

CENTRAL LAKE PUBLIC SCHOOLS

CENTRAL LAKE, MICHIGAN

JUNE 30, 2017



Baird, Cotter & Bishop, P.C.
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS
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CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2017

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August 4, 2017

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Central Lake Public Schools
Central Lake, 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 Central Lake Public Schools, Central Lake, Michigan, 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.

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 Central Lake Public Schools, Central Lake, Michigan 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 schedule, schedule of proportionate share of the net pension liability, schedule of contributions, and notes to required supplementary information on pages iii-x and 34-37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2017 on our consideration of Central Lake Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Central Lake Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central Lake Public Schools' internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CENTRAL LAKE PUBLIC SCHOOLS

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

This section of Central Lake Public Schools’ (“the District”) annual report presents our discussion and analysis of the District’s financial performance during the year ended June 30, 2017. Please read it in conjunction with the District’s financial statements, which immediately follow this section.

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The basic financial statements consist of the following three components: the government-wide financial statements, fund financial statements, and the notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

A. Government-Wide Financial Statements

The government-wide statements provide short-term and long-term financial information about the District’s overall financial status. These statements are required by generally accepted accounting principles (GAAP) as described in the Government Accounting Standards Board (GASB) Statement No. 34. The district-wide financial statements are compiled using full accrual basis of accounting and more closely represent financial statements presented by business and industry. The Statement of Net Position includes all of the District’s assets and liabilities. All of the year’s revenue and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District’s net position and how they have changed. Net position, the difference between the District’s assets and liabilities, is one way to measure the District’s financial health or position.

Over time, increases and decreases in the District’s net position are indicators of whether its financial position is improving or deteriorating, respectively.

To assess the overall health of the District requires consideration of additional non-financial factors, such as changes in the District’s property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District’s activities are all shown in one category titled “Governmental Activities”. These activities, including regular and special education, transportation, administration, food services, athletic activities, and community services, are primarily financed with state and federal aid and property taxes.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the District’s funds.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and by bond covenants. The District may establish other funds to control and manage money for particular purposes.

CENTRAL LAKE PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

The District maintains the following kinds of funds:

Governmental Funds – The District's basic services are included in governmental funds, which generally focus on 1) how cash and other financial assets that can be readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

Fiduciary Funds – The District is a trustee, or fiduciary, for assets that belong to other organizations. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

C. Summary of Net Position

The following schedule summarizes the net position at fiscal year ended June 30, 2017 and June 30, 2016.

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets	\$ 996,921	\$ 1,036,019
Non Current Assets		
Capital Assets	7,612,300	8,159,435
Less Accumulated Depreciation	<u>(4,344,283)</u>	<u>(4,761,034)</u>
Total Non Current Assets	<u>3,268,017</u>	<u>3,398,401</u>
Total Assets	<u>4,264,938</u>	<u>4,434,420</u>
Deferred Outflows of Resources		
Deferred Outflows Related to Pensions	<u>679,286</u>	<u>572,434</u>

CENTRAL LAKE PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

	<u>2017</u>	<u>2016</u>
Liabilities		
Current Liabilities	424,362	368,281
Non Current Liabilities	<u>5,473,782</u>	<u>5,509,025</u>
Total Liabilities	<u>5,898,144</u>	<u>5,877,306</u>
Deferred Inflows of Resources		
Deferred Inflows of Resources Related to Pensions	<u>686,128</u>	<u>668,751</u>
Net Position		
Net Investment in Capital Assets	3,239,302	3,355,735
Restricted for Capital Projects	454,399	426,153
Unrestricted (Deficit)	<u>(5,333,749)</u>	<u>(5,321,091)</u>
Total Net Position (Deficit)	<u>\$ (1,640,048)</u>	<u>\$ (1,539,203)</u>

D. Analysis of Financial Position

During the fiscal year ended June 30, 2017, the District's net position decreased by \$100,845. A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2017, \$212,272 was recorded for depreciation expense.

2. Pension Expense

GASB 68 now requires the District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has significant effect on the District's change in net position. Based on various factors, the District may report an increase or decrease in net position depending on whether the District's proportionate share of the net pension liability increases or decreases in any given year. For the year ended June 30, 2017, the District reported an increase in net position related to GASB 68, which indicates that the District's proportionate share of the net pension liability decreased.

CENTRAL LAKE PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

3. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2017, \$81,888 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is a decrease to net capital assets in the amount of \$130,384 for the fiscal year ended June 30, 2017.

E. Change in Net Position

The following schedule summarizes the results of operations, on a district-wide basis, for the fiscal years ended June 30.

	<u>2017</u>	<u>2016</u>
General Revenues		
Property Taxes	\$ 2,562,319	\$ 2,573,704
Interest Earnings	3,023	2,723
State Sources	40,152	21,727
Other	83,414	82,961
Total General Revenues	<u>2,688,908</u>	<u>2,681,115</u>
Program Revenues		
Charges for Services	192,385	126,774
Operating Grants	869,766	1,136,998
Total Program Revenues	<u>1,062,151</u>	<u>1,263,772</u>
Total Revenues	<u>3,751,059</u>	<u>3,944,887</u>
Expenses		
Instruction	1,833,127	2,155,973
Supporting Services	1,396,045	1,203,034
Athletic Activities	99,773	124,731
Community Activities	122,093	3,798
Food Service Activities	167,041	207,415
Capital Outlay	19,953	6,266
Interest on Long-Term Debt	760	1,004
Other Transactions	840	1,135
Unallocated Depreciation	212,272	212,607
Total Expenses	<u>3,851,904</u>	<u>3,915,963</u>
Change in Net Position	<u>\$ (100,845)</u>	<u>\$ 28,924</u>

CENTRAL LAKE PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

F. Financial Analysis of the District's Funds

The financial performance of the District as a whole is also reflected in its governmental funds. The following table shows the change in total fund balances of each of the District's governmental funds:

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Major Funds			
General Fund	\$ 117,819	\$ 273,133	\$ (155,314)
Food Service Fund	15,286	12,070	3,216
Sinking Fund	454,399	426,153	28,246
	<u>\$ 587,504</u>	<u>\$ 711,356</u>	<u>\$ (123,852)</u>

In 2016-2017, the General Fund balance decreased primarily due to a decrease in revenues of \$339,132. This reduction includes reduction in special education millage allocation of \$74,746 due to prior special education expenditures; reduced state sources of including special education of \$44,410, discretionary payment of \$9,227; reduced local sources including universal service funds of \$2,847, Cleo Foundation funds of \$145,828, and property taxes of \$12,050.

The Food Service Fund balance increased primarily due to an increase in revenues from preschool meal catering of \$32,736 and summer feeding program of \$9,455.

The Sinking Fund balance increase is attributed to a reduction in capital projects of approximately \$32,882.

G. Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

1. Property Taxes

The District levies 18.00 mills of property taxes for operations on non-homestead properties, less the mandatory reductions required by the Headlee Amendment, Article IX, Section 31. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2016-2017 fiscal year, the District levied \$2,448,897 in non-homestead property taxes for general operating purposes.

CENTRAL LAKE PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

2. Student Enrollment

The following schedule summarizes the blended student enrollment for the past five fiscal years:

<u>Fiscal Year</u>	<u>Blended Student FTE</u>
2016-2017	288
2015-2016	287
2014-2015	298
2013-2014	313
2012-2013	342

3. Operating Grants

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2017, federal, state, and other grants totaled \$869,766.

H. General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
<u>REVENUES</u>	\$ 3,799,620	\$ 3,464,885	\$ 3,440,453	\$ (24,432)
<u>EXPENDITURES</u>				
Instruction	\$ 2,393,983	\$ 2,069,219	\$ 2,043,255	\$ (25,964)
Supporting Services	1,401,487	1,467,904	1,449,689	(18,215)
Community Services	0	102,879	102,823	(56)
Total	\$ 3,795,470	\$ 3,640,002	\$ 3,595,767	\$ (44,235)

The difference between the original and final budgeted revenue and expenditure amounts were a result of budget amendments being made as it became clearer on the amounts the District would receive and expend. The difference between final budget compared to actual was minimal.

CENTRAL LAKE PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

I. Capital Asset and Debt Administration

1. Capital Assets

By the end of the 2016-2017 fiscal year, the District had invested over \$7.6 million in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. Depreciation expense for the year amounted to \$212,272 bringing the accumulation to \$4.3 million as of June 30, 2017.

Major capital asset events during the fiscal year included the following:

- ❖ Building improvements at a cost of \$53,155
- ❖ Scoreboard at a cost of \$5,397
- ❖ Food equipment at a cost of \$5,874
- ❖ Tennis court restoration at a cost of \$12,295
- ❖ Trailer at a cost of \$5,167

Additional information regarding the District's capital assets can be found in the Notes to Financial Statements section.

2. Long-Term Debt

At June 30, 2017, the District had total net pension liability, compensated absences, and capital lease payable outstanding of \$5,488,009.

J. Factors Impacting the District's Present and Future Financial Conditions

At the time that these financial statements were prepared and audited, the District was aware of the following factors that have had an impact on finances and could have a significant affect on the District's financial stability in the future:

- Moving into the 2017-2018 school year, the District will be led by Superintendent, Lenore Weaver. The District has experienced declining enrollment over the last few years with challenges in serving students with reduced revenue. With the reduced students and higher costs, the District was forced to lay off an elementary teacher and not renew the K-12 Principal for the 2017-18 school year. Mrs. Weaver will serve as single administrator for the District.
- The District is out-of-formula and receives the majority of funding directly from the taxpayers through annual tax levies. There is a direct impact on taxable value changes on the district's financial condition.
- The District continues to be challenged with current funding sources while maximizing educational opportunities for all students. Leadership is looking at ways to attract students back to the District to keep community ties strong within district boundaries.

CENTRAL LAKE PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

K. Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact Central Lake Public Schools, 8190 W. State Street, P.O. Box 128, Central Lake, Michigan 49622.

CENTRAL LAKE PUBLIC SCHOOLS

CENTRAL LAKE, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2017

ASSETS

CURRENT ASSETS

Cash	\$	880,448
Accounts Receivable		7,299
Due from External Parties (Fiduciary Fund)		22,347
Due from Other Governments		78,479
Inventories		8,348
		<hr/>
Total Current Assets		996,921

NON CURRENT ASSETS

Capital Assets		7,612,300
Less Accumulated Depreciation		(4,344,283)
		<hr/>
Total Non Current Assets		3,268,017

TOTAL ASSETS

4,264,938

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions		<hr/> 679,286
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LIABILITIES

CURRENT LIABILITIES

Accounts Payable		9,745
Accrued Expenses		155,743
Salaries Payable		175,701
Accrued Interest Payable		718
Unearned Revenue		68,228
Current Portion of Non Current Liabilities		14,227
		<hr/>
Total Current Liabilities		424,362

NON CURRENT LIABILITIES

Compensated Absences		30,135
Capital Lease Payable		28,715
Net Pension Liability		5,429,159
Less Current Portion of Non Current Liabilities		(14,227)
		<hr/>
Total Non Current Liabilities		5,473,782

TOTAL LIABILITIES

5,898,144

The notes to the financial statements are an integral part of this statement.

CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2017

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	<u>686,128</u>
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NET POSITION

Net Investment in Capital Assets	3,239,302
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Restricted for Capital Projects	454,399
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Unrestricted (Deficit)	<u>(5,333,749)</u>
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TOTAL NET POSITION (DEFICIT)	<u>\$ (1,640,048)</u>
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The notes to the financial statements are an integral part of this statement.

CENTRAL LAKE PUBLIC SCHOOLS

CENTRAL LAKE, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		GOVERNMENTAL
		CHARGES FOR SERVICES	OPERATING GRANTS	ACTIVITIES
				NET (EXPENSES) REVENUES AND CHANGE IN NET POSITION
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction	\$ 1,833,127	\$ 3,863	\$ 486,319	\$ (1,342,945)
Supporting Services	1,396,045	86,598	182,121	(1,127,326)
Athletic Activities	99,773	18,170	3,971	(77,632)
Food Service Activities	167,041	83,754	127,741	44,454
Community Services	122,093	0	69,614	(52,479)
Capital Outlay	19,953	0	0	(19,953)
Interest on Long-Term Debt	760	0	0	(760)
Other Transactions	840	0	0	(840)
Unallocated Depreciation	212,272	0	0	(212,272)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 3,851,904</u>	<u>\$ 192,385</u>	<u>\$ 869,766</u>	<u>(2,789,753)</u>
<u>GENERAL REVENUES</u>				
Property Taxes - General Purposes				2,448,897
Property Taxes - Sinking Fund				113,422
Interest Earnings				3,023
State Sources				40,152
Other				83,414
Total General Revenues				<u>2,688,908</u>
Change in Net Position				(100,845)
<u>NET POSITION</u> - Beginning of Year - (Deficit)				<u>(1,539,203)</u>
<u>NET POSITION</u> - End of Year (Deficit)				<u>\$ (1,640,048)</u>

The notes to the financial statements are an integral part of this statement.

CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2017

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND FOOD SERVICE</u>	<u>CAPITAL PROJECTS FUND SINKING</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>				
Cash	\$ 418,415	\$ 10,891	\$ 451,142	\$ 880,448
Accounts Receivable	703	6,596	0	7,299
Due from Other Funds	31,818	0	8,957	40,775
Due from Other Governments	75,470	3,009	0	78,479
Inventories	0	8,348	0	8,348
TOTAL ASSETS	<u>\$ 526,406</u>	<u>\$ 28,844</u>	<u>\$ 460,099</u>	<u>\$ 1,015,349</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 4,780	\$ 1,245	\$ 3,720	\$ 9,745
Salaries Payable	175,701	0	0	175,701
Accrued Expenses	154,917	826	0	155,743
Due to Other Funds	4,961	11,487	1,980	18,428
Unearned Revenue	68,228	0	0	68,228
Total Liabilities	<u>408,587</u>	<u>13,558</u>	<u>5,700</u>	<u>427,845</u>
 <u>FUND BALANCES</u>				
Nonspendable:				
Inventories	0	8,348	0	8,348
Restricted:				
Food Service	0	6,938	0	6,938
Capital Projects	0	0	454,399	454,399
Unassigned	117,819	0	0	117,819
Total Fund Balances	<u>117,819</u>	<u>15,286</u>	<u>454,399</u>	<u>587,504</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 526,406</u>	<u>\$ 28,844</u>	<u>\$ 460,099</u>	<u>\$ 1,015,349</u>

The notes to the financial statements are an integral part of this statement.

CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

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

JUNE 30, 2017

Total Governmental Fund Balances	\$ 587,504
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
The cost of the capital assets is	\$ 7,612,300
Accumulated depreciation is	<u>(4,344,283)</u> 3,268,017
Accrued interest is not included as a liability in governmental funds, it is recorded when paid.	(718)
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	
Capital Lease Payable	(28,715)
Compensated Absences	(30,135)
Net Pension Liability	(5,429,159)
Deferred outflows and (inflows) of resources related to pensions are applicable to future periods and , therefore, are not revenues and expenses.	
Deferred Outflows of Resources - Related to Pensions	679,286
Deferred Inflows of Resources - Related to Pensions	<u>(686,128)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (1,640,048)</u></u>

The notes to the financial statements are an integral part of this statement.

CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2017

	GENERAL FUND	SPECIAL REVENUE FUND FOOD SERVICE	CAPITAL PROJECTS FUND SINKING	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Local Sources	\$ 2,698,638	\$ 83,785	\$ 114,399	\$ 2,896,822
State Sources	338,724	17,668	0	356,392
Federal Sources	119,092	110,805	0	229,897
Other Transactions	283,999	0	0	283,999
Total Revenues	<u>3,440,453</u>	<u>212,258</u>	<u>114,399</u>	<u>3,767,110</u>
<u>EXPENDITURES</u>				
Instruction				
Basic Programs	1,579,744	0	0	1,579,744
Added Needs	305,049	0	0	305,049
Career and Technical Education	158,462	0	0	158,462
Supporting Services				
Pupil	145,780	0	0	145,780
Instructional Staff	9,639	0	0	9,639
General Administration	269,600	0	0	269,600
School Administration	243,397	0	0	243,397
Business	64,596	0	0	64,596
Operation and Maintenance	390,931	0	0	390,931
Pupil Transportation Services	130,467	0	0	130,467
Central	78,284	0	0	78,284
Athletics	116,905	0	0	116,905
Community Services	102,823	0	0	102,823
Food Service Activities	0	209,042	0	209,042
Capital Outlay	0	0	85,403	85,403
Other Transactions	90	0	750	840
Total Expenditures	<u>3,595,767</u>	<u>209,042</u>	<u>86,153</u>	<u>3,890,962</u>
Excess (Deficiency) of Revenues				
Over Expenditures	(155,314)	3,216	28,246	(123,852)
<u>FUND BALANCES - Beginning of Year</u>	<u>273,133</u>	<u>12,070</u>	<u>426,153</u>	<u>711,356</u>
<u>FUND BALANCES - End of Year</u>	<u>\$ 117,819</u>	<u>\$ 15,286</u>	<u>\$ 454,399</u>	<u>\$ 587,504</u>

The notes to the financial statements are an integral part of this statement.

CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

Net Change in Fund Balances Total Governmental Funds \$ (123,852)

Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures in the Statement of Activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(212,272)
Capital Outlay	81,888

Accrued interest on bonds is recorded in the Statement of Activities when incurred; it is not recorded in governmental funds.

Accrued Interest Payable - Beginning of Year	952
Accrued Interest Payable - End of Year	(718)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transaction that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available.

Payments on Capital Lease	13,951
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Employees Compensated Absences are reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Compensated Absences - Beginning of Year	39,285
Compensated Absences - End of Year	(30,135)

Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense.

Change in Pension Related Items	146,107
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Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement date.

Change in State Aid Funding for Pension	<u>(16,051)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (100,845)</u>
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The notes to the financial statements are an integral part of this statement.

CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2017

	<u>PRIVATE PURPOSE TRUST FUND</u>	<u>AGENCY FUNDS</u>
<u>ASSETS</u>		
Cash	\$ 13,442	\$ 100,598
<u>LIABILITIES</u>		
Due to Groups and Organizations	0	78,251
Due to Other Funds	0	22,347
 TOTAL LIABILITIES	 0	 100,598
<u>NET POSITION</u>		
Restricted for Trust Activities	\$ 13,442	\$ 0

The notes to the financial statements are an integral part of this statement.

CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2017

	<u>PRIVATE PURPOSE TRUST FUND</u>
<u>ADDITIONS</u>	
Earnings on Investments and Deposits	\$ 27
<u>DEDUCTIONS</u>	
Substance Education	<u>0</u>
Change in Net Position	27
<u>NET POSITION</u> - Beginning of Year	<u>13,415</u>
<u>NET POSITION</u> - End of Year	<u>\$ 13,442</u>

The notes to the financial statements are an integral part of this statement.

CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

Central Lake Public Schools (“the District”) is located in Antrim County with its administrative offices located in Central Lake, Michigan. The District is governed by the Central Lake Public Schools Board of Education (“the Board”), which has responsibility and control over all activities related to public school education within the District. The District provides services to its 288 students in elementary, middle school, high school, special education instruction, guidance, health, transportation, food service and athletics. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

B. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The District does not have any business-type activities or component units.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

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

The *Food Service Fund* accounts for revenue sources that are legally restricted to expenditures for food service.

The *Sinking Capital Projects Fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities.

Additionally, the District reports the following fund type:

Fiduciary funds are accounted for using the accrual method of accounting. Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The District reports the following fiduciary funds:

The *Private Purpose Trust Funds* are accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable trust funds account for assets where both the principal and interest may be spent.

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary Information

1. Budgetary Basis of 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.

CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

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

- a) In June, the superintendent submits to the school board a proposed operating budget for the fiscal year commencing on July 1.
- b) A public hearing is conducted during June to obtain taxpayer comments.
- c) Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. 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 financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.
- d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
- e) For purposes of meeting emergency needs of the District, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
- g) Budgeted amounts are as originally adopted on June 13, 2016, or as amended by the School Board of Education throughout the year.

2. *Excess of Expenditures Over Appropriations*

	<u>APPROPRIATIONS</u>		<u>EXPENDITURES</u>
General Fund			
Supporting Services			
Pupil	\$ 145,259	\$	145,780
Instructional Staff	8,453		9,639
Food Service Fund			
Food Service	182,862		209,042

CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

These overages were funded by available fund balance and greater than anticipated revenues.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. *Cash and Cash Equivalents*

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments. The District considers all highly liquid investments (including certificates of deposit) to be cash equivalents.

2. *Investments*

Investments – Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration and the rate of return is fixed, and the District intends to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings, and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, banker's acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Investments in the U.S. Treasury securities and those other securities completely guaranteed by the Treasury as to payment of principal and interest may be purchased in any dollar amount or up to 100 percent of the available reserves.

All investments must mature or be redeemable within two years of the date of purchase. The District's deposits and investments are held separately by several of the District's funds.

3. *Inventory and Prepaid Items*

Inventories are valued at cost using the first-in/first-out method. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. *Capital Assets*

Capital assets, which include property and equipment, are reported in the governmental activities column in the District-wide financial statements. Capital assets are defined by the District as assets with

CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

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an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Building and Additions	25-50
Furniture, Equipment and Textbooks	5-20
Land Improvements	40

5. *Compensated Absences*

District policy permits certain employees to accumulate earned but unused sick pay benefits which are paid when the employee separates from service with the District. A liability is recorded in the statement of net position for such amounts.

6. *Unearned Revenue*

Unearned revenue arises when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenues is recognized. The District has unearned revenue in the General Fund that is related to state and local grants/donations, with restrictions on how they can be spent, being received but as of the year-end have not been spent.

7. *Long-Term Obligations*

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

8. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The District has deferred outflows and deferred inflows of resources related to the pension plan its employees participate in. More details of these deferred outflows and deferred inflows of resources can be found in footnote 3-E of this report.

9. *Pension*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. 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.

10. *Net Position Flow Assumption*

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

11. *Fund Balance Flow Assumption*

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

12. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

13. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

H. Revenues and Expenditures/Expenses

1. State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The local portion of the foundation is funded primarily by non-homestead property taxes. Since the District's property tax collections exceed the state's formula, the foundation grant approach does not apply to the District. Instead, the District uses its locally collected property taxes to fund the District.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

2. Program Revenues

Amounts reported as program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, state foundation aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenue but instead as *general revenues*.

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed as of January 1, and due July 1. The levy becomes delinquent as of February 14 for all taxpayers. After these dates, unpaid taxes are subject to penalties and interest.

For the year ended June 30, 2017, the District levied the following amounts per \$1,000 of taxable valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-Principle Residence Exemption (PRE)	18.0000
General Fund - Commercial Personal Property	6.0000
Sinking Capital Projects Fund - PRE, Non-PRE, Commercial Personal Property	0.4500

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note 1.F.2, on the Excess of Expenditures Over Appropriations, describes a budgetary violation that occurred for the year ended June 30, 2017.

NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Custodial credit risk – 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 District's bank balance was \$1,026,178 and \$526,178 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. The risk is spread amongst the District's funds. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits.

Interest rate risk. In accordance with its investment policy, 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

CENTRAL LAKE PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSOs).

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.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the investments.

Fair Market Value Disclosure - The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices from similar activities, interest rates, prepayment speeds, credit risk, and others. Debt securities are valued in accordance with evaluated bid price supplied by the pricing service and generally categorized as Level 2 in the hierarchy. Securities that are categorized as Level 2 in the hierarchy include, but are not limited to, repurchase agreements, U.S. government agency securities, corporate securities, and commercial paper.

Level 3: Prices determined using significant unobservable inputs. 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 may be used. Unobservable inputs reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

CENTRAL LAKE PUBLIC SCHOOLS
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JUNE 30, 2017

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There are two types of valuation techniques most commonly used and vary depending on the level of investment. These two techniques are the market approach and income approach. The market approach uses prices and other relevant information generated by the market transactions involving identical or similar assets and liabilities. The income approach discounts future amounts to a single current amount and the discount rate used in the process should reflect current market expectations about risks associated with those future cash flows.

The District does not have any investments subject to the fair value measurement.

The carrying amount of deposits and investments is as follows:

	<u>Total</u>
Deposits – including Fiduciary Funds of \$114,040	\$ 994,488

The above amounts are reported in the financial statements as follows:

	<u>Total</u>
Cash - Fiduciary Funds	\$ 114,040
Cash - District-Wide	880,448
	\$ 994,488

B. Receivables

Receivables as of year-end for the government's individual major funds are as follows:

	General	Food Service	Total
Receivables			
Accounts	\$ 703	\$ 6,596	\$ 7,299
Due from Other Governments	75,470	3,009	78,479
Total Receivables	\$ 76,173	\$ 9,605	\$ 85,778

Amounts due from other governments include amounts due from federal, state, and local sources for various projects and programs.

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

CENTRAL LAKE PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

C. Capital Assets

A summary of changes in the District's capital assets follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital Assets:				
Land and Improvements	\$ 64,565	\$ 12,295	\$ 0	\$ 76,860
Buildings and Additions	6,143,285	53,155	0	6,196,440
Furniture, Equipment and Textbooks	1,951,585	16,438	629,023	1,339,000
Subtotal	8,159,435	81,888	629,023	7,612,300
Less Accumulated Depreciation for:				
Land and Improvements	21,960	2,212	0	24,172
Buildings and Additions	3,103,852	148,254	0	3,252,106
Furniture, Equipment and Textbooks	1,635,222	61,806	629,023	1,068,005
Total Accumulated Depreciation	4,761,034	212,272	629,023	4,344,283
Net Capital Assets	\$ 3,398,401	\$ (130,384)	\$ 0	\$ 3,268,017

Depreciation for the fiscal year ended June 30, 2017 amounted to \$212,272. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

D. Defined Benefit Plan and Post-Retirement Benefits

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.

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.

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Benefit Provisions- Pension

Introduction

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPSERS is as follows:

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Open
Defined Contribution	Defined Contribution	Open

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

A DB 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.

Prior to pension reform of 2010 there were two plans commonly referred to as Basic and Member Investment Plan (MIP). Basic plan member's contributions range from 0% to 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later, including Pension Plus plan members, contribute at various graduated permanently fixed contribution rates from 3.0% to 7.0%.

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

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Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund. Members who elected under option 1 to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP).

Regular Retirement

Eligibility – Age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, any age with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount – Total credited service as of the transition date times 1.5% of final average compensation.

Pension Plus

An amount determined by the member's election of Option 1, 2, 3, or 4 as described below.

Option 1: Credited service after the transition date times 1.5% times final average compensation.

Option 2: Credited service after the transition date (until total service reaches 30 years) times 1.5% times final average compensation, plus credited service after the transition date and over 30 years times 1.25% times final average compensation.

Option 3: Credited service after the transition date times 1.25% times final average compensation.

Option 4: None (Member will receive benefit through a defined contribution plan). As a Defined Contribution participant they receive a 4% employer contribution to a tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS.

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and the Defined Contribution plan that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) – Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the transition date.

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Member Contributions

Depending on the plan selected, member contributions range from 0% to 7%. Plan members electing the defined contribution plan are not required to make additional contributions.

Employer Contributions

Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree other post-employment benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

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

Pension Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
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%

The District's pension contributions for the year ended June 30, 2017 were equal to the required contribution total. Pension contributions were approximately \$471,181. These amounts include contributions funded from state revenue Section 147c restricted to fund MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (72.88% for pension and 27.12% for OPEB).

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

Pension Liabilities

At June 30, 2017, the District reported a liability of \$5,429,159 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2015 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2016 and 2015, the District's proportion was 0.02176087% and 0.02239400%.

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MPERS (Plan) Net Pension Liability – As of September 30, 2016 and September 30, 2015

	<u>September 30, 2016</u>	<u>September 30, 2015</u>
Total Pension Liability	\$ 67,917,445,078	\$ 66,312,041,902
Plan Fiduciary Net Position	42,968,263,308	41,887,015,147
Net Pension Liability	<u>\$ 24,949,181,770</u>	<u>\$ 24,425,026,755</u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	 63.27%	 63.17%
 Net Pension Liability as a Percentage of Covered-Employee Payroll	 295.81%	 292.61%

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

For the year ended June 30, 2016, the District recognized total pension expense of \$159,647. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 67,662	\$ 12,867
Changes of assumptions	84,881	0
Net difference between projected and actual earnings on pension plan investments	90,233	0
Changes in proportion and differences between District contributions and proportionate share of contributions	7,276	507,835
District section 147c revenue related to pension contributions subsequent to the measurement date	0	165,426
District contributions subsequent to the measurement date	429,234	0
Total	<u>\$ 679,286</u>	<u>\$ 686,128</u>

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\$429,234 reported as deferred outflows of resources and \$165,426 reported as deferred inflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a net reduction of the net pension liability 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:

<u>Year Ended September 30,</u>	<u>Amount</u>
2017	\$ (129,138)
2018	(136,234)
2019	(2,967)
2020	(2,311)
	<hr/>
	\$ (270,650)
	<hr/> <hr/>

F. Actuarial Valuations and Assumptions of the Pension Plan

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:	3.50%
Investment Rate of Return	
-MIP and Basic Plans (Non-Hybrid):	8.00%
-Pension Plus Plan (Hybrid):	7.00%
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 Combine Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

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Notes:

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2016, is based on the results of an actuarial valuation date of September 30, 2015, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.6273.
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2016 MPSERS Comprehensive Annual Financial Report.

Long-Term Expected Rate of Return on Investments

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:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity Pools	28.00%	5.90%
Alternative Investment Pools	18.00%	9.20%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	0.90%
Real Estate & Infrastructure Pools	10.00%	4.30%
Absolute Return Pools	15.50%	6.00%
Short-Term Investment Pools	2.00%	0.00%
	<u>100%</u>	

*Long-term rate 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). 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

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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 percent (7.0% for the Pension Plus 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%
\$ 6,991,390	\$ 5,429,159	\$ 4,112,048

G. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2016 Comprehensive Annual Financial Report.

H. Payables to the Pension Plan

As of June 30, 2017, the District is current on all required pension plan payments. As of June 30, 2017, the District reported payables in the amount of \$62,958 to the pension plan. These amounts represent current payments for June wages paid in July, accruals for summer pay primarily for teachers and also the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

I. Benefit Provisions – Other Post-Employment

Introduction

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, is currently funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit

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future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus, plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees.

Retiree Healthcare Reform of 2012

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

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

Employer Contributions

The employer contribution rate ranged from 5.52% - 6.45% of covered payroll for the period October 1, 2013 to March 9, 2015; from 2.20% - 2.71% of covered payroll for the period from March 10, 2015 to September 30, 2015; and from 6.40% - 6.83% of covered payroll for the period from October 1, 2015 through September 30, 2016; and 5.69% - 5.91% of covered payroll for the period October 1, 2016 through September 30, 2017 dependent upon the employee's date of hire and plan election.

The District's contributions to MPSERS for post-employment healthcare contributions for the years ended June 30, 2017, 2016, and 2015 were approximately \$160,000, \$170,000, and \$150,000.

J. Risk Management

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees

The District participates in a distinct pool of educational institutions within the State of Michigan for various risks of loss, including general liability, property and casualty, employee health and accident insurance, and workers' disability compensation. The pool is considered a public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total

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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.

K. Long-Term Liabilities

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

	CAPITAL LEASE OBLIGATIONS	COMPENSATED ABSENCES	NET PENSION LIABILITY	TOTAL
Long-Term Debt at - Beginning of Year	\$ 42,666	\$ 39,285	\$ 5,469,740	\$ 5,551,691
Increase in Debt	0	3,000	448,071	451,071
Decrease in Debt	(13,951)	(12,150)	(488,652)	(514,753)
Long-Term Debt at - End of Year	28,715	30,135	5,429,159	5,488,009
Less Current Portion	(14,227)	0	0	(14,227)
Total Due After One Year	\$ 14,488	\$ 30,135	\$ 5,429,159	\$ 5,473,782

At June 30, 2017, the School's Long-Term Debt consisted of the following:

Capital Lease Obligations

Due in Annual Installments of \$14,945 through December 10, 2018, Interest at 2.50%	\$ 28,715
Net Pension Liability	5,429,159
Compensated Absences	30,135
TOTAL LONG-TERM DEBT	\$ 5,488,009

The annual requirements to amortize all debt outstanding as of June 30, 2017, including interest payments of \$1,175 are as follows:

YEAR ENDING JUNE 30,	Capital Lease		Amounts Payable
	Principal	Interest	
2018	\$ 14,227	\$ 718	\$ 14,945
2019	14,488	457	14,945
	\$ 28,715	\$ 1,175	\$ 29,890

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The annual requirements to amortize the compensated absences and net pension liability are uncertain because it is unknown when the payments will be made.

Compensated absences, net pension liability, and early retirement benefits will be paid by the fund in which the employee worked, including the general fund and other governmental funds.

L. Interfund Receivables and Payables

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 31,818	\$ 4,961
Special Revenue Funds		
Food Service Fund	0	11,487
Capital Projects Fund		
Sinking Capital Projects Fund	8,957	1,980
Fiduciary Fund		
Agency Fund	0	22,347
TOTAL	<u><u>\$ 40,775</u></u>	<u><u>\$ 40,775</u></u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2017 are expected to be repaid within one year.

M. Interfund Transfers

Transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The District has no interfund transfers.

N. Leases

Operating Leases – The District is committed under a noncancelable lease for office equipment. The lease is an operating lease with no contingent lease payments. For the year ended June 30, 2017, rental expenditures were \$10,500.

Capital Lease Obligations - The District has entered into a lease agreement for financing the acquisition of a bus. This lease qualifies as a capital lease for accounting purposes, and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The bus purchased under the capital lease totaled a cost of \$75,932 and is included in the capital assets of the District. The amortization

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of this bus has been included in the District's depreciation expense. Obligations of the District's governmental activities under capital leases at June 30, 2017 are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2017	\$ 14,227	\$ 718	\$ 14,945
2018	14,488	457	14,945
Total Lease Payments	\$ 28,715	\$ 1,175	\$ 29,890

O. Other Information

1. Commitments and Contingencies

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District.

2. Sinking Fund Tax Levy

In May 2009 the taxpayers approved a sinking fund tax levy. The School was authorized to levy 0.45 mills for three years beginning with the 2009 tax roll. This millage was renewed in 2012 and then again in 2014. The transactions for the sinking fund are accounted for in a capital projects fund. For this fund, the District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

3. Community Foundation

On March 9, 1999, the Board of Education passed a resolution to participate in the Grand Traverse Regional Community Foundation and a Central Lake School District Fund was established. Contributions to the fund become the property of the foundation, held in its corporate capacity. Income earned by the fund is to be used, not to replace public financing, but to provide flexible funds to support, non-operational educational opportunities for the District. Net earnings of the fund shall be paid not more than twice a year or at a different schedule agreed upon by the fund's advisory committee and the foundation.

4. Tax Abatements

Effective for the year ended June 30, 2017, the District is required to disclose significant tax abatements as required by GASB statement 77 (tax abatements). The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by Echo Township and Central Lake Township within the District. Industrial facility exemptions are intended to promote construction of new industrial facilities, acquisition of personal property or to rehabilitate historical facilities.

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For the fiscal year ended June 30, 2017, (tax year 2016) the District's property tax revenues were reduced insignificantly under these programs.

5. *Upcoming Accounting Pronouncements*

The District is currently evaluating the impact these standards will have on the financial statements when adopted.

Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued by the GASB in June 2015 and will be effective for the District's 2018 fiscal year-end. The Statement requires governments that participate in defined postemployment benefit plans to report in their statement of net position a net postemployment benefit liability. The net postemployment benefit liability is the difference between the total postemployment benefit liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 75 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net postemployment benefit liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the postemployment benefit liabilities and expense.

GASB Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for the District's 2020 fiscal year-end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

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REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2017

	GENERAL FUND			FOOD SERVICE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS
<u>REVENUES</u>						
Local Sources	\$ 2,841,446	\$ 2,693,106	\$ 2,698,638	\$ 39,154	\$ 39,154	\$ 83,785
State Sources	368,521	335,863	338,724	5,400	5,400	17,668
Federal Sources	112,954	137,365	119,092	143,198	143,198	110,805
Other Transactions	476,699	298,551	283,999	0	0	0
Total Revenues	3,799,620	3,464,885	3,440,453	187,752	187,752	212,258
<u>EXPENDITURES</u>						
Instruction						
Basic Programs	1,896,020	1,589,868	1,579,744	0	0	0
Added Needs	328,597	313,763	305,049	0	0	0
Career and Technical Education	169,366	165,588	158,462	0	0	0
Supporting Services						
Pupil	108,104	145,259	145,780	0	0	0
Instructional Staff	9,144	8,453	9,639	0	0	0
General Administration	210,683	272,476	269,600	0	0	0
School Administration	227,233	246,278	243,397	0	0	0
Business	132,081	65,020	64,596	0	0	0
Operation and Maintenance	394,158	400,374	390,931	0	0	0
Pupil Transportation Services	110,205	134,472	130,467	0	0	0
Central	73,828	78,410	78,284	0	0	0
Athletics	136,051	117,072	116,905	0	0	0
Community Services	0	102,879	102,823	0	0	0
Other Transactions	0	90	90	0	0	0
Food Service	0	0	0	182,862	182,862	209,042
Total Expenditures	3,795,470	3,640,002	3,595,767	182,862	182,862	209,042
Excess (Deficiency) of Revenues Over Expenditures	4,150	(175,117)	(155,314)	4,890	4,890	3,216
<u>FUND BALANCE</u> - Beginning of Year	170,968	273,133	273,133	12,070	12,070	12,070
<u>FUND BALANCE</u> - End of Year	\$ 175,118	\$ 98,016	\$ 117,819	\$ 16,960	\$ 16,960	\$ 15,286

CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)
JUNE 30, 2017

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)								0.02176%	0.02239%	0.02514%
District's proportionate share of net pension liability								\$ 5,429,159	\$ 5,469,740	\$ 5,536,890
District's covered-employee payroll								1,800,402	1,859,055	2,125,762
District's proportionate share of net pension liability as a percentage of its covered-employee payroll								301.55%	294.22%	260.47%
Plan fiduciary net position as a percentage of total pension liability								63.27%	63.17%	66.20%

CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE PUBLIC SCHOOLS, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS

MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2017

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions								\$ 471,181	\$ 498,476	\$ 410,016
Contributions in relation to statutorily required contributions *								471,181	498,476	410,016
Contribution deficiency (excess)								\$ 0	\$ 0	\$ 0
Covered-Employee Payroll								\$ 1,577,146	\$ 1,780,013	\$ 1,871,079
Contributions as a percentage of covered-employee payroll								29.88%	28.00%	21.91%

* Contributions in relation to statutorily contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

CENTRAL LAKE PUBLIC SCHOOLS
CENTRAL LAKE, MICHIGAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2017

A. Changes of Benefit Terms:

There were no changes of benefit terms for the plan year ended September 30, 2016.

B. Changes of Assumptions:

There were no changes of assumptions for the plan year ended September 30, 2016.

