

Lakeview
Community
Schools



Year Ended
June 30, 2019

Financial
Statements

LAKEVIEW COMMUNITY SCHOOLS

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INDEPENDENT AUDITORS' REPORT

September 20, 2019

Board of Education
Lakeview Community Schools
Lakeview, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of *Lakeview Community Schools* (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Lakeview Community Schools as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison of the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated September 20, 2019 on our consideration of Lakeview Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Rehmann Lohman LLC

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MANAGEMENT'S DISCUSSION AND ANALYSIS

LAKEVIEW COMMUNITY SCHOOLS

Management's Discussion and Analysis

As management of Lakeview Community Schools, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019.

Financial Highlights

- The District is required to report its proportionate share of the MPSERS net pension and other postemployment benefit liabilities on the statement of net position. This requirement has contributed to a deficit net position of governmental activities of \$11,891,974.
- The District's total net position decreased by \$85,568.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,770,034, a decrease of \$215,281 in comparison with the prior year, which was largely attributable to an increase in staffing and added maintenance expenditures.
- At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,235,297 or 10.1% percent of total general fund expenditures.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements display functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The activities of the District include instruction, supporting services, athletics, community services, and food services. The District has no business-type activities as of and for the year ended June 30, 2019.

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

LAKEVIEW COMMUNITY SCHOOLS

Management's Discussion and Analysis

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District reported a deficit net position of \$11,891,974 at June 30, 2019. The requirement to report the District's proportionate share of the MPSERS net pension and other postemployment benefit liabilities on the statement of net position is a significant contributor to this deficit balance. In addition, the interest portion of the debt service payments and depreciation of capital assets will impact the District's net position.

LAKEVIEW COMMUNITY SCHOOLS

Management's Discussion and Analysis

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

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

	Net Position	
	2019	2018
Assets		
Current and other assets	\$ 3,422,003	\$ 3,467,572
Capital assets, net	20,468,881	21,256,981
Total assets	<u>23,890,884</u>	<u>24,724,553</u>
Deferred outflows of resources	<u>7,272,248</u>	<u>4,367,810</u>
Liabilities		
Current and other liabilities	25,647,400	23,467,828
Long-term debt	14,764,407	16,273,205
Total liabilities	<u>40,411,807</u>	<u>39,741,033</u>
Deferred inflows of resources	<u>2,643,299</u>	<u>1,157,736</u>
Net position		
Net investment in capital assets	5,902,895	5,208,615
Restricted	395,848	380,641
Unrestricted (deficit)	(18,190,717)	(17,395,662)
Total net position	<u>\$ (11,891,974)</u>	<u>\$ (11,806,406)</u>

LAKEVIEW COMMUNITY SCHOOLS

Management's Discussion and Analysis

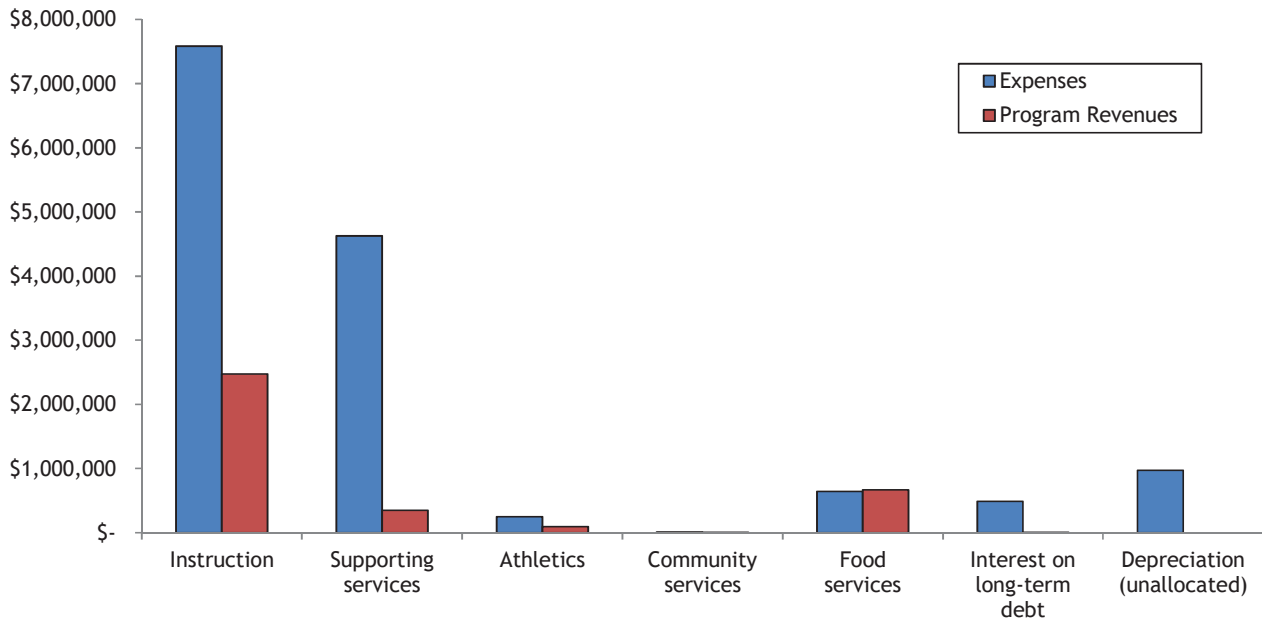
	Change in Net Position	
	2019	2018
Revenues		
Program revenues:		
Charges for services	\$ 276,120	\$ 244,305
Operating grants and contributions	3,313,730	3,345,385
General revenues:		
Property taxes - operations	2,020,085	1,958,141
Property taxes - debt service	2,019,320	2,085,343
Grants and contributions not restricted to specific programs	6,790,954	6,426,476
Universal service funds	8,934	5,753
Unrestricted investment earnings	25,885	26,707
Gain on sale of capital assets	-	10,394
Other revenues	37,649	43,646
Total revenues	<u>14,492,677</u>	<u>14,146,150</u>
Expenses		
Instruction	7,584,950	7,052,436
Supporting services	4,627,938	4,210,146
Athletics	251,464	218,981
Community services	9,339	4,931
Food services	642,654	643,856
Interest on long-term debt	490,854	554,940
Unallocated depreciation	971,046	971,365
Total expenses	<u>14,578,245</u>	<u>13,656,655</u>
Change in net position	(85,568)	489,495
Net position, beginning of year	<u>(11,806,406)</u>	<u>(12,295,901)</u>
Net position, end of year	<u>\$ (11,891,974)</u>	<u>\$ (11,806,406)</u>

Governmental Activities. Net position decreased by \$85,568 compared to an increase of \$489,495 in the prior year. The District was able to keep revenue relatively consistent with prior year, while expenses increased primarily related to changes in the net pension and other postemployment benefit liabilities and related deferred amounts.

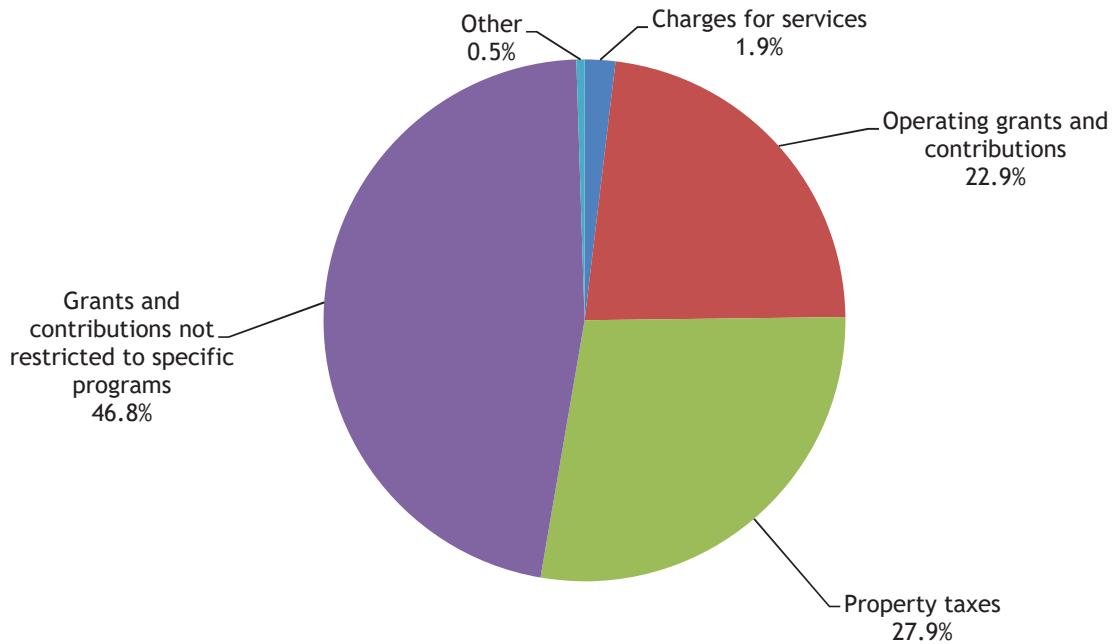
LAKEVIEW COMMUNITY SCHOOLS

Management's Discussion and Analysis

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



LAKEVIEW COMMUNITY SCHOOLS

Management's Discussion and Analysis

Financial Analysis of the Government's Funds

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

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

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,235,297, while the total fund balance was \$1,292,489. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance represent 10.1% and 10.6%, respectively, of total general fund expenditures.

The fund balance of the District's general fund decreased by \$135,243, or 9.5% from the prior year, primarily as a result of increased staffing and maintenance expenditures.

General Fund Budgetary Highlights

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

- The budget for state revenue sources increased as more grant funds were received than expected.
- Budgeted revenue and expenditures for certain federal awards increased because the full outstanding award balance is budgeted for upon notification of award receipt which was unknown at the time of the original budget adoption.
- Budgeted expenditures for instruction increased by \$344,695. This change was primarily due to increased staffing and grant expenditures.
- Budgeted expenditures for supporting services were increased by \$648,256. This was primarily due to increased maintenance projects.

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

- General fund state and federal sources were less than budgeted as a result of not spending all of the grant funds allocated.
- General fund instruction expenditures were less than budgeted as a result of making sure the District had enough money in each line item to cover invoices through June.
- General fund support services expenditures were less than budgeted as a result of making sure the District had enough money in each line item to cover invoices through June.

LAKEVIEW COMMUNITY SCHOOLS

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2019 amounted to \$20,468,881 (net of accumulated depreciation). Significant additions included a replacement boiler, a John Deere loader, and a digital sign. Capital assets at year-end included the following:

	Capital Assets (Net of Depreciation)	
	2019	2018
Land	\$ 362,760	\$ 362,760
Buildings and improvements	19,058,276	19,755,939
Machinery and equipment	600,671	609,614
Vehicles	447,174	528,668
Total capital assets, net	<u>\$ 20,468,881</u>	<u>\$ 21,256,981</u>

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

Long-term Debt. At the end of the current fiscal year, the District had total long-term debt outstanding of \$14,764,407. The District's total debt decreased by \$1,508,798 during the current fiscal year as a result of making principal payments as scheduled.

Additional information on the District's long-term debt can be found in Note 8 of this report.

Factors Bearing on the District's Future

The following factors were considered in preparing the District's budget for the 2019-2020 fiscal year:

- Budgeted for 1,090 students.
- \$180 per pupil increase.
- Pay increases for all staff; raises for LEA Staff and Administration are only given if fund balance is over 11%.
- Increase for retirement and maintained current insurance rates.

Requests for Information

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

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

BASIC FINANCIAL STATEMENTS

LAKEVIEW COMMUNITY SCHOOLS

Statement of Net Position

June 30, 2019

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,088,669
Investments	452,026
Receivables	1,805,153
Other assets	76,155
Capital assets not being depreciated	362,760
Capital assets being depreciated, net	<u>20,106,121</u>
Total assets	<u>23,890,884</u>
Deferred outflows of resources	
Deferred charge on advance bond refundings	82,334
Deferred pension amounts	6,274,745
Deferred other postemployment benefit amounts	<u>915,169</u>
Total deferred outflows of resources	<u>7,272,248</u>
Liabilities	
Accounts payable and accrued liabilities	1,515,920
Unearned revenue	93,517
Long-term debt:	
Due within one year	1,635,026
Due in more than one year	13,129,381
Net pension liability (due in more than one year)	19,017,868
Net other postemployment benefit liability (due in more than one year)	<u>5,020,095</u>
Total liabilities	<u>40,411,807</u>
Deferred inflows of resources	
Deferred pension amounts	1,505,779
Deferred other postemployment benefit amounts	<u>1,137,520</u>
Total deferred inflows of resources	<u>2,643,299</u>
Net position	
Net investment in capital assets	5,902,895
Restricted for:	
Food service operations	222,933
Debt service	172,915
Unrestricted (deficit)	<u>(18,190,717)</u>
Total net position	<u>\$ (11,891,974)</u>

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

LAKEVIEW COMMUNITY SCHOOLS

Statement of Activities

For the Year Ended June 30, 2019

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 7,584,950	\$ -	\$ 2,475,115	\$ (5,109,835)
Supporting services	4,627,938	27,285	320,756	(4,279,897)
Athletics	251,464	95,017	-	(156,447)
Community services	9,339	-	982	(8,357)
Food services	642,654	153,818	513,720	24,884
Interest on long-term debt	490,854	-	3,157	(487,697)
Unallocated depreciation	971,046	-	-	(971,046)
Total governmental activities	<u>\$ 14,578,245</u>	<u>\$ 276,120</u>	<u>\$ 3,313,730</u>	<u>(10,988,395)</u>
General revenues				
Property taxes - operations				2,020,085
Property taxes - debt service				2,019,320
Grants and contributions not restricted to specific programs				6,790,954
Universal service funds				8,934
Unrestricted investment earnings				25,885
Other revenues				37,649
Total general revenues				<u>10,902,827</u>
Change in net position				(85,568)
Net position, beginning of year				<u>(11,806,406)</u>
Net position, end of year				<u>\$ (11,891,974)</u>

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

LAKEVIEW COMMUNITY SCHOOLS

Balance Sheet

Governmental Funds

June 30, 2019

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 468,886	\$ 504,204	\$ 973,090
Investments	452,026	-	452,026
Accounts receivable	80,388	-	80,388
Due from other governments	1,720,910	3,855	1,724,765
Inventory	31,270	21,380	52,650
Prepaid items	20,070	3,435	23,505
Total assets	\$ 2,773,550	\$ 532,874	\$ 3,306,424
Liabilities			
Accounts payable	\$ 70,028	\$ 14,151	\$ 84,179
Accrued liabilities	1,194,693	36,474	1,231,167
Due to other governments	127,019	-	127,019
Due to other funds	508	-	508
Unearned revenue	88,813	4,704	93,517
Total liabilities	1,481,061	55,329	1,536,390
Fund balances			
Nonspendable	51,340	24,815	76,155
Restricted	-	444,588	444,588
Committed	-	8,142	8,142
Assigned	5,852	-	5,852
Unassigned	1,235,297	-	1,235,297
Total fund balances	1,292,489	477,545	1,770,034
Total liabilities and fund balances	\$ 2,773,550	\$ 532,874	\$ 3,306,424

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

LAKEVIEW COMMUNITY SCHOOLS

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2019

Fund balances - total governmental funds \$ 1,770,034

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital assets not being depreciated	362,760
Capital assets being depreciated, net	20,106,121

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds and notes payable	(14,555,669)
Unamortized bond premiums and discounts, net	(92,651)
Unamortized deferred charge on advance bond refunding	82,334
Accrued interest on bonds payable	(73,555)

Certain pension and other postemployment benefit-related amounts, such as the net pension and other postemployment benefit liabilities and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.

Net pension liability	(19,017,868)
Deferred outflows related to the net pension liability	6,274,745
Deferred inflows related to the net pension liability	(1,505,779)
Net other postemployment benefit liability	(5,020,095)
Deferred outflows related to the net other postemployment benefit liability	915,169
Deferred inflows related to the net other postemployment benefit liability	<u>(1,137,520)</u>

Net position of governmental activities \$ (11,891,974)

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

LAKEVIEW COMMUNITY SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2019

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 2,459,887	\$ 2,210,830	\$ 4,670,717
State sources	8,663,479	26,098	8,689,577
Federal sources	644,761	487,622	1,132,383
Total revenues	11,768,127	2,724,550	14,492,677
Expenditures			
Current:			
Instruction	7,118,757	-	7,118,757
Supporting services	4,782,194	101,629	4,883,823
Athletics	258,129	-	258,129
Community services	9,339	-	9,339
Food services	-	651,233	651,233
Debt service:			
Principal	14,331	1,565,000	1,579,331
Interest and fiscal charges	1,597	485,076	486,673
Taxes abated	-	1,650	1,650
Total expenditures	12,184,347	2,804,588	14,988,935
Revenues under expenditures	(416,220)	(80,038)	(496,258)
Other financing sources			
Issuance of long-term debt	80,000	-	80,000
Insurance recovery	200,977	-	200,977
Total other financing sources	280,977	-	280,977
Net changes in fund balances	(135,243)	(80,038)	(215,281)
Fund balances, beginning of year	1,427,732	557,583	1,985,315
Fund balances, end of year	\$ 1,292,489	\$ 477,545	\$ 1,770,034

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

LAKEVIEW COMMUNITY SCHOOLS

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2019

Net changes in fund balances - total governmental funds \$ (215,281)

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

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

Capital assets purchased/constructed	214,390
Depreciation expense	(971,046)
Loss on disposal of capital assets	(31,444)

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

Principal payments on long-term debt	1,579,331
Issuance of long-term debt	(80,000)
Amortization of bond premiums and discounts, net	10,492
Amortization of deferred charge on advance bond refunding	(27,443)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Change in the net pension liability and related deferred amounts	(762,874)
Change in the net other postemployment benefit liability and related deferred amounts	185,537
Change in accrued interest payable on bonds	12,770

Change in net position of governmental activities \$ (85,568)

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

LAKEVIEW COMMUNITY SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 2,230,886	\$ 2,456,686	\$ 2,459,887	\$ 3,201
State sources	8,393,257	8,752,683	8,663,479	(89,204)
Federal sources	562,138	762,151	644,761	(117,390)
Total revenues	11,186,281	11,971,520	11,768,127	(203,393)
Expenditures				
Current:				
Instruction	6,881,448	7,226,143	7,118,757	(107,386)
Supporting services	4,301,993	4,950,249	4,782,194	(168,055)
Athletics	207,840	258,717	258,129	(588)
Community services	-	17,882	9,339	(8,543)
Debt service:				
Principal	-	14,500	14,331	(169)
Interest and fiscal charges	-	1,700	1,597	(103)
Total expenditures	11,391,281	12,469,191	12,184,347	(284,844)
Revenues under expenditures	(205,000)	(497,671)	(416,220)	(81,451)
Other financing sources				
Proceeds from sale of capital assets	5,000	-	-	-
Issuance of long-term debt	-	-	80,000	80,000
Insurance recovery	-	206,500	200,977	(5,523)
Total other financing sources	5,000	206,500	280,977	74,477
Net changes in fund balance	(200,000)	(291,171)	(135,243)	(155,928)
Fund balance, beginning of year	1,427,732	1,427,732	1,427,732	-
Fund balance, end of year	\$ 1,227,732	\$ 1,136,561	\$ 1,292,489	\$ (155,928)

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

LAKEVIEW COMMUNITY SCHOOLS

Statement of Net Position

Internal Service Fund

June 30, 2019

	Compensated Absences Fund
Assets	
Cash and cash equivalents	\$ 115,579
Due from other fund	508
	<hr/>
Total assets	116,087
Liabilities	
Compensated absences	116,087
	<hr/>
Net position	
Unrestricted	\$ -
	<hr/> <hr/>

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

LAKEVIEW COMMUNITY SCHOOLS

Statement of Revenues, Expenses and Change in Fund Net Position

Internal Service Fund

For the Year Ended June 30, 2019

	Compensated Absences Fund
Operating revenues	
Charges for services	\$ 1,865
Operating expenses	
Personnel services	<u>2,382</u>
Operating loss	(517)
Nonoperating revenues	
Interest income	<u>517</u>
Change in net position	-
Net position, beginning of year	<u>-</u>
Net position, end of year	<u><u>\$ -</u></u>

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

LAKEVIEW COMMUNITY SCHOOLS

Statement of Cash Flows

Internal Service Fund

For the Year Ended June 30, 2019

	Compensated Absences Fund
Cash flows from operating activities	
Payments for interfund services provided	\$ (106)
Cash flows from investing activities	
Interest received	517
Net change in cash and cash equivalents	411
Cash and cash equivalents, beginning of year	115,168
Cash and cash equivalents, end of year	<u>\$ 115,579</u>
Cash flows from operating activities	
Operating loss	\$ (517)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Change in:	
Due from other fund	(508)
Due to other fund	(106)
Compensated absences	1,025
Net cash used in operating activities	<u>\$ (106)</u>

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

LAKEVIEW COMMUNITY SCHOOLS

Statement of Fiduciary Assets and Liabilities

Agency Funds
June 30, 2019

Assets	
Cash and cash equivalents	\$ 110,956
Liabilities	
Due to student groups	\$ 106,674
Withholdings payable	4,282
Total liabilities	\$ 110,956

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

NOTES TO FINANCIAL STATEMENTS

LAKEVIEW COMMUNITY SCHOOLS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Reporting Entity

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year ended June 30, 2019.

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The agency fund follows the accrual basis of accounting, but does not have a measurement focus.

LAKEVIEW COMMUNITY SCHOOLS

Notes to Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes, State aid, expenditure-driven grant revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

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

Additionally, the District reports the following fund types:

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

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

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. The District had no capital grants and contributions for the year ended June 30, 2019. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, unrestricted grants and interest income.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

LAKEVIEW COMMUNITY SCHOOLS

Notes to Financial Statements

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

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

Property Taxes

Property taxes are recognized as revenue in the general and debt service funds on a levy year basis. The 2018 levy amounts are recognized as current property tax revenue to the extent that they are collected during the year or within 60 days after year-end. Collections of delinquent taxes in subsequent years are recognized as property tax revenues in the year collected. Property taxes are levied December 1 on the assessed valuation of property located in the District as of the preceding December 31, the lien date. Assessed values are established annually by the various governmental units within the District and are equalized by the State of Michigan.

Cash and Cash Equivalents

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

Investments

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

State statutes authorize the District to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

LAKEVIEW COMMUNITY SCHOOLS

Notes to Financial Statements

Receivables

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

Other Assets

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

Capital Assets

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

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

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

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

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows for the charge on advance refunding. This amount represents the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also reports deferred outflows of resources related to the net pension liability and the net other postemployment benefits liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date.

LAKEVIEW COMMUNITY SCHOOLS

Notes to Financial Statements

Salaries Payable and Accrued Employee Benefits

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

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

Compensated Absences

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

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

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds also report unavailable revenues, which arise only under a modified accrual basis of accounting that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reports deferred inflows of resources related to pension and other postemployment benefit costs in the government-wide statement of net position.

Long-term Obligations

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

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

LAKEVIEW COMMUNITY SCHOOLS

Notes to Financial Statements

Fund Equity

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

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

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

Interfund Transactions

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

Pension and Other Postemployment Benefits

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

Use of Estimates

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

LAKEVIEW COMMUNITY SCHOOLS

Notes to Financial Statements

2. ACCOUNTABILITY AND BUDGETARY COMPLIANCE

Budgets and Budgetary Accounting

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

1. The Superintendent submits to the Board a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all governmental funds.
5. Adoption and amendments of all budgets used by the District are governed by Public Act 621, which was followed for the year ended June 30, 2019. Expenditures may not exceed appropriations at the function code level. The appropriations resolutions are based on the projected expenditures budget of the department heads of the District. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Excess of Expenditures Over Appropriations

During the year ended June 30, 2019, the District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
General fund			
Supporting services:			
Operations and maintenance:			
Operating and building services	\$ 1,620,510	\$ 1,636,412	\$ 15,902

3. STATE OF MICHIGAN SCHOOL AID

The District reports State of Michigan school aid in the fiscal year in which the District is entitled to the revenue as provided by State of Michigan school aid appropriation acts. State funding represented 74% of the District's general fund revenue during the 2019 fiscal year.

LAKEVIEW COMMUNITY SCHOOLS

Notes to Financial Statements

4. DEPOSITS AND INVESTMENTS

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

	Governmental Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 1,088,669	\$ 110,956	\$ 1,199,625
Investments	452,026	-	452,026
Total	\$ 1,540,695	\$ 110,956	\$ 1,651,651

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

Checking and savings accounts	\$ 1,199,075
Investments	452,026
Cash on hand	550
Total	\$ 1,651,651

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

The District chooses to disclose its investments by specifically identifying each. As of year-end, the District had investments in the Michigan Liquid Asset Fund Plus (MILAF+) Max series in the amount of \$452,026. Investments in MILAF+ are carried at amortized cost, in accordance with GASB Statement 79.

Investment and Deposit Risk

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

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

LAKEVIEW COMMUNITY SCHOOLS

Notes to Financial Statements

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District minimizes this risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the District's investment policy. As of year-end, \$895,456 of the District's bank balance of \$1,395,456 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District minimized this risk by pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors to be in compliance with the requirements set forth in the District's investment policy. The District is exposed to no custodial credit risk on its investments because they are held in the name of the District.

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

5. RECEIVABLES AND PAYABLES

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

Accounts	\$ 80,388
Due from other governments	<u>1,724,765</u>
Totals	<u>\$ 1,805,153</u>

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

Accounts payable	\$ 84,179
Accrued liabilities	1,231,167
Due to other governments	127,019
Interest payable on long-term debt	<u>73,555</u>
Totals	<u>\$ 1,515,920</u>

6. INTERFUND RECEIVABLE AND PAYABLE

The composition of interfund balances as of June 30, 2019, was as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ -	\$ 508
Internal service fund	<u>508</u>	<u>-</u>
Total	<u>\$ 508</u>	<u>\$ 508</u>

LAKEVIEW COMMUNITY SCHOOLS

Notes to Financial Statements

7. CAPITAL ASSETS

A summary of changes in capital assets activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 362,760	\$ -	\$ -	\$ -	\$ 362,760
Capital assets, being depreciated:					
Buildings and improvements	34,270,834	104,785	(30,998)	-	34,344,621
Machinery and equipment	1,929,627	103,705	(6,141)	-	2,027,191
Vehicles	1,305,892	5,900	-	-	1,311,792
	<u>37,506,353</u>	<u>214,390</u>	<u>(37,139)</u>	<u>-</u>	<u>37,683,604</u>
Less accumulated depreciation for:					
Buildings and improvements	(14,514,895)	(772,846)	1,396	-	(15,286,345)
Machinery and equipment	(1,320,013)	(110,806)	4,299	-	(1,426,520)
Vehicles	(777,224)	(87,394)	-	-	(864,618)
	<u>(16,612,132)</u>	<u>(971,046)</u>	<u>5,695</u>	<u>-</u>	<u>(17,577,483)</u>
Total capital assets being depreciated, net	<u>20,894,221</u>	<u>(756,656)</u>	<u>(31,444)</u>	<u>-</u>	<u>20,106,121</u>
Governmental activities capital assets, net	<u>\$ 21,256,981</u>	<u>\$ (756,656)</u>	<u>\$ (31,444)</u>	<u>\$ -</u>	<u>\$ 20,468,881</u>

Depreciation expense of \$971,046 is reported as unallocated in the statement of activities.

8. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2019:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 16,055,000	\$ -	\$ (1,565,000)	\$ 14,490,000	\$ 1,605,000
Notes from direct borrowings and direct placements	-	80,000	(14,331)	65,669	19,534
Total	<u>16,055,000</u>	<u>80,000</u>	<u>(1,579,331)</u>	<u>14,555,669</u>	<u>1,624,534</u>
Unamortized premiums and discounts	103,143	-	(10,492)	92,651	10,492
Compensated absences	115,062	1,865	(840)	116,087	-
Total governmental activities	<u>\$ 16,273,205</u>	<u>\$ 81,865</u>	<u>\$ (1,590,663)</u>	<u>\$ 14,764,407</u>	<u>\$ 1,635,026</u>

LAKEVIEW COMMUNITY SCHOOLS

Notes to Financial Statements

General obligation bonds

2010B refunding bonds due in amounts ranging from \$275,000 through \$300,000 plus interest at 3.650-3.900% through 2022 (unlimited tax, general obligation)	\$ 875,000
2013 school building and site bonds due in amounts ranging from \$525,000 (beginning in 2023) through \$685,000 plus interest at 3.00-4.00% through 2038 (unlimited tax, general obligation)	9,630,000
2014 school building and site bonds due in amounts ranging from \$340,000 through \$435,000 plus interest at 2.00-2.50% through 2022 (unlimited tax, general obligation)	1,270,000
2017 refunding bonds due in amounts ranging from \$485,000 through \$535,000 plus interest at 1.50-2.20% through 2022 (unlimited tax, general obligation)	1,495,000
2018 refunding bonds due in amounts ranging from \$400,000 through \$415,000 plus interest at 2.30-2.50% through 2022 (unlimited tax, general obligation)	1,220,000
	<u>14,490,000</u>

Notes from direct borrowings and direct placements

2018 purchase agreement for a John Deere loader, \$80,000, due in monthly installments of \$1,770 through September 1, 2022, including interest at 2.99%	65,669
	<u>65,669</u>
Total	<u>\$ 14,555,669</u>

Future principal and interest payment requirements on outstanding general obligation bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ 1,605,000	\$ 441,333	\$ 2,046,333
2021	1,635,000	404,255	2,039,255
2022	1,620,000	363,546	1,983,546
2023	525,000	320,300	845,300
2024	535,000	304,550	839,550
2025-2029	2,825,000	1,276,000	4,101,000
2030-2034	3,080,000	816,432	3,896,432
2035-2038	2,665,000	242,788	2,907,788
	<u>14,490,000</u>	<u>4,169,204</u>	<u>18,659,204</u>
Totals	<u>\$ 14,490,000</u>	<u>\$ 4,169,204</u>	<u>\$ 18,659,204</u>

LAKEVIEW COMMUNITY SCHOOLS

Notes to Financial Statements

Future principal and interest payment requirements on notes from direct borrowings and direct placements are as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ 19,534	\$ 1,703	\$ 21,237
2021	20,130	1,106	21,236
2022	20,741	496	21,237
2023	5,264	26	5,290
Totals	<u>\$ 65,669</u>	<u>\$ 3,331</u>	<u>\$ 69,000</u>

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

The District has advance-funded its liability for compensated absences through interfund charges from an internal service fund. The District expects to liquidate its compensated absences through this fund.

9. PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

Plan Description

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

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

The System is administered by the Office of Retirement Services (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 the ORS website at www.michigan.gov/orsschools.

LAKEVIEW COMMUNITY SCHOOLS

Notes to Financial Statements

Pension Benefits Provided

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

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

Participants in the defined contribution plan consist of one of the following: (1) members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan; (2) members who elected to transfer from the defined benefit plan to the defined contribution plan under the reform (P.A. 300) of 2012; or (3) members who worked for a Michigan public school on or after February 1, 2018 and did not elect participation in the Pension Plus 2 plan. Members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan receive a 100% match of the member contribution rate up to a maximum of 3% based on the member's gross earnings. Additionally, there is a mandatory employer contribution of 4% of the member's gross earnings for MPSERS members who elected to convert from a Basic or MIP benefit plan to the defined contribution benefit plan. Members electing the Pension Plus or Pension Plus 2 benefit plan receive a 50% match of the member's contribution percent up to a maximum of 1% based on the member's gross earnings. Effective October 1, 2017, there is a mandatory employer contribution of 4% of the member's gross earnings for members who elect the Defined Contribution benefit plan. The employer must match 100% of the employee contribution for any member who elected the Personal Healthcare Fund up to a maximum of 2% of the member's gross earnings. For all members with a Personal Health Care Fund (PHF), the first 2% of DC contributions must go into the PHF and must be matched 100% by the employer.

Other Postemployment Benefits Provided

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, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit 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. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

LAKEVIEW COMMUNITY SCHOOLS

Notes to Financial Statements

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

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2019:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	17.89% - 18.25%
Member Investment Plan (MIP)	3.00% - 7.00%	17.89% - 18.25%
Pension Plus	3.00% - 6.40%	16.46% - 16.61%
Pension Plus 2	6.20%	19.59% - 19.74%
Defined Contribution	0.00%	13.39% - 13.54%

For the year ended June 30, 2019, required and actual contributions from the District to the pension plan were \$1,672,871, which included \$698,292, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate.

LAKEVIEW COMMUNITY SCHOOLS

Notes to Financial Statements

The table below summarizes OPEB contribution rates in effect for fiscal year 2019:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	7.67% - 7.93%
Personal Healthcare Fund (PHF)	0.00%	7.42% - 7.57%

For the year ended June 30, 2019, required and actual contributions from the District to the OPEB plan were \$428,674.

The table below summarizes defined contribution rates in effect for fiscal year 2019:

Benefit Structure	Member Rates	Employer Rates
Defined Contribution	0.00% - 3.00%	0.00% - 7.00%
Personal Healthcare Fund (PHF)	0.00% - 2.00%	0.00% - 2.00%

For the year ended June 30, 2019, required and actual contributions from the District for those members with a defined contribution benefit were \$46,777.

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

At June 30, 2019, the District reported a liability of \$19,017,868 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2017. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2018, the District's proportion was 0.06326%, which was a decrease of 0.00007% from its proportion measured as of September 30, 2017.

LAKEVIEW COMMUNITY SCHOOLS

Notes to Financial Statements

For the year ended June 30, 2019, the District recognized pension expense of \$2,435,042. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 88,246	\$ 138,200	\$ (49,954)
Changes in assumptions	4,404,522	-	4,404,522
Net difference between projected and actual earnings on pension plan investments	-	1,300,339	(1,300,339)
Changes in proportion and differences between employer contributions and proportionate share of contributions	213,438	67,240	146,198
	<u>4,706,206</u>	<u>1,505,779</u>	<u>3,200,427</u>
District contributions subsequent to the measurement date	1,568,539	-	1,568,539
	<u>1,568,539</u>	<u>-</u>	<u>1,568,539</u>
Total	<u>\$ 6,274,745</u>	<u>\$ 1,505,779</u>	<u>\$ 4,768,966</u>

The \$1,568,539 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2020	\$ 1,311,672
2021	994,348
2022	640,225
2023	<u>254,182</u>
Total	<u>\$ 3,200,427</u>

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

At June 30, 2019, the District reported a liability of \$5,020,095 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2018, the District's proportion was 0.06315%, which was a decrease of 0.00013% from its proportion measured as of September 30, 2017.

LAKEVIEW COMMUNITY SCHOOLS

Notes to Financial Statements

For the year ended June 30, 2019, the District recognized OPEB expense of \$383,342. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 934,369	\$ (934,369)
Changes in assumptions	531,631	-	531,631
Net difference between projected and actual earnings on OPEB plan investments	-	192,934	(192,934)
Changes in proportion and differences between employer contributions and proportionate share of contributions	196	10,217	(10,021)
	<u>531,827</u>	<u>1,137,520</u>	<u>(605,693)</u>
District contributions subsequent to the measurement date	383,342	-	383,342
	<u>383,342</u>	<u>-</u>	<u>383,342</u>
Total	<u>\$ 915,169</u>	<u>\$ 1,137,520</u>	<u>\$ (222,351)</u>

The \$383,342 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2020	\$ (149,271)
2021	(149,271)
2022	(149,271)
2023	(109,927)
2024	(47,953)
Total	<u>\$ (605,693)</u>

LAKEVIEW COMMUNITY SCHOOLS

Notes to Financial Statements

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension and OPEB liabilities in the September 30, 2017 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	7.05%
Pension Plus plan (hybrid)	7.00%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	7.15%
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	7.5% Year 1 graded to 3.0% Year 12
Mortality	RP-2014 Male and Female Healthy Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females
Other OPEB assumptions:	
Opt-out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt-out of the retiree health plan
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.5304 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.6018 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

LAKEVIEW COMMUNITY SCHOOLS

Notes to Financial Statements

Long-term Expected Return on Pension Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.70%	1.60%
Alternative investment pools	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.50%	0.05%
Real estate and infrastructure pools	10.00%	3.90%	0.39%
Absolute return pools	15.50%	5.20%	0.81%
Short-term investment pools	2.00%	0.00%	0.00%
	100.00%		5.66%
Inflation			2.30%
Risk adjustment			-0.91%
Investment rate of return			7.05%

LAKEVIEW COMMUNITY SCHOOLS

Notes to Financial Statements

Long-term Expected Return on OPEB Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.70%	1.60%
Private equity pools	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.50%	0.05%
Real estate and infrastructure pools	10.00%	3.90%	0.39%
Absolute return pools	15.50%	5.20%	0.81%
Short-term investment pools	2.00%	0.00%	0.00%
	100.00%		5.66%
Inflation			2.30%
Risk adjustment			-0.81%
Investment rate of return			7.15%

Discount Rate

A discount rate of 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan, both of which are hybrid plans provided through non-university employers only) and a discount rate of 7.15% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 7.05% (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan) and 7.15%, respectively. The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

LAKEVIEW COMMUNITY SCHOOLS

Notes to Financial Statements

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 7.05% (7.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	1% Decrease (6.05% / 6.00% / 5.00%)	Current Discount Rate (7.05% / 7.00% / 6.00%)	1% Increase (8.05% / 8.00% / 7.00%)
District's proportionate share of the net pension liability	\$ 24,968,991	\$ 19,017,868	\$ 14,073,451

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

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.15%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net OPEB liability	\$ 6,026,521	\$ 5,020,095	\$ 4,173,567

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate

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

	1% Decrease (6.50%)	Current Healthcare Cost Trend Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net OPEB liability	\$ 4,128,972	\$ 5,020,095	\$ 6,042,394

Pension and OPEB Plans Fiduciary Net Position

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

LAKEVIEW COMMUNITY SCHOOLS

Notes to Financial Statements

Payable to the Pension Plan

At June 30, 2019, the District reported a payable of \$273,908 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2019.

Payable to the OPEB Plan

At June 30, 2019, the District reported a payable of \$64,353 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2019.

10. FUND BALANCES - GOVERNMENTAL FUNDS

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

	General Fund	Nonmajor Governmental Funds	Total
Nonspendable			
Inventory	\$ 31,270	\$ 21,380	\$ 52,650
Prepaid items	20,070	3,435	23,505
	<u>51,340</u>	<u>24,815</u>	<u>76,155</u>
Restricted			
Debt service	-	246,470	246,470
Food service program	-	198,118	198,118
	<u>-</u>	<u>444,588</u>	<u>444,588</u>
Committed			
Student technology repair	-	8,142	8,142
Assigned			
Pop funds	240	-	240
Athletics	5,612	-	5,612
	<u>5,852</u>	<u>-</u>	<u>5,852</u>
Unassigned	<u>1,235,297</u>	<u>-</u>	<u>1,235,297</u>
Total fund balances - governmental funds	<u>\$ 1,292,489</u>	<u>\$ 477,545</u>	<u>\$ 1,770,034</u>

LAKEVIEW COMMUNITY SCHOOLS

Notes to Financial Statements

11. NET INVESTMENT IN CAPITAL ASSETS

The composition of the District's net investment in capital assets as of June 30, 2019, was as follows:

Capital assets:	
Capital assets not being depreciated	\$ 362,760
Capital assets being depreciated, net	<u>20,106,121</u>
	<u>20,468,881</u>
Related debt:	
Bonds and installment purchase	14,555,669
Premiums/discounts on bonds payable, net	92,651
Deferred charge on advance bond refundings	<u>(82,334)</u>
	<u>14,565,986</u>
Net investment in capital assets	<u>\$ 5,902,895</u>

12. RELATED PARTIES

During the year ended June 30, 2019, a member of the Board of Education served as an account representative for the District's 403(b) deferred compensation plan. No current year payments were made to the plan. Additionally, a member of the Board of Education owns the flower shop that the District uses for floral arrangements for school events. Expenditures incurred with this vendor were \$83 for the year ended June 30, 2019.

13. CONTINGENCIES

Federal Grant Programs

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

Risk Management and Self Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2019, the District carried commercial insurance for health benefits, was self-insured for dental/vision and prescription benefits, and participated in a public entity risk pool for liability coverage. The District has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

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

LAKEVIEW COMMUNITY SCHOOLS

Notes to Financial Statements

Changes in the balance of claims liabilities are as follows:

	Coverage Type	
	Dental / Vision	Prescription
Estimated liability, July 1, 2017	\$ 5,947	\$ 2,523
Known claims incurred	100,072	107,158
Claim payments	<u>(98,726)</u>	<u>(104,236)</u>
Estimated liability, June 30, 2018	7,293	5,445
Known claims incurred	102,603	113,110
Claim payments	<u>(97,249)</u>	<u>(114,598)</u>
Estimated liability, June 30, 2019	<u>\$ 12,647</u>	<u>\$ 3,957</u>

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REQUIRED SUPPLEMENTARY INFORMATION

LAKEVIEW COMMUNITY SCHOOLS

Required Supplementary Information MPSERS Cost-Sharing Multiple-Employer Plan

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

	Year Ended June 30,				
	2015	2016	2017	2018	2019
District's proportion of the net pension liability	\$ 13,670,809	\$ 14,895,695	\$ 15,711,855	\$ 16,410,972	\$ 19,017,868
District's proportionate share of the net pension liability	0.06207%	0.06099%	0.06298%	0.06333%	0.06326%
District's covered payroll	\$ 5,266,489	\$ 5,077,072	\$ 5,384,760	\$ 5,282,473	\$ 5,381,013
District's proportionate share of the net pension liability as a percentage of its covered payroll	259.58%	293.39%	291.78%	310.67%	353.43%
Plan fiduciary net position as a percentage of the total pension liability	66.20%	63.17%	63.27%	64.21%	62.36%

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

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

LAKEVIEW COMMUNITY SCHOOLS

Required Supplementary Information MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of District Pension Contributions

	Year Ended June 30,				
	2015	2016	2017	2018	2019
Statutorily required contributions	\$ 1,186,205	\$ 1,390,802	\$ 1,479,870	\$ 1,730,201	\$ 1,672,871
Contributions in relation to the statutorily required contributions	<u>(1,186,205)</u>	<u>(1,390,802)</u>	<u>(1,479,870)</u>	<u>(1,730,201)</u>	<u>(1,672,871)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,221,481	\$ 5,183,638	\$ 5,256,882	\$ 5,384,232	\$ 5,481,861
Contributions as a percentage of covered payroll	22.72%	26.83%	28.15%	32.13%	30.52%

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

LAKEVIEW COMMUNITY SCHOOLS

Required Supplementary Information MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the District's Proportionate Share of the Net OPEB Liability

	Year Ended June 30,	
	2018	2019
District's proportion of the net OPEB liability	\$ 5,603,336	\$ 5,020,095
District's proportionate share of the net OPEB liability	0.06328%	0.06315%
District's covered payroll	\$ 5,282,473	\$ 5,381,013
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	106.07%	93.29%
Plan fiduciary net position as a percentage of the total OPEB liability	36.39%	42.95%

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

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

LAKEVIEW COMMUNITY SCHOOLS

Required Supplementary Information MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of District OPEB Contributions

	Year Ended June 30,	
	2018	2019
Statutorily required contributions	\$ 399,393	\$ 428,674
Contributions in relation to the statutorily required contributions	<u>(399,393)</u>	<u>(428,674)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,384,232	\$ 5,481,861
Contributions as a percentage of covered payroll	7.42%	7.82%

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

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

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GENERAL FUND

LAKEVIEW COMMUNITY SCHOOLS

Schedule of Balance Sheet Accounts

By Activity - General Fund

June 30, 2019

	General Fund (11)	Athletics Fund (21)	Total General Fund
Assets			
Cash and cash equivalents	\$ 463,274	\$ 5,612	\$ 468,886
Investments	452,026	-	452,026
Accounts receivable	80,388	-	80,388
Due from other governments	1,720,910	-	1,720,910
Inventory	31,270	-	31,270
Prepaid items	20,000	70	20,070
Total assets	\$ 2,767,868	\$ 5,682	\$ 2,773,550
Liabilities			
Accounts payable	\$ 70,028	\$ -	\$ 70,028
Accrued liabilities	1,194,693	-	1,194,693
Due to other governments	127,019	-	127,019
Due to other funds	508	-	508
Unearned revenue	88,813	-	88,813
Total liabilities	1,481,061	-	1,481,061
Fund balances			
Nonspendable	51,270	70	51,340
Assigned	240	5,612	5,852
Unassigned	1,235,297	-	1,235,297
Total fund balances	1,286,807	5,682	1,292,489
Total liabilities and fund balances	\$ 2,767,868	\$ 5,682	\$ 2,773,550

LAKEVIEW COMMUNITY SCHOOLS

Schedule of Revenues, Expenditures and Changes in Fund Balances

By Activity - General Fund

For the Year Ended June 30, 2019

	General Fund (11)	Athletics Fund (21)	Eliminations	Total General Fund
Revenues				
Local sources	\$ 2,364,843	\$ 95,044	\$ -	\$ 2,459,887
State sources	8,663,479	-	-	8,663,479
Federal sources	644,761	-	-	644,761
Total revenues	11,673,083	95,044	-	11,768,127
Expenditures				
Current:				
Instruction	7,118,757	-	-	7,118,757
Supporting services	4,782,194	-	-	4,782,194
Athletics	-	258,129	-	258,129
Community services	9,339	-	-	9,339
Debt service:				
Principal	14,331	-	-	14,331
Interest and fiscal charges	1,597	-	-	1,597
Total expenditures	11,926,218	258,129	-	12,184,347
Revenues under expenditures	(253,135)	(163,085)	-	(416,220)
Other financing sources (uses)				
Transfers in	-	160,000	(160,000)	-
Transfers out	(160,000)	-	160,000	-
Issuance of long-term debt	80,000	-	-	80,000
Insurance recovery	200,977	-	-	200,977
Total other financing sources (uses)	120,977	160,000	-	280,977
Net changes in fund balances	(132,158)	(3,085)	-	(135,243)
Fund balances, beginning of year	1,418,965	8,767	-	1,427,732
Fund balances, end of year	\$ 1,286,807	\$ 5,682	\$ -	\$ 1,292,489

LAKEVIEW COMMUNITY SCHOOLS

Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - By Activity - General Fund For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
General fund (11)				
Local sources:				
Property taxes	\$ 1,938,663	\$ 2,020,208	\$ 2,020,085	\$ (123)
Earnings on investments	10,000	11,101	10,472	(629)
Payments received from other governments:				
Special Education Medicaid - MAISD	80,000	120,079	120,079	-
Universal service funds	-	4,000	8,934	4,934
Miscellaneous	154,383	206,252	205,273	(979)
Total local sources	2,183,046	2,361,640	2,364,843	3,203
State sources:				
State aid - unrestricted	7,378,926	7,686,602	7,677,087	(9,515)
At risk	366,782	473,073	393,384	(79,689)
Preschool	279,549	223,722	223,722	-
Special education	368,000	369,286	369,286	-
Total state sources	8,393,257	8,752,683	8,663,479	(89,204)
Federal sources:				
Federal aid received through the State:				
Title I	494,960	553,739	488,314	(65,425)
Title I carryover	-	27,200	27,200	-
Title II	49,613	123,960	83,836	(40,124)
Title IV	-	35,145	23,304	(11,841)
Title VI	17,565	21,125	21,125	-
Federal aid received through intermediate school districts				
	-	982	982	-
Total federal sources	562,138	762,151	644,761	(117,390)
Total general fund (11)	11,138,441	11,876,474	11,673,083	(203,391)
Athletics fund (21)				
Local sources:				
Earnings on investments	20	30	27	(3)
Gate receipts	47,820	53,540	53,541	1
Miscellaneous	-	41,476	41,476	-
Total athletics fund (21)	47,840	95,046	95,044	(2)
Total revenues	11,186,281	11,971,520	11,768,127	(203,393)

continued...

LAKEVIEW COMMUNITY SCHOOLS

Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - By Activity - General Fund For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures				
General fund (11)				
Instruction:				
Basic programs:				
Elementary	\$ 1,315,895	\$ 1,637,839	\$ 1,623,236	\$ (14,603)
Middle school	1,607,035	1,599,378	1,591,122	(8,256)
High school	2,142,656	2,098,858	2,090,236	(8,622)
Total basic programs	5,065,586	5,336,075	5,304,594	(31,481)
Added needs:				
Preschool	301,859	212,864	212,864	-
Summer school	2,665	51,990	22,765	(29,225)
Special education	778,769	854,834	826,864	(27,970)
Compensatory education	732,569	770,380	751,670	(18,710)
Total added needs	1,815,862	1,890,068	1,814,163	(75,905)
Total instruction	6,881,448	7,226,143	7,118,757	(107,386)
Supporting services:				
Pupil services:				
Guidance services	225,180	231,313	222,994	(8,319)
Health services	36,500	32,000	19,182	(12,818)
Speech services	167,789	170,571	167,033	(3,538)
Social work services	293,924	311,822	310,169	(1,653)
Monitors	57,826	43,654	39,338	(4,316)
Total pupil services	781,219	789,360	758,716	(30,644)
Instructional staff:				
Improvement of instruction	196,771	290,254	232,310	(57,944)
Media center	4,000	3,248	3,248	-
Total instructional staff	200,771	293,502	235,558	(57,944)
General administration:				
Board of Education	49,000	53,600	50,670	(2,930)
Executive administration	233,856	224,298	218,491	(5,807)
Fiscal services	114,260	114,919	110,965	(3,954)
Other business services	51,200	78,867	71,196	(7,671)
Total general administration	448,316	471,684	451,322	(20,362)

continued...

LAKEVIEW COMMUNITY SCHOOLS

Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - By Activity - General Fund For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (continued)				
<u>General fund (11) (concluded)</u>				
Supporting services (concluded):				
School administration:				
Office of the Principal	\$ 738,718	\$ 756,130	\$ 739,012	\$ (17,118)
Supervision - Title programs	6,683	13,508	11,968	(1,540)
Other administration	2,500	2,500	2,289	(211)
Total school administration	<u>747,901</u>	<u>772,138</u>	<u>753,269</u>	<u>(18,869)</u>
Operation and maintenance:				
Operating and buildings services	1,260,474	1,620,510	1,636,412	15,902
Security services	24,500	28,000	28,000	-
Total operation and maintenance	<u>1,284,974</u>	<u>1,648,510</u>	<u>1,664,412</u>	<u>15,902</u>
Pupil transportation	<u>545,097</u>	<u>646,044</u>	<u>601,222</u>	<u>(44,822)</u>
Support staff training	<u>12,715</u>	<u>39,112</u>	<u>35,049</u>	<u>(4,063)</u>
Information services	<u>281,000</u>	<u>289,899</u>	<u>282,646</u>	<u>(7,253)</u>
Total supporting services	<u>4,301,993</u>	<u>4,950,249</u>	<u>4,782,194</u>	<u>(168,055)</u>
Community services:				
Community activities	-	12,900	5,512	(7,388)
Homeless services	-	4,982	3,827	(1,155)
Total community services	<u>-</u>	<u>17,882</u>	<u>9,339</u>	<u>(8,543)</u>
Debt service:				
Principal	-	14,500	14,331	(169)
Interest and fiscal charges	-	1,700	1,597	(103)
Total debt service	<u>-</u>	<u>16,200</u>	<u>15,928</u>	<u>(272)</u>
Total general fund (11)	11,183,441	12,210,474	11,926,218	(284,256)
<u>Athletics fund (21)</u>				
Athletics	<u>207,840</u>	<u>258,717</u>	<u>258,129</u>	<u>(588)</u>
Total expenditures	<u>11,391,281</u>	<u>12,469,191</u>	<u>12,184,347</u>	<u>(284,844)</u>
Revenues under expenditures	<u>(205,000)</u>	<u>(497,671)</u>	<u>(416,220)</u>	<u>(81,451)</u>

continued...

LAKEVIEW COMMUNITY SCHOOLS

Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - By Activity - General Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Other financing sources (uses)				
<u>General fund (11)</u>				
Transfers out	\$ (160,000)	\$ (160,000)	\$ (160,000)	\$ -
Proceeds from sale of capital assets	5,000	-	-	-
Issuance of long-term debt	-	-	80,000	80,000
Insurance recovery	-	206,500	200,977	(5,523)
Total general fund (11)	(155,000)	46,500	120,977	74,477
<u>Athletics fund (21)</u>				
Transfers in	160,000	160,000	160,000	-
Total other financing sources	5,000	206,500	280,977	74,477
Net changes in fund balances	(200,000)	(291,171)	(135,243)	(155,928)
Fund balance, beginning of year	1,427,732	1,427,732	1,427,732	-
Fund balance, end of year	<u>\$ 1,227,732</u>	<u>\$ 1,136,561</u>	<u>\$ 1,292,489</u>	<u>\$ (155,928)</u>

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NONMAJOR GOVERNMENTAL FUNDS

LAKEVIEW COMMUNITY SCHOOLS

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2019

	Special Revenue		Debt Service	
	Food Service	Technology	2010B Refunding	2013 Bonds
Assets				
Cash and cash equivalents	\$ 213,118	\$ 8,142	\$ 48,074	\$ 50,758
Due from other governments	3,855	-	-	-
Inventory	21,380	-	-	-
Prepaid items	3,435	-	-	-
Total assets	\$ 241,788	\$ 8,142	\$ 48,074	\$ 50,758
Liabilities				
Accounts payable	\$ 14,151	\$ -	\$ -	\$ -
Due to other governments	-	-	5,836	5,836
Unearned revenue	4,704	-	-	-
Total liabilities	18,855	-	5,836	5,836
Fund balances				
Nonspendable	24,815	-	-	-
Restricted	198,118	-	42,238	44,922
Committed	-	8,142	-	-
Total fund balances	222,933	8,142	42,238	44,922
Total liabilities and fund balances	\$ 241,788	\$ 8,142	\$ 48,074	\$ 50,758



Debt Service			
2014 Bonds	2017 Refunding	2018 Refunding	Total
\$ 66,997	\$ 60,820	\$ 56,295	\$ 504,204
-	-	-	3,855
-	-	-	21,380
-	-	-	3,435
<u>\$ 66,997</u>	<u>\$ 60,820</u>	<u>\$ 56,295</u>	<u>\$ 532,874</u>
\$ -	\$ -	\$ -	\$ 14,151
7,295	9,483	8,024	36,474
-	-	-	4,704
<u>7,295</u>	<u>9,483</u>	<u>8,024</u>	<u>55,329</u>
-	-	-	24,815
59,702	51,337	48,271	444,588
-	-	-	8,142
<u>59,702</u>	<u>51,337</u>	<u>48,271</u>	<u>477,545</u>
<u>\$ 66,997</u>	<u>\$ 60,820</u>	<u>\$ 56,295</u>	<u>\$ 532,874</u>

LAKEVIEW COMMUNITY SCHOOLS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2019

	Special Revenue		Debt Service	
	Food Service	Technology	2010B Refunding	2013 Bonds
Revenues				
Local sources	\$ 153,910	\$ 19,154	\$ 326,085	\$ 325,606
State sources	26,098	-	-	-
Federal sources	487,622	-	-	-
Total revenues	667,630	19,154	326,085	325,606
Expenditures				
Current:				
Supporting services	-	101,629	-	-
Food services	651,233	-	-	-
Debt service:				
Principal	-	-	280,000	-
Interest and fiscal charges	-	-	43,785	320,500
Taxes abated	-	-	1,650	-
Total expenditures	651,233	101,629	325,435	320,500
Net changes in fund balances	16,397	(82,475)	650	5,106
Fund balances, beginning of year	206,536	90,617	41,588	39,816
Fund balances, end of year	\$ 222,933	\$ 8,142	\$ 42,238	\$ 44,922



Debt Service			
2014 Bonds	2017 Refunding	2018 Refunding	Total
\$ 407,653	\$ 529,599	\$ 448,823	\$ 2,210,830
-	-	-	26,098
-	-	-	487,622
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407,653	529,599	448,823	2,724,550
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-	-	-	101,629
-	-	-	651,233
340,000	535,000	410,000	1,565,000
35,962	37,861	46,968	485,076
-	-	-	1,650
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375,962	572,861	456,968	2,804,588
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31,691	(43,262)	(8,145)	(80,038)
28,011	94,599	56,416	557,583
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\$ 59,702	\$ 51,337	\$ 48,271	\$ 477,545
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LAKEVIEW COMMUNITY SCHOOLS

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Food Service Fund For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources:				
Lunch sales	\$ 135,600	\$ 155,600	\$ 144,144	\$ (11,456)
Other	13,175	13,175	9,766	(3,409)
Total local sources	<u>148,775</u>	<u>168,775</u>	<u>153,910</u>	<u>(14,865)</u>
State sources - State School Aid	<u>21,000</u>	<u>26,099</u>	<u>26,098</u>	<u>(1)</u>
Federal sources:				
Federal aid received through the State	429,600	444,685	443,039	(1,646)
USDA donated commodities	40,000	40,523	44,583	4,060
Total federal sources	<u>469,600</u>	<u>485,208</u>	<u>487,622</u>	<u>2,414</u>
Total revenues	639,375	680,082	667,630	(12,452)
Expenditures				
Current - food services	<u>690,199</u>	<u>715,082</u>	<u>651,233</u>	<u>(63,849)</u>
Net changes in fund balance	(50,824)	(35,000)	16,397	51,397
Fund balance, beginning of year	<u>206,536</u>	<u>206,536</u>	<u>206,536</u>	<u>-</u>
Fund balance, end of year	<u>\$ 155,712</u>	<u>\$ 171,536</u>	<u>\$ 222,933</u>	<u>\$ 51,397</u>

LAKEVIEW COMMUNITY SCHOOLS

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Technology Fund For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources:				
Dues and fees	\$ 20,200	\$ 19,515	\$ 19,154	\$ (361)
Expenditures				
Current - supporting services	85,000	101,722	101,629	(93)
Net changes in fund balance	(64,800)	(82,207)	(82,475)	(268)
Fund balance, beginning of year	90,617	90,617	90,617	-
Fund balance, end of year	\$ 25,817	\$ 8,410	\$ 8,142	\$ (268)

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AGENCY FUNDS

LAKEVIEW COMMUNITY SCHOOLS

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds
June 30, 2019

	Student Activities	Payroll Fund	Total
Assets			
Cash and cash equivalents	\$ 106,674	\$ 4,282	\$ 110,956
Liabilities			
Due to student groups	\$ 106,674	\$ -	\$ 106,674
Withholdings payable	-	4,282	4,282
Total liabilities	\$ 106,674	\$ 4,282	\$ 110,956