
Lapeer Community Schools of Lapeer County

**Financial Report
with Supplemental Information
June 30, 2018**

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Independent Auditor's Report

To the Board of Education
Lapeer Community Schools of Lapeer County

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As described in Note 2 to the financial statements, as of July 1, 2017, the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The School District's unrestricted net position has been restated as of July 1, 2017 as a result of this change in accounting principle. Our opinion is not modified with respect to this matter.

To the Board of Education
Lapeer Community Schools of Lapeer County

Required Supplemental Information

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

Other Supplemental Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2018 on our consideration of Lapeer Community Schools of Lapeer County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lapeer Community Schools of Lapeer County's internal control over financial reporting and compliance.



September 21, 2018

Lapeer Community Schools of Lapeer County

Management's Discussion and Analysis

This section of Lapeer Community Schools of Lapeer County's (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2018. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

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

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

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information

Budgetary Information for General Fund

Schedules of the Proportionate Share of the Net Pension and Net OPEB Liabilities

Schedules of Pension and OPEB Contributions

Other Supplemental Information

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

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the School District's net position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

Lapeer Community Schools of Lapeer County

Management's Discussion and Analysis (Continued)

The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

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

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

Governmental Funds

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

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

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

Lapeer Community Schools of Lapeer County

Management's Discussion and Analysis (Continued)

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2018 and 2017:

	Governmental Activities	
	2018	2017
	(in millions)	
Assets		
Current and other assets	\$ 18.4	\$ 13.9
Capital assets	62.3	64.8
Total assets	80.7	78.7
Deferred Outflows of Resources	19.1	11.4
Liabilities		
Current liabilities	12.6	10.7
Noncurrent liabilities	49.8	49.4
Net pension liability	77.6	76.1
Net OPEB liability	26.5	-
Total liabilities	166.5	136.2
Deferred Inflows of Resources	10.1	3.8
Net Position		
Net investment in capital assets	15.7	16.4
Restricted	1.6	1.4
Unrestricted	(94.1)	(67.7)
Total net position	<u>\$ (76.8)</u>	<u>\$ (49.9)</u>

The above analysis focuses on net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was \$(76.8) million at June 30, 2018. Net investment in capital assets totaling \$15.7 million, compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position (\$(94.1) million) was unrestricted.

As required by the Governmental Accounting Standards Board (GASB), the School District adopted GASB Statement No. 75. This standard required the inclusion of the School District's proportionate share of the Michigan Public School Employees' Retiree Health Care Plan within the School District's financial statements, effective July 1, 2017. The effect of the adoption was to decrease July 1, 2017 beginning net position by \$26.8 million and to include the net OPEB obligation and related deferred inflows and outflows of resources in the June 30, 2018 financial statements. All governments participating in the plan were required to adopt this new standard.

The \$(94.1) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations net of the pension and OPEB liabilities. The unrestricted net position balance enables the School District to meet working capital and cash flow requirements, as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

Lapeer Community Schools of Lapeer County

Management's Discussion and Analysis (Continued)

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2018 and 2017:

	Governmental Activities	
	2018	2017
(in millions)		
Revenue		
Program revenue:		
Charges for services	\$ 1.5	\$ 1.4
Operating grants	12.5	11.5
General revenue:		
Taxes	9.8	9.5
State aid not restricted to specific purposes	31.3	32.2
Other	0.4	0.2
Total revenue	55.5	54.8
Expenses		
Instruction	29.0	30.0
Support services	18.2	16.2
Athletics	0.8	0.8
Food services	2.4	2.4
Community services	0.6	0.4
Debt service	1.8	1.7
Depreciation expense (unallocated)	2.8	2.9
Total expenses	55.6	54.4
Change in Net Position	(0.1)	0.4
Net Position - Beginning of year, as previously reported	(49.9)	(50.3)
Cumulative Effect of Change in Accounting	(26.8)	-
Net Position - Beginning of year	(76.7)	(50.3)
Net Position - End of year	\$ (76.8)	\$ (49.9)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$55.6 million. Certain activities were partially funded from those who benefited from the programs (\$1.5 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$12.5 million). We paid for the remaining "public benefit" portion of our governmental activities with \$9.8 million in taxes, \$31.3 million in state foundation allowance, and with our other revenue (i.e., interest and general entitlements).

The School District experienced a decrease in net position of \$(0.1) million. Key reasons for the change in net position were support services costs. The School District continues to assess students' needs and provides the appropriate services for optimal learning.

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

Lapeer Community Schools of Lapeer County

Management's Discussion and Analysis (Continued)

The School District's Funds

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$6.1 million, which is an increase of \$0.3 million from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, the fund balance increased \$0.2 million to \$3.7 million. The change is mainly due to an increase in investment revenue and indirect cost rates.

Fund balance of our special revenue funds remained stable decreasing from \$0.6 million last year to \$0.5 million this year as a result of replacing outdated equipment to become more efficient and larger-than-anticipated workers' compensation claims.

Combined, the fund balance of our debt service funds increased \$0.1 million. Taxable values of all properties unexpectedly rose more than anticipated from \$1,322,957,929 to \$1,390,845,170. This taxable value change increased debt service fund revenue, while the School District applied the same 2.75 millage rate.

Combined General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2018. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

There were revisions made to the 2017-2018 General Fund original budget. Budgeted revenue was increased \$1.3 million mainly due to state revenue increasing MPERS offset totaling over \$0.7 million. Additionally, 31a At-Risk grant funding was estimated using the 80 percent hold harmless formula with an anticipation of originally receiving \$1,331,727, but actual revenue received was \$1,738,192 for a difference of \$406,465. Grants, such as 35(a) and GSRP, were funded slightly higher. Special education funding increased by \$0.1 million compared to budget.

Budgeted expenditures were also increased \$1.5 million mainly due to restricted revenue that is outlined above. The School District has an aging fleet and buildings and, therefore, needed repairs were greater than anticipated.

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

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2018, the School District had \$62.3 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately \$2.5 million from last year.

	2018	2017
Land	\$ 993,061	\$ 993,061
Buildings and improvements	78,914,754	78,914,754
Furniture and equipment	9,231,612	9,208,901
Buses and other vehicles	4,522,177	4,746,137
Land improvements	10,620,735	10,620,735
Total capital assets	104,282,339	104,483,588
Less - Accumulated depreciation	41,995,638	39,654,323
Total capital assets - Net of accumulated depreciation	<u>\$ 62,286,701</u>	<u>\$ 64,829,265</u>

Lapeer Community Schools of Lapeer County

Management's Discussion and Analysis (Continued)

This year's additions of \$0.3 million included vehicles and technology. No debt was issued for these additions. No major capital projects are planned for the 2018-2019 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District has one unlimited tax bond obligation outstanding for \$40.1 million whereby repayment will be funded by the millage passed for the 2016 bond refunding issue. During the year, taxes were collected in the amount of approximately \$3.7 million, and principal and interest payments were made totaling approximately \$3.6 million. Bonded debt millage rates are determined annually to ensure that the School District has sufficient resources to pay annual bond principal and interest payments. The School District also has three separate limited tax general obligation bond issues. These bonds have face values of \$775,000, \$500,000, and \$995,000 and outstanding balances of \$585,000, \$385,000, and \$875,000, respectively. These bonds were used to provide for energy-related improvements throughout the School District, as well as to provide funds to assist in the renovations of the high schools and the building of the athletic complex on the west campus. Repayment of these bonds will come from a combination of energy savings, fundraising activities, and general funds.

We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2018-2019 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2018-2019 budget was adopted in June 2018 based on an estimate of students who will enroll in September 2018. Approximately 63.7 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2018 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2018-2019 budget. Once the final student count and related per-pupil funding are validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to the School District. The State periodically holds a revenue-estimating conference to estimate revenue. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation, including a foundation allowance increase of \$240 per pupil.

Contacting the School District's Management

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

Lapeer Community Schools of Lapeer County

Statement of Net Position

June 30, 2018

	Governmental Activities
	<u> </u>
Assets	
Cash and cash equivalents (Note 4)	\$ 8,834,550
Receivables:	
Property taxes receivable	87
Other receivables	14,004
Due from other governments	7,529,401
Inventory	12,379
Prepaid expenses	191,882
Restricted assets (Note 5)	1,867,341
Capital assets - Net (Note 8)	<u>62,286,701</u>
Total assets	80,736,345
Deferred Outflows of Resources	
Deferred charges on bond refunding	2,078,754
Deferred pension costs (Note 11)	15,553,605
Deferred OPEB costs (Note 11)	<u>1,439,718</u>
Total deferred outflows of resources	19,072,077
Liabilities	
Accounts payable	258,557
Due to other governmental units	761,886
Accrued liabilities and other	4,725,374
State aid anticipation note (Note 12)	6,500,000
Unearned revenue (Note 6)	407,263
Noncurrent liabilities:	
Due within one year (Note 9)	2,149,017
Due in more than one year (Note 9)	47,621,471
Net pension liability (Note 11)	77,567,596
Net OPEB obligation (Note 11)	<u>26,471,730</u>
Total liabilities	166,462,894
Deferred Inflows of Resources	
Revenue in support of pension contributions made subsequent to the measurement date (Note 11)	3,061,018
Deferred pension cost reductions (Note 11)	6,117,464
Deferred OPEB cost reductions (Note 11)	<u>894,937</u>
Total deferred inflows of resources	<u>10,073,419</u>
Net Position	
Net investment in capital assets	15,732,467
Restricted - Debt service	1,592,481
Unrestricted	<u>(94,052,839)</u>
Total net position	<u><u>\$ (76,727,891)</u></u>

Lapeer Community Schools of Lapeer County

Statement of Activities

Year Ended June 30, 2018

Functions/Programs	Program Revenue			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Position
Primary government - Governmental activities:				
Instruction	\$ 29,016,781	\$ 32,745	\$ 7,999,831	\$ (20,984,205)
Support services	18,172,575	94,328	2,666,611	(15,411,636)
Athletics	734,379	181,731	-	(552,648)
Food services	2,396,265	647,633	1,788,629	39,997
Community services	596,245	593,494	-	(2,751)
Interest	1,840,912	-	-	(1,840,912)
Other debt costs	2,916	-	-	(2,916)
Depreciation expense (unallocated)	2,835,761	-	-	(2,835,761)
Total primary government	\$ 55,595,834	\$ 1,549,931	\$ 12,455,071	(41,590,832)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				6,159,945
Property taxes, levied for debt service				3,643,426
State aid not restricted to specific purposes				31,345,997
Interest and investment earnings				75,747
Penalties, interest, and other taxes				55,686
Gain on sale of capital assets				7,151
Other				246,900
Total general revenue				41,534,852
Change in Net Position				(55,980)
Net Position - Beginning of year, as previously reported				(49,852,819)
Cumulative Effect of Change in Accounting (Note 2)				(26,819,092)
Net Position - Beginning of year				(76,671,911)
Net Position - End of year				\$ (76,727,891)

Lapeer Community Schools of Lapeer County

Governmental Funds Balance Sheet

June 30, 2018

	General Fund	Nonmajor Funds	Total Governmental Funds
Assets			
Cash and cash equivalents (Note 4)	\$ 8,214,454	\$ 620,096	\$ 8,834,550
Receivables:			
Property taxes receivable	60	27	87
Other receivables	9,129	4,875	14,004
Due from other governments	7,420,182	109,219	7,529,401
Due from other funds (Note 7)	202,973	-	202,973
Inventory	12,379	-	12,379
Prepaid expenses	191,882	-	191,882
Restricted assets (Note 5)	-	1,867,341	1,867,341
	<u>\$ 16,051,059</u>	<u>\$ 2,601,558</u>	<u>\$ 18,652,617</u>
Total assets			
Liabilities			
Accounts payable	\$ 258,039	\$ -	\$ 258,039
Due to other governmental units	761,886	-	761,886
Due to other funds (Note 7)	-	203,491	203,491
Accrued liabilities and other	4,450,487	-	4,450,487
State aid anticipation note (Note 12)	6,500,000	-	6,500,000
Unearned revenue (Note 6)	407,263	-	407,263
	<u>12,377,675</u>	<u>203,491</u>	<u>12,581,166</u>
Total liabilities			
Fund Balances			
Nonspendable:			
Inventory	12,379	-	12,379
Prepays	191,882	-	191,882
Restricted:			
Debt service	-	1,867,368	1,867,368
Food service	-	530,699	530,699
Assigned - Subsequent year's budget	1,394,307	-	1,394,307
Unassigned	2,074,816	-	2,074,816
	<u>3,673,384</u>	<u>2,398,067</u>	<u>6,071,451</u>
Total fund balances			
	<u>\$ 16,051,059</u>	<u>\$ 2,601,558</u>	<u>\$ 18,652,617</u>
Total liabilities and fund balances			

Lapeer Community Schools of Lapeer County

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2018

Fund Balances Reported in Governmental Funds	\$ 6,071,451
Amounts reported for governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of capital assets	104,282,339
Accumulated depreciation	<u>(41,995,638)</u>
Net capital assets used in governmental activities	62,286,701
Deferred outflows related to bond refundings are not reported in the funds	2,078,754
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(48,632,988)
Accrued interest is not due and payable in the current period and is not reported in the funds	(274,887)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(333,700)
Provision for health and workers' compensation claims	(803,800)
Net pension liability and related deferred inflows and outflows	(68,131,455)
Net OPEB liability and related deferred inflows and outflows	<u>(25,926,949)</u>
Total employee fringe benefits not reported as fund liabilities	(95,195,904)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	<u>(3,061,018)</u>
Net Position of Governmental Activities	<u><u>\$ (76,727,891)</u></u>

Lapeer Community Schools of Lapeer County

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2018

	General Fund	Nonmajor Funds	Total Governmental Funds
Revenue			
Local sources	\$ 7,400,657	\$ 4,360,978	\$ 11,761,635
State sources	40,266,866	76,502	40,343,368
Federal sources	1,578,130	1,712,127	3,290,257
Total revenue	49,245,653	6,149,607	55,395,260
Expenditures			
Current:			
Instruction:			
Basic programs	22,943,787	-	22,943,787
Added needs	6,017,803	-	6,017,803
Support services	18,213,958	-	18,213,958
Athletics	737,588	-	737,588
Food services	-	2,399,829	2,399,829
Community services	599,760	-	599,760
Debt service: (Note 9)			
Principal	-	1,665,000	1,665,000
Interest	-	2,098,100	2,098,100
Other debt costs	-	2,916	2,916
Capital outlay	405,577	11,861	417,438
Total expenditures	48,918,473	6,177,706	55,096,179
Excess of Revenue Over (Under) Expenditures	327,180	(28,099)	299,081
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	11,925	-	11,925
Transfers in (Note 7)	82,621	206,974	289,595
Transfers out (Note 7)	(206,974)	(82,621)	(289,595)
Total other financing (uses) sources	(112,428)	124,353	11,925
Net Change in Fund Balances	214,752	96,254	311,006
Fund Balances - Beginning of year	3,458,632	2,301,813	5,760,445
Fund Balances - End of year	\$ 3,673,384	\$ 2,398,067	\$ 6,071,451

Lapeer Community Schools of Lapeer County

Governmental Funds
Reconciliation of the Statement of Revenue, Expenditures, and Changes in
Fund Balances to the Statement of Activities

Year Ended June 30, 2018

Net Change in Fund Balance Reported in Governmental Funds	\$ 311,006
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capitalized capital outlay	297,971
Depreciation expense	(2,835,761)
Net book value of assets disposed of	<u>(4,774)</u>
Total	(2,542,564)
Revenue in support of pension contributions made subsequent to the measurement date	(729,980)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt); amortization of premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds	1,908,907
Interest expense is recognized in the government-wide statements as it accrues	13,281
Some employee costs (pension, OPEB, compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	<u>983,370</u>
Change in Net Position of Governmental Activities	<u>\$ (55,980)</u>

Lapeer Community Schools of Lapeer County

Fiduciary Funds Statement of Fiduciary Net Position

June 30, 2018

	Private Purpose Trust Fund	Student Activities Agency Fund
Assets		
Cash and cash equivalents	\$ 22,864	\$ 538,217
Due from other funds (Note 7)	-	518
Total assets	22,864	<u><u>\$ 538,735</u></u>
Liabilities - Due to student groups	-	<u><u>\$ 538,735</u></u>
Net Position - Restricted for endowments	<u><u>\$ 22,864</u></u>	

Lapeer Community Schools of Lapeer County

Fiduciary Funds Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2018

	<u>Private Purpose Trust Fund</u>
Additions - Revenue	\$ 72
Deductions - Scholarships and other expenses	<u>500</u>
Net Decrease in Net Position	(428)
Net Position - Beginning of year	<u>23,292</u>
Net Position - End of year	<u><u>\$ 22,864</u></u>

June 30, 2018

Note 1 - Nature of Business

Lapeer Community Schools of Lapeer County (the "School District") is a school district in the state of Michigan that provides educational services to students.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

The School District follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. In accordance with government accounting principles, there are no separate legal entities appropriate to be reported within these financial statements.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. 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 and its component units, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue 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 statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Fund Accounting

The School District accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources; separate funds allow us to show the particular expenditures for which specific revenue was used. The various funds are aggregated into the following fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The School District's only major fund is the General Fund, which is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.

Note 2 - Significant Accounting Policies (Continued)

Additionally, the School District reports the following nonmajor governmental fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The School District's special revenue fund is the Cafeteria Fund. Any operating deficit generated by this fund is the responsibility of the General Fund.
- Debt service funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include the following:

- The Student Activities Agency Fund is used to record the transactions of student and community groups for school and school-related purposes. The fund is segregated and held in trust for the students.
- The Private Purpose Trust Fund is used to account for resources legally held in trust, including contributions received by the School District to be awarded in the form of scholarships.

Interfund Activity

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

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

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the School District has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the School District considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources.

Note 2 - Significant Accounting Policies (Continued)

Fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Inventories and Prepaid Items

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

Restricted Assets

The following amounts are reported as restricted assets:

- Unspent property taxes levied held in the debt service funds required to be set aside for future bond principal and interest payments

Capital Assets

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

Capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Buildings and improvements	20 to 50 years
Furniture and equipment	3 to 10 years
Buses and other vehicles	5 to 10 years

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as an "other financing source" and bond discounts as "other financing uses." The General Fund and debt service funds are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

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

Note 2 - Significant Accounting Policies (Continued)

The School District reports deferred outflows related to deferred charges on refundings and deferred pension and OPEB costs.

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

The School District reports deferred inflows related to revenue in support of pension contributions made subsequent to the measurement date and deferred pension and OPEB costs.

Net Position

Net position of the School District is classified in three components. Net investment in capital assets - net of related debt consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The School District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Note 2 - Significant Accounting Policies (Continued)

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

The fund balance policy prescribes the minimum fund balance as 10 percent of expenditures in the General Fund. This is deemed to be the prudent amount to maintain the School District's ability to meet obligations as they come due throughout the year.

Property Tax Revenue

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. Tax collections are forwarded to the School District as collected by the assessing municipalities through March 1, at which time they are considered delinquent and added to county tax rolls. Any delinquent taxes collected by the county are remitted to the School District by June 30. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Pension and Other Postemployment Benefit (OPEB) Plans

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

Compensated Absences (Vacation and Sick Leave)

It is the School District's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the School District will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee's compensation are used to liquidate the obligations.

Use of Estimates

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

Note 2 - Significant Accounting Policies (Continued)

Adoption of New Accounting Pronouncements

As of July 1, 2017, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the School District to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the Michigan Public School Employees' Retirement System (MPERS). The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI).

In accordance with the statement, the School District has reported a net OPEB liability of \$27,921,811, deferred outflows of financial resources for OPEB contributions of \$1,970,142 made subsequent to the measurement date, and deferred inflows of financial resources for revenue received from state aid in support of OPEB contributions of \$867,423 that was received subsequent to the measurement date, as the effects of these changes in accounting principles on the School District's net position as of July 1, 2017.

Upcoming Accounting Pronouncements

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

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

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

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

Note 3 - Stewardship, Compliance, and Accountability (Continued)

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. There were no significant amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as restrictions, commitments, or assignments of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the School District incurred expenditures in the General Fund that were in excess of the amounts budgeted, as follows:

	Budget	Actual
General Fund - Support services - Operations and maintenance	\$ 3,000,437	\$ 3,349,032

Note 4 - Deposits and Investments

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

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

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level be used for the School District's deposits subject to custodial credit risk. At year end, the School District had \$11,582,846 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy for custodial credit risk states custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. At June 30, 2018, the School District does not have investments with custodial credit risk.

Note 4 - Deposits and Investments (Continued)

Interest Rate Risk

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

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The School District places no limit on the amount the School District may invest in any one issuer. The School District's investment policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The School District does not have any investments subject to concentration of credit risk.

Foreign Currency Risk

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

Note 5 - Restricted Assets

The School District's balance of \$1,867,341 in restricted assets recorded in the debt service funds consists of unspent property taxes restricted to pay off future debt obligations.

Note 6 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2018, the School District had no unavailable revenue and \$407,263 of unearned revenue, related to grant and categorical aid payments received prior to meeting all eligibility requirements.

Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Primary Government
Fund Due To	Fund Due From Nonmajor Funds
General Fund	\$ 202,973
Student Activities Agency Fund	518
Total	<u>\$ 203,491</u>

June 30, 2018

Note 7 - Interfund Receivables, Payables, and Transfers (Continued)

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are composed of the following:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Cafeteria Fund	\$ 3,624
	Debt service funds	203,350
	Total General Fund	206,974
Cafeteria Fund	General Fund	82,621
	Total	<u>\$ 289,595</u>

Transfers from the General Fund to the Cafeteria Fund were made related to the write off of uncollectible student accounts and receipt of 31a food service state aid. The transfers from the General Fund to the debt service funds were to cover principal and interest payments owed on the bonds. The transfer from the Cafeteria Fund to the General Fund reimbursed the General Fund for its share of indirect costs.

Note 8 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

Governmental Activities

	Balance July 1, 2017	Additions	Disposals and Adjustments	Balance June 30, 2018
Capital assets not being depreciated - Land	\$ 993,061	\$ -	\$ -	\$ 993,061
Capital assets being depreciated:				
Buildings and improvements	78,914,754	-	-	78,914,754
Furniture and equipment	9,208,901	22,711	-	9,231,612
Buses and other vehicles	4,746,137	275,260	(499,220)	4,522,177
Land improvements	10,620,735	-	-	10,620,735
Subtotal	103,490,527	297,971	(499,220)	103,289,278
Accumulated depreciation:				
Buildings and improvements	26,981,928	1,538,190	-	28,520,118
Furniture and equipment	5,326,268	522,583	-	5,848,851
Buses and other vehicles	3,576,539	309,850	(494,446)	3,391,943
Land improvements	3,769,588	465,138	-	4,234,726
Subtotal	39,654,323	2,835,761	(494,446)	41,995,638
Net capital assets being depreciated	63,836,204	(2,537,790)	(4,774)	61,293,640
Net governmental activities capital assets	<u>\$ 64,829,265</u>	<u>\$ (2,537,790)</u>	<u>\$ (4,774)</u>	<u>\$ 62,286,701</u>

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

June 30, 2018

Note 9 - Long-term Debt

Long-term debt activity for the year ended June 30, 2018 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
General obligations	\$ 43,585,000	\$ -	\$ (1,665,000)	\$ 41,920,000	\$ 1,575,000
Unamortized bond premiums	7,066,303	-	(353,315)	6,712,988	353,315
Total bonds payable:	50,651,303	-	(2,018,315)	48,632,988	1,928,315
Compensated absences	343,300	107,200	(116,800)	333,700	16,784
Risk liabilities	631,600	1,280,201	(1,108,001)	803,800	203,918
Total governmental activities long-term debt	\$ 51,626,203	\$ 1,387,401	\$ (3,243,116)	\$ 49,770,488	\$ 2,149,017

General Obligation Bonds and Contracts

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Qualified bonds are fully guaranteed by the State of Michigan. General obligations outstanding at June 30, 2018 are as follows:

Purpose	Year Issued	Interest Rates	Maturing	Outstanding
\$500,000 Limited Tax School Building and Site Bonds due in annual installments of \$30,000 to \$40,000	2014	2.6	May 2029	\$ 385,000
\$775,000 Limited Tax School Building and Site Bonds due in annual installments of \$50,000 to \$65,000	2013	1.72 - 3.62	May 2028	585,000
\$995,000 Limited Tax School Building and Site Bonds due in annual installments of \$60,000 to \$85,000	2015	3.0 - 4.0	May 2030	875,000
\$40,075,000 Qualified Refunding Bonds due in annual installments of \$1,435,000 to \$2,575,000	2016	4.0 - 5.0	May 2037	40,075,000
Total governmental activities				\$ 41,920,000

Other Long-term Liabilities

Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund. The risk liabilities will generally be liquidated through the School District's General Fund. That fund will finance the payment of those claims by charging the other funds based on management's assessment of the relative insurance risk that should be assumed by individual funds. Risk liabilities are discussed further in Note 10. The net pension liability and the net OPEB liability will be liquidated from the funds from which the individual employees' salaries are paid, generally the General Fund.

Note 9 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

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

Years Ending June 30	Principal	Interest	Total
2019	\$ 1,575,000	\$ 2,018,410	\$ 3,593,410
2020	1,635,000	1,957,570	3,592,570
2021	1,700,000	1,893,705	3,593,705
2022	1,775,000	1,827,286	3,602,286
2023	1,860,000	1,741,838	3,601,838
2024-2028	10,730,000	7,268,930	17,998,930
2029-2033	12,380,000	4,437,540	16,817,540
2034-2037	10,265,000	1,283,750,000	1,294,015,000
Total	\$ 41,920,000	\$ 1,304,895,279	\$ 1,346,815,279

Note 10 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical, certain property loss, and errors and omissions claims. The School District participates in the MAISL shared-risk program for claims relating to property loss and torts. The School District is partially self-insured for dental and vision benefits. The School District is uninsured up to a \$300,000 specific occurrence retention limit for employee injuries (workers' compensation) claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

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

	2018	2017
Estimated liability - Beginning of year	\$ 631,600	\$ 687,300
Estimated claims incurred, including changes in estimates	1,280,201	1,024,891
Claim payments	(1,108,001)	(1,080,591)
Estimated liability - End of year	<u>\$ 803,800</u>	<u>\$ 631,600</u>

Note 11 - Michigan Public School Employees' Retirement System

Plan Description

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

Note 11 - Michigan Public School Employees' Retirement System (Continued)

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

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan and 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 for the defined benefit pension plan and the postemployment healthcare plan.

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

Depending on the member's date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

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

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

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

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of each retiree healthcare recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Contributions

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

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

Note 11 - Michigan Public School Employees' Retirement System (Continued)

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3 percent 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 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stop paying the 3 percent contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

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

The range of rates is as follows:

	Pension	OPEB
October 1, 2017 - January 31, 2018	13.54% - 17.89%	7.42% - 7.67%
February 1, 2018 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The School District's required and actual pension contributions to the plan for the year ended June 30, 2018 were \$8,202,179, which include the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual pension contributions include an allocation of \$3,061,018 in revenue received from the State of Michigan, and remitted to the System, to fund the MPERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2018. For the year ended June 30, 2018, the contributions also include a one-time payment to the School District received under Section 147c(2) of the State Aid act, which the School District then remitted as a contribution to the plan.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2018 were \$1,862,115, which include the School District's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2018, the School District reported a liability of \$77,567,596 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the School District's proportionate share was 0.299324 percent and 0.305140 percent, respectively.

June 30, 2018

Note 11 - Michigan Public School Employees' Retirement System (Continued)

Net OPEB Liability

At June 30, 2018, the School District reported a liability of \$26,471,730 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2018 was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At both September 30, 2017 and 2016, the School District's proportion was 0.298931 percent.

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

For the year ended June 30, 2018, the School District recognized pension expense of \$7,312,814, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 674,115	\$ (380,608)
Changes in assumptions	8,498,147	-
Net difference between projected and actual earnings on pension plan investments	-	(3,708,241)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	7,068	(2,028,615)
The School District's contributions to the plan subsequent to the measurement date	6,374,275	-
Total	<u>\$ 15,553,605</u>	<u>\$ (6,117,464)</u>

The \$3,061,018 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2019	\$ 685,972
2020	2,015,803
2021	680,655
2022	<u>(320,564)</u>
Total	<u>\$ 3,061,866</u>

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

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

For the years ended June 30, 2018, the School District recognized OPEB expense of \$1,772,906.

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

June 30, 2018

Note 11 - Michigan Public School Employees' Retirement System (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (281,846)
Net difference between projected and actual earnings on OPEB plan investments	-	(613,091)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	10,183	-
Employer contributions to the plan subsequent to the measurement date	1,429,535	-
Total	<u>\$ 1,439,718</u>	<u>\$ (894,937)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending	Amount
2019	\$ (213,988)
2020	(213,988)
2021	(213,988)
2022	(213,988)
2023	(28,802)
Total	<u>\$ (884,754)</u>

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2017 are based on the results of an actuarial valuation as of September 30, 2016 and rolled forward. The total pension and OPEB liabilities were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal cost actuarial cost method
Investment rate of return - Pension	7.00% - 7.50%	Net of investment expenses based on the groups
Investment rate of return - OPEB	7.50%	Net of investment expenses based on the groups
Salary increases	3.50% - 12.30%	Including wage inflation of 3.50%
Healthcare cost trend rate	7.50%	Year 1 graded to 3.5% year 12
Mortality basis		RP2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 2007 to 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

Discount Rate

The discount rate used to measure the total pension liability was 7.00 - 7.50 percent as of September 30, 2017 depending on the plan option. The discount rate used to measure the total OPEB liability was 7.50 percent as of September 30, 2017. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

June 30, 2018

Note 11 - Michigan Public School Employees' Retirement System (Continued)

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

The long-term expected rate of return on pension plan and 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 plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.00 %	5.60 %
Private equity pools	18.00	8.70
International equity pools	16.00	7.20
Fixed-income pools	10.50	(0.10)
Real estate and infrastructure pools	10.00	4.20
Real return, opportunistic, and absolute pool	15.50	5.00
Short-term investment pools	2.00	(0.90)
Total	100.00 %	

MPSERS approved a decrease in the discount rate for the September 30, 2017 annual actuarial valuation for the pension plan and the OPEB plan to 7.05 percent and 7.15 percent, respectively. As a result, the actuarial computed employer contributions, the net pension liability, and net OPEB liability will increase for the measurement period ended September 30, 2018.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the School District, calculated using the discount rate depending on the plan option. The following also reflects what the School District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.00 - 6.50%)	Current Discount Rate (7.00 - 7.50%)	1 Percent Increase (8.00 - 8.50%)
Net pension liability of the School District	\$ 101,044,778	\$ 77,567,596	\$ 57,801,304

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the School District, calculated using the current discount rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the School District	\$ 31,006,047	\$ 26,471,730	\$ 22,623,515

Note 11 - Michigan Public School Employees' Retirement System (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the School District, calculated using the current healthcare cost trend rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the School District	\$ 22,417,997	\$ 26,471,730	\$ 31,074,462

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan

At June 30, 2018, the School District reported a payable of \$1,063,293 and \$218,531 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2018.

Note 12 - State Aid Anticipation Note

The School District borrows money to provide sufficient resources before receiving its scheduled state aid from the State of Michigan. This liability is recorded as a fund liability in the General Fund. At June 30, 2017, the School District had \$2,480,516 of state aid notes outstanding. On August 21, 2017, the School District redeemed the outstanding notes and borrowed \$6.5 million on a new state aid anticipation note. The note bears interest at 1.49 percent. At June 30, 2018, the School District had \$6,500,000 in principal and \$84,614 of accrued interest outstanding on this note. A total payment, including principal and interest, of approximately \$6.6 million is due on August 20, 2018.

Subsequent to year end, on August 20, 2018, the School District paid off the existing obligation and borrowed \$3.0 million in a set-aside pool state aid anticipation note. The note bears interest at a fixed rate of 1.75 percent and requires monthly principal and interest payments of approximately \$436,000 beginning on January 22, 2019 through July 22, 2019. Additionally, the School District borrowed \$2.5 million in a no set-aside pool state aid anticipation note with a fixed interest rate of 2.5 percent. Principal and interest are due on the maturity date of August 20, 2019.

Note 13 - Tax Abatements

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

For the fiscal year ended June 30, 2018, the School District's property tax revenue was reduced by approximately \$374,000 under these programs.

The School District is reimbursed for lost revenue caused by tax abatements on the operating millage of nonhomestead properties from the State of Michigan under the School Aid formula. The School District received approximately \$325,000 in reimbursements from the State of Michigan. The School District is not reimbursed for lost revenue from debt service millages. There are no abatements made by the School District.

Required Supplemental Information

Lapeer Community Schools of Lapeer County

Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	(Under) Over <u>Final Budget</u>
Revenue				
Local sources and other financing sources	\$ 7,467,469	\$ 7,544,519	\$ 7,495,203	\$ (49,316)
State sources	39,597,648	40,866,689	40,266,866	(599,823)
Federal sources	1,751,777	1,696,301	1,578,130	(118,171)
Total revenue	48,816,894	50,107,509	49,340,199	(767,310)
Expenditures				
Current:				
Instruction:				
Basic programs	22,796,669	23,714,688	22,943,787	(770,901)
Added needs	6,866,365	5,997,527	6,017,803	20,276
Support services:				
Pupil	2,875,629	2,884,370	3,024,134	139,764
Instructional staff	2,670,988	4,042,509	3,563,363	(479,146)
General administration	577,370	592,327	530,045	(62,282)
School administration	2,740,465	2,676,214	2,718,904	42,690
Business	1,051,843	1,086,188	1,146,453	60,265
Operations and maintenance	3,252,159	3,000,437	3,349,032	348,595
Pupil transportation services	3,055,769	3,007,521	3,033,242	25,721
Central	1,612,818	1,726,058	1,586,373	(139,685)
Community services	452,020	618,347	599,760	(18,587)
Capital outlay	658,009	732,145	405,577	(326,568)
Total expenditures	48,610,104	50,078,331	48,918,473	(1,159,858)
Other Financing Uses - Transfer out	(206,790)	(206,458)	(206,974)	(516)
Net Change in Fund Balance	-	(177,280)	214,752	392,032
Fund Balance - Beginning of year	3,458,632	3,458,632	3,458,632	-
Fund Balance - End of year	\$ 3,458,632	\$ 3,281,352	\$ 3,673,384	\$ 392,032

Lapeer Community Schools of Lapeer County

Required Supplemental Information Schedule of the Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System

Last Four Plan Years For the Plan Years Ended September 30

	2017	2016	2015	2014
School District's proportion of the net pension liability	0.29932 %	0.30514 %	0.31068 %	0.31237 %
School District's proportionate share of the net pension liability	\$ 77,567,596	\$ 76,130,317	\$ 75,884,606	\$ 68,803,150
School District's covered employee payroll	\$ 24,836,471	\$ 25,449,765	\$ 25,788,550	\$ 26,526,013
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	312.31 %	299.14 %	294.26 %	259.38 %
Plan fiduciary net position as a percentage of total pension liability	63.96 %	63.01 %	62.92 %	66.15 %

Lapeer Community Schools of Lapeer County

Required Supplemental Information Schedule of Pension Contributions Michigan Public School Employees' Retirement System

	Last Four Fiscal Years Years Ended June 30			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 7,550,688	\$ 7,024,145	\$ 7,064,308	\$ 5,701,242
Contributions in relation to the statutorily required contribution	<u>7,550,688</u>	<u>7,024,145</u>	<u>7,064,308</u>	<u>5,701,242</u>
Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Employee Payroll	\$ 24,875,002	\$ 24,841,140	\$ 25,165,151	\$ 26,190,001
Contributions as a Percentage of Covered Employee Payroll	30.35 %	28.28 %	28.07 %	21.77 %

Lapeer Community Schools of Lapeer County

Required Supplemental Information Schedule of Proportionate Share of the Net OPEB Liability Michigan Public School Employees' Retirement System

**Last One Plan Year
For the Plan Year Ended September 30**

School District's proportion of the net OPEB liability	0.29893 %
School District's proportionate share of the net OPEB liability	\$ 26,471,730
School District's covered employee payroll	\$ 24,836,471
School District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	106.58 %
Plan fiduciary net position as a percentage of total OPEB liability	36.53 %

Lapeer Community Schools of Lapeer County

Required Supplemental Information Schedule of OPEB Contributions Michigan Public School Employees' Retirement System

	Last One Fiscal Year
	Year Ended June 30
Statutorily required contribution	\$ 1,796,653
Contributions in relation to the statutorily required contribution	<u>1,796,653</u>
Contribution Deficiency	<u>\$ -</u>
School District's Covered Employee Payroll	\$ 24,875,002
Contributions as a Percentage of Covered Employee Payroll	7.22 %

June 30, 2018

Pension Information

Ultimately, 10 years of data will be presented in both of the pension-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms for the plan year ended September 30, 2017.

Changes in Assumptions

On February 23, 2017, MPSERS approved a decrease in the discount rate for the September 30, 2016 annual actuarial valuation of 0.5 percent to 7.00 percent-7.50 percent based on the group.

Covered Payroll

The employers' covered payroll to be reported in the required supplemental information is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based and by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For the School District, covered payroll represents payroll on which contributions to both plans are based.

OPEB Information

Ultimately, 10 years of data will be presented in both of the pension-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms for the plan year ended September 30, 2017.

Changes in Assumptions

There were no changes of benefit assumptions for the plan year ended September 30, 2017.

Covered Payroll

The employers' covered payroll to be reported in the required supplemental information is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based and by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For the School District, covered payroll represents payroll on which contributions to both plans are based.

Other Supplemental Information

Lapeer Community Schools of Lapeer County

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2018

	Special Revenue Funds	Debt Service Funds					Total
	Cafeteria	2007 Debt	2013 Project Bond	2014 Project Bond	2015 Project Bond	2016 Refunding Bond	
Assets							
Cash and cash equivalents	\$ 620,096	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 620,096
Receivables:							
Property taxes receivable	-	-	-	-	-	27	27
Other receivables	4,875	-	-	-	-	-	4,875
Due from other governments	109,219	-	-	-	-	-	109,219
Restricted assets	-	-	-	-	-	1,867,341	1,867,341
Total assets	\$ 734,190	\$ -	\$ -	\$ -	\$ -	\$ 1,867,368	\$ 2,601,558
Liabilities - Due to other funds	\$ 203,491	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 203,491
Fund Balances							
Restricted:							
Debt service	-	-	-	-	-	1,867,368	1,867,368
Food service	530,699	-	-	-	-	-	530,699
Total fund balances	530,699	-	-	-	-	1,867,368	2,398,067
Total liabilities and fund balances	\$ 734,190	\$ -	\$ -	\$ -	\$ -	\$ 1,867,368	\$ 2,601,558

Lapeer Community Schools of Lapeer County

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds

Year Ended June 30, 2018

	Special Revenue Funds		Debt Service Funds				Total
	Cafeteria	2007 Debt	2013 Project Bond	2014 Project Bond	2015 Project Bond	2016 Refunding Bond	
Revenue							
Local sources	\$ 653,649	\$ 1,398,196	\$ -	\$ -	\$ -	\$ 2,309,133	\$ 4,360,978
State sources	76,502	-	-	-	-	-	76,502
Federal sources	1,712,127	-	-	-	-	-	1,712,127
Total revenue	2,442,278	1,398,196	-	-	-	2,309,133	6,149,607
Expenditures							
Current - Food services	2,399,829	-	-	-	-	-	2,399,829
Debt service:							
Principal	-	1,525,000	50,000	30,000	60,000	-	1,665,000
Interest	-	76,250	19,547	10,790	32,513	1,959,000	2,098,100
Other debt costs	-	1,806	-	-	500	610	2,916
Capital outlay	11,861	-	-	-	-	-	11,861
Total expenditures	2,411,690	1,603,056	69,547	40,790	93,013	1,959,610	6,177,706
Excess of Revenue Over (Under) Expenditures	30,588	(204,860)	(69,547)	(40,790)	(93,013)	349,523	(28,099)
Other Financing Sources (Uses)							
Transfers in	3,624	-	69,547	40,790	93,013	-	206,974
Transfers out	(82,621)	-	-	-	-	-	(82,621)
Total other financing (uses) sources	(78,997)	-	69,547	40,790	93,013	-	124,353
Net Change in Fund Balances	(48,409)	(204,860)	-	-	-	349,523	96,254
Fund Balances - Beginning of year	579,108	204,860	-	-	-	1,517,845	2,301,813
Fund Balances - End of year	\$ 530,699	\$ -	\$ -	\$ -	\$ -	\$ 1,867,368	\$ 2,398,067

Lapeer Community Schools of Lapeer County

Other Supplemental Information
Combining Statement of Fiduciary Net Position
Private Purpose Trust Fund

June 30, 2018

	Hall Endowment	Project Close- up	Beckwith	Total Private Purpose Trust Fund
Assets - Cash and cash equivalents	<u>\$ 7,402</u>	<u>\$ 9,026</u>	<u>\$ 6,436</u>	<u>\$ 22,864</u>
Net Position - Restricted for endowments	<u>\$ 7,402</u>	<u>\$ 9,026</u>	<u>\$ 6,436</u>	<u>\$ 22,864</u>

Lapeer Community Schools of Lapeer County

Other Supplemental Information Combining Statement of Changes in Fiduciary Net Position Private Purpose Trust Fund

Year Ended June 30, 2018

	Hall Endowment	Project Close- up	Beckwith	Total Private Purpose Trust Fund
Operating Revenue - Interest and other	\$ 26	\$ 32	\$ 14	\$ 72
Operating Expenses - Scholarships, other expenses, and transfer out to Lapeer County Community Foundation	500	-	-	500
Net (Decrease) Increase in Net Position	(474)	32	14	(428)
Net Position - Beginning of year	7,876	8,994	6,422	23,292
Net Position - End of year	<u>\$ 7,402</u>	<u>\$ 9,026</u>	<u>\$ 6,436</u>	<u>\$ 22,864</u>

Lapeer Community Schools of Lapeer County

Other Supplemental Information Schedule of Bonded Indebtedness

June 30, 2018

Year Ending June 30	2013 Project Bond	2014 Project Bond	2015 Project Bond	2016 Refunding Bond	Total
	Principal	Principal	Principal	Principal	
2019	\$ 50,000	\$ 30,000	\$ 60,000	\$ 1,435,000	\$ 1,575,000
2020	50,000	30,000	65,000	1,490,000	1,635,000
2021	55,000	30,000	65,000	1,550,000	1,700,000
2022	55,000	35,000	70,000	1,615,000	1,775,000
2023	60,000	35,000	70,000	1,695,000	1,860,000
2024	60,000	35,000	70,000	1,780,000	1,945,000
2025	60,000	35,000	75,000	1,870,000	2,040,000
2026	65,000	35,000	75,000	1,965,000	2,140,000
2027	65,000	40,000	80,000	2,065,000	2,250,000
2028	65,000	40,000	80,000	2,170,000	2,355,000
2029	-	40,000	80,000	2,275,000	2,395,000
2030	-	-	85,000	2,385,000	2,470,000
2031	-	-	-	2,445,000	2,445,000
2032	-	-	-	2,525,000	2,525,000
2033	-	-	-	2,545,000	2,545,000
2034	-	-	-	2,565,000	2,565,000
2035	-	-	-	2,565,000	2,565,000
2036	-	-	-	2,560,000	2,560,000
2037	-	-	-	2,575,000	2,575,000
Total remaining payments	\$ 585,000	\$ 385,000	\$ 875,000	\$ 40,075,000	\$ 41,920,000
Principal payments due	May 1	May 1	May 1	May 1	
Interest payments due	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	
Interest rate	1.72% - 3.62%	2.60%	3.00% - 4.00%	4.00% - 5.00%	
Original issue	\$ 775,000	\$ 500,000	\$ 995,000	\$ 40,075,000	