are available at www.michigan.gov/mpsers-cafr.

BENEFITS PROVIDED

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits for are determined by final average compensation, years of service, and a pension factor ranging from 1.25 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 plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

CONTRIBUTIONS AND FUNDED STATUS

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

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

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	18.95%
Member Investment Plan	3.0 - 7.0%	18.95%
Pension Plus	3.0 - 6.4%	17.73%
Defined Contribution	0.00%	14.56%

Required contributions to the pension plan from the District were $1,368,855 for the year ended June 30, 2017.

NOTE J: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

NET PENSION LIABILITY - NON-UNIVERSITY

Measurement of the MPSERS Net Pension Liability

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

MPSERS (Plan) Net Pension Liability - Non-University
As of September 30, 2016

Total Pension Liability	$ 67,917,445,078
Plan Fiduciary Net Position	42,968,263,308
Net Pension Liability	$ 24,949,181,770
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.27%
Net Pension Liability as a percentage of Covered Employee Payroll	295.81%

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

Valuation Date	September 30, 2015
Actuarial Cost Method	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return	
- MIP and Basic Plans (Non-Hybrid):	8.0%
- Pension Plus Plan (Hybrid):	7.0%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. 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 tables were used for females.

NOTE J: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

NET PENSION LIABILITY - NON-UNIVERSITY - CONTINUED

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, 2016, are summarized in the following table:

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

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

Discount Rate

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

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

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

	1% Decrease (Non-Hybrid/Hybrid) 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid) 9.0% / 8.0%
District's proportionate share of the net pension liability	$ 19,584,909	$ 15,208,647	$ 11,519,037

NOTE J: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

NET PENSION LIABILITY - NON-UNIVERSITY - CONTINUED

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

At June 30, 2017, the District reported a liability of $15,208,647 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2015. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2016, the District's proportion was 0.06095850 percent, which was a decrease of 0.00041619 percent from its proportion measured as of September 30, 2015.

For the year ended June 30, 2017, the District recognized total pension expense of $1,370,517. At June 30, 2017, 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	$ 189,540	$ 36,045
Changes of assumptions	237,775	-
Net difference between projected and actual earnings on pension plan investments	252,768	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	986	237,691
State Aid related to pensions	-	470,755
District's contributions subsequent to the measurement date	1,482,912	-
Total	$ 2,163,981	$ 744,491

$1,482,912 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. $470,755 reported as deferred inflows of resources under the caption State Aid related to pensions will be recognized as an increase to State Aid revenue in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	Amount
2017	$ 40,710
2018	20,832
2019	302,372
2020	43,419

NOTE J: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

NET PENSION LIABILITY - NON-UNIVERSITY - CONTINUED

Defined Contribution Plan

Benefit provisions of MPSERS also requires the District to contribute to a defined contribution tax-deferred investment account for all eligible employees. The District is required to match 50% of an employee's contributions up to 1% of an employee's salary. The retirement benefits are determined by the final average compensation and years of service with disability and survivor benefits available to members. The District contribution for the year ended June 30, 2017, was $16,824.

NOTE K: OTHER POST-EMPLOYMENT BENEFITS

PLAN DESCRIPTION

The Michigan Public School Employees' Retirement System (MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (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. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at http://michigan.gov/orsschools/0,1607,7-206-36585---,00.html.

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10.0 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate.

Contribution rates for the year ended June 30, 2017, are as follows:

	Health Contribution Rate	
	Basic/MIP	Pension Plus
July 1, 2016 - September 30, 2016	6.40 - 6.83%	6.40 - 6.83%
October 1, 2016 - June 30, 2017	5.69 - 5.91%	5.69 - 5.91%

The District's required and actual contributions to the various plans for the last three fiscal years are as follows:

	Defined Benefit Plan	Defined Contribution Plan	
Fiscal Year Ending June 30,	Employer Health Contributions	Employer Contributions	Employee Contributions
2017	$ 325,804	$ 18,184	$ 18,184
2016	296,648	13,456	13,456
2015	171,088	12,204	12,204

NOTE L: BONDED CONSTRUCTION AND SINKING FUNDS

The Capital Projects Funds of the District include the capital project activities which are funded by the local sinking fund millage and the 2016 Construction Project Fund. The Sinking Fund capital project fund records capital project activities funded with sinking fund millage. For the expenditures recorded within the Capital Projects Sinking Fund the District has complied with the applicable provisions of Section 1212 of the Revised School Code. The 2016 Construction Project Fund includes capital project activities funded with bonds issued after May 1, 1994. For the expenditures recorded within the 2016 Construction Project Fund the District has complied with the applicable provisions of Section 1351 (a) of the Revised School Code.

NOTE M: CONTRACTUAL COMMITMENTS

The District is obligated for contracts relating to bond and sinking fund projects in the amount of $18,878,838. These commitments are not susceptible to accrual. Accordingly, no liabilities have been recorded in the basic financial statements. The District’s remaining bond proceeds and sinking fund tax revenue (i.e., fund balance) along with future anticipated tax revenue and investment earnings are expected to be sufficient to cover these commitments.

NOTE N: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five classifications of fund balance under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government’s highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, Lake City Area Schools’ highest level of decision-making authority is the Board of Education. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is through a formal action and approval by the Board of Education and committed fund balances do not lapse at year end.

For assigned fund balance, the School Board is authorized to assign amounts to a specific purpose. The authorization is delegated by the Board of Education to the District’s Superintendent for purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed by committed, assigned, and lastly unassigned.

NOTE N: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

For the classification of fund balances, Lake City Area Schools considers restricted amounts to have been spent first when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, Lake City Area Schools considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

NOTE O: SUBSEQUENT EVENTS

Subsequent to the year ended June 30, 2017, the following events occurred:

On August 23, 2017, the District issued a State School Aid Anticipation Note in the amount of $1,400,000 for the purpose of funding operating expenditures until the fiscal year 2018 State Aid payments begin. This short-term note will be paid off when the District accumulates sufficient State Aid revenues at the end of next fiscal year. Future anticipated State Aid and other local funds are expected to be sufficient to cover this commitment.

NOTE P: UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensibly and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The District is currently evaluating the impact this standard will have on the financial statements when adopted during the District's 2018 fiscal year.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73.* The Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2018 fiscal year.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The statement establishes guidance regarding what constitutes fiduciary activities for accounting and financial reporting purposes, the recognition of liabilities to beneficiaries, and how fiduciary activities should be reported. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2019-2020 fiscal year.

In June 2017, the GASB issued Statement No. 87, *Leases*. The statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2020-2021 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

Lake City Area Schools

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Local sources	$ 2,876,350	$ 2,917,525	$ 2,907,675	$ (9,850)
State sources	7,078,617	7,325,481	7,294,334	(31,147)
Federal sources	392,100	448,605	428,755	(19,850)
TOTAL REVENUES	10,347,067	10,691,611	10,630,764	(60,847)
EXPENDITURES				
INSTRUCTION				
Basic programs				
Elementary	2,579,341	2,648,571	2,530,693	117,878
Middle School	1,443,390	1,448,360	1,408,968	39,392
High School	1,858,455	1,986,960	1,901,554	85,406
Summer School	18,141	21,258	20,947	311
Total basic programs	5,899,327	6,105,149	5,862,162	242,987
Added needs				
Special education	820,805	821,855	797,454	24,401
Compensatory education	274,763	243,587	227,582	16,005
Total added needs	1,095,568	1,065,442	1,025,036	40,406
TOTAL INSTRUCTION	6,994,895	7,170,591	6,887,198	283,393
SUPPORTING SERVICES				
Student services				
Guidance services	326,305	331,755	324,531	7,224
Social work services	127,155	124,127	114,217	9,910
Other pupil support	51,010	31,100	28,066	3,034
Total student services	504,470	486,982	466,814	20,168
Instructional staff				
Improvement of instruction	216,268	199,702	196,082	3,620
Media services	183,210	176,965	166,755	10,210
Total instructional staff	399,478	376,667	362,837	13,830
General administration				
Board of education	65,310	70,825	59,468	11,357
Executive administration	299,648	313,236	307,351	5,885
Total general administration	364,958	384,061	366,819	17,242

Lake City Area Schools

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
EXPENDITURES - CONTINUED				
SUPPORTING SERVICES - CONTINUED				
School administration	$ 687,750	$ 710,658	$ 688,672	$ 21,986
Business				
Fiscal services	148,685	151,406	147,437	3,969
Other business services	36,715	37,200	27,505	9,695
Total business	185,400	188,606	174,942	13,664
Operations and maintenance	893,255	898,690	837,456	61,234
Transportation	639,520	639,155	609,326	29,829
Other supporting services				
Athletics	203,840	208,110	195,043	13,067
Central services	274,295	230,219	166,386	63,833
Community activities	74,051	90,721	79,552	11,169
Total other supporting services	552,186	529,050	440,981	88,069
TOTAL SUPPORTING SERVICES	4,227,017	4,213,869	3,947,847	266,022
TOTAL EXPENDITURES	11,221,912	11,384,460	10,835,045	549,415
EXCESS OF REVENUES (UNDER) EXPENDITURES	(874,845)	(692,849)	(204,281)	488,568
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	10,000	22,000	20,781	(1,219)
Intermediate School District allocations	240,300	230,800	229,987	(813)
Transfers to other funds	(6,100)	(6,100)	(6,010)	90
TOTAL OTHER FINANCING SOURCES (USES)	244,200	246,700	244,758	(1,942)
NET CHANGE IN FUND BALANCE	(630,645)	(446,149)	40,477	486,626
Fund balance, beginning of year	1,399,262	1,399,262	1,399,262	-0-
Fund balance, end of year	$ 768,617	$ 953,113	$ 1,439,739	$ 486,626

Lake City Area Schools

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

Michigan Public School Employee Retirement Plan

Last Three Measurement Years (Ultimately ten years will be displayed)
(Amounts were determined as of 9/30 of each year)

	2014	2015	2016
Lake City Area Schools' proportion of net pension liability (%)	0.06248%	0.06137%	0.06096%
Lake City Area Schools' proportionate share of net pension liability	$ 13,761,827	$ 14,990,784	$ 15,208,647
Lake City Area Schools' covered employee payroll	$ 5,492,224	$ 4,870,308	$ 5,162,361
Lake City Area Schools' proportionate share of net pension liability as a percentage of its covered employee payroll	250.57%	307.80%	294.61%
Plan fiduciary net position as a percentage of total pension liability	66.20%	63.17%	63.27%

Lake City Area Schools

SCHEDULE OF CONTRIBUTIONS

Michigan Public School Employee Retirement Plan

Last Three Fiscal Years (Ultimately ten fiscal years will be displayed)
(Amounts were determined as of 6/30 of each fiscal year)

	2015	2016	2017
Statutorily required contributions	$ 1,133,325	$ 1,349,031	$ 1,397,282
Contributions in relation to statutorily required contributions	1,133,325	1,349,031	1,397,282
Contribution deficiency (excess)	$ -0-	$ -0-	$ -0-
Lake City Area Schools' covered employee payroll	$ 5,093,721	$ 5,084,131	$ 5,396,951
Contributions as a percentage of covered employee payroll	22.25%	26.53%	25.89%

NOTE A: MICHIGAN PUBLIC SCHOOL EMPLOYEE RETIREMENT PLAN

Changes of benefit terms: There were no changes of benefit terms in 2016 plan year.

Changes of assumptions: There were no changes of benefit terms in 2016 plan year.

OTHER SUPPLEMENTARY INFORMATION

Lake City Area Schools

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2017

	Special Revenue Fund	Debt Service Fund	Capital
	Food Service	2016 Building and Site Bonds	General Capital Projects
ASSETS			
Cash and cash equivalents	$ 149,258	$ 521,046	$ 211,535
Accounts receivable	40,000	-	-
Due from other funds	17,848	-	-
Inventories	8,739	-	-
TOTAL ASSETS	$ 215,845	$ 521,046	$ 211,535
LIABILITIES			
Accounts payable	$ 13,967	$ -	$ -
FUND BALANCES			
Restricted			
Food and nutrition	201,878	-	-
Debt service	-	521,046	-
Capital projects	-	-	-
Committed			
Capital projects	-	-	211,535
TOTAL FUND BALANCES	201,878	521,046	211,535
TOTAL LIABILITIES AND FUND BALANCES	$ 215,845	$ 521,046	$ 211,535

Projects Funds		
Capital Projects Sinking Fund	Legacy Fund	Total
$ 352,239	$ 77,853	$ 1,311,931
-	-	40,000
-	-	17,848
-	-	8,739
$ 352,239	$ 77,853	$ 1,378,518
$ -	$ -	$ 13,967
-	-	201,878
-	-	521,046
352,239	77,853	430,092
-	-	211,535
352,239	77,853	1,364,551
$ 352,239	$ 77,853	$ 1,378,518

Lake City Area Schools

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2017

	Special Revenue Fund	Debt Service Fund	Capital
	Food Service	2016 Building and Site Bonds	General Capital Projects
REVENUES			
Local sources	$ 155,907	$ 1,170,503	$ 158
State sources	22,649	-	-
Federal sources	490,811	-	-
TOTAL REVENUES	669,367	1,170,503	158
EXPENDITURES			
Current			
Food service	613,966	-	-
Debt service	-	674,150	-
Capital outlay	-	-	41,844
TOTAL EXPENDITURES	613,966	674,150	41,844
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	55,401	496,353	(41,686)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	6,010	24,693	-
Transfers to other funds	(20,781)	-	-
TOTAL FINANCING SOURCES (USES)	(14,771)	24,693	-0-
NET CHANGE IN FUND BALANCES	40,630	521,046	(41,686)
Fund balances, beginning of year	161,248	-	253,221
Fund balances, end of year	$ 201,878	$ 521,046	$ 211,535

Projects Funds		
Capital Projects Sinking Fund	Legacy Fund	Total
$ 334,690	$ 6,680	$ 1,667,938
-	-	22,649
-	-	490,811
334,690	6,680	2,181,398
-	-	613,966
-	-	674,150
498,869	-	540,713
498,869	-0-	1,828,829
(164,179)	6,680	352,569
-	-	30,703
-	(24,698)	(45,479)
-0-	(24,698)	(14,776)
(164,179)	(18,018)	337,793
516,418	95,871	1,026,758
$ 352,239	$ 77,853	$ 1,364,551