
Lapeer Community Schools of Lapeer County

**Financial Report
with Supplemental Information
June 30, 2020**

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Reconciliation of the Balance Sheet to the Statement of Net Position	13
Statement of Revenue, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	15
Fiduciary Funds:	
Statement of Fiduciary Net Position	16
Statement of Changes in Fiduciary Net Position	17
Notes to Financial Statements	18-36
Required Supplemental Information	37
Budgetary Comparison Schedule - General Fund	38
Schedule of the School District's Proportionate Share of the Net Pension Liability	39
Schedule of Pension Contributions	40
Schedule of the School District's Proportionate Share of the Net OPEB Liability	41
Schedule of OPEB Contributions	42
Notes to Required Supplemental Information	43
Other Supplemental Information	44
Nonmajor Governmental Funds:	
Combining Balance Sheet	45
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	46
Fiduciary Funds:	
Combining Statement of Fiduciary Net Position	47
Combining Statement of Changes in Fiduciary Net Position	48
Schedule of Bonded Indebtedness	49
Federal Awards Supplemental Information	Issued Under Separate Cover

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 funds, 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, 2020 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 funds, and the aggregate remaining fund information of Lapeer Community Schools of Lapeer County as of June 30, 2020 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.

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 and other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 Information

Our audit was conducted for the purpose of forming opinions 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 November 12, 2020 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.



November 12, 2020

This section of the annual financial report for Lapeer Community Schools of Lapeer County (the "School District") presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2020. 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 and 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 funds, the General Fund and the 2016 Refunding Bond Fund, with all other funds presented in one column as nonmajor funds. The remaining statements, the statement 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 Comparison Schedule - General Fund

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

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

Schedule of Pension Contributions

Schedule of 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.

Lapeer Community Schools of Lapeer County

Management's Discussion and Analysis (Continued)

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.

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 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.

Fiduciary Funds

The School District has certain fiduciary responsibilities for its student activity 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, 2020 and 2019:

	Governmental Activities	
	2020	2019
	(in millions)	
Assets		
Current and other assets	\$ 18.9	\$ 16.7
Capital assets	57.9	59.8
Total assets	76.8	76.5
Deferred Outflows of Resources	34.2	33.5
Liabilities		
Current liabilities	9.9	9.6
Noncurrent liabilities	45.9	47.9
Net pension liability	96.8	88.9
Net OPEB liability	20.9	23.3
Total liabilities	173.5	169.7
Deferred Inflows of Resources	17.2	17.7
Net Position (Deficit)		
Net investment in capital assets	15.0	15.1
Restricted	2.7	2.1
Unrestricted	(97.4)	(94.6)
Total net position (deficit)	\$ (79.7)	\$ (77.4)

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 \$(79.7) million at June 30, 2020. Net investment in capital assets totaling \$15.0 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 (\$(97.4) million) was unrestricted.

The \$(97.4) 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 and 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, 2020 and 2019:

	Governmental Activities	
	2020	2019
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 1.3	\$ 1.6
Operating grants	13.8	12.0
General revenue:		
Taxes	10.6	10.3
State aid not restricted to specific purposes	32.0	32.2
Other	0.2	0.4
Total revenue	<u>57.9</u>	<u>56.5</u>
Expenses		
Instruction	31.7	29.6
Support services	20.2	19.0
Athletics	0.9	0.8
Food services	2.3	2.4
Community services	0.6	0.6
Debt service	1.7	1.8
Depreciation expense (unallocated)	2.8	2.9
Total expenses	<u>60.2</u>	<u>57.1</u>
Change in Net Position	(2.3)	(0.6)
Net Position (Deficit) - Beginning of year	<u>(77.4)</u>	<u>(76.8)</u>
Net Position (Deficit) - End of year	<u><u>\$ (79.7)</u></u>	<u><u>\$ (77.4)</u></u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$60.2 million. Certain activities were partially funded from those who benefited from the programs (\$1.3 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$13.8 million). We paid for the remaining public benefit portion of our governmental activities with \$10.6 million in taxes, \$32.0 million in state foundation allowance, and other revenue (i.e., interest and general entitlements).

The School District experienced a decrease in net position of \$2.3 million. The key reason for the change in net position was an increase in the net pension liability.

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.

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.

Lapeer Community Schools of Lapeer County

Management's Discussion and Analysis (Continued)

As the School District completed this year, the governmental funds reported a combined fund balance of \$9.2 million, which is an increase of \$1.8 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 \$1.0 million to \$5.7 million. The change is mainly due to reduced spending during the COVID-19 school closure. The School District spent less than anticipated in utilities, fuel costs, repairs and maintenance, and capital expenditures due to the closure.

Fund balance of our special revenue fund increased from \$0.4 million last year to \$0.5 million this year as a result of decreased expenditures in the School District's Cafeteria Fund. Similar to the General Fund, the COVID-19 school closure resulted in an overall decrease in expenditures for the year.

Combined, the fund balance of our debt service funds increased \$0.6 million due to planned reserves for upcoming debt payments.

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 2020. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

There were revisions made to the 2019-2020 combined General Fund original budget. Budgeted revenue was increased \$1.4 million primarily due to an increase of approximately 90 FTE from original projected enrollment figures, coupled with an unanticipated \$65 per pupil increase in funding by the State. Additionally, the District received the Marshall Plan for Talent grant from the State for a total of \$0.5 million dollars in the 2019-2020 fiscal year.

Actual state revenue for the year ended June 30, 2020 came in \$1.6 million under the final budgeted amounts due to the State reducing the per pupil foundation allowance by \$175, totaling approximately \$0.86 million. Additionally, due to reduced grant expenditures caused by the COVID-19 closure, grant revenue was subsequently reduced. Although unspent in the 2019-2020 fiscal year, these funds will be carried over as available funds in the 2020-2021 fiscal year.

Actual expenditures for the year ended June 30, 2020 came in \$2.2 million under the final budgeted amounts due to reduced spending during the COVID-19 school closure. The School District spent less than anticipated in additional compensation items, instructional substitute costs, utilities, fuel costs, repairs and maintenance, and capital expenditures due to the closure. Also, as stated above, grant expenditures were also reduced as a result of the closure.

Lapeer Community Schools of Lapeer County

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2020 and 2019, the School District had \$57.9 million and \$59.8 million, respectively, invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This represents a net decrease (including additions, disposals, and depreciation) of approximately \$1.9 million from 2019 to 2020.

	2020	2019
Land	\$ 993,061	\$ 993,061
Buildings and improvements	78,914,754	78,914,754
Furniture and equipment	10,014,578	9,395,271
Buses and other vehicles	4,295,611	4,759,877
Land improvements	10,620,735	10,620,735
Total capital assets	104,838,739	104,683,698
Less accumulated depreciation	46,980,036	44,840,636
Total capital assets - Net of accumulated depreciation	\$ 57,858,703	\$ 59,843,062

This year's additions of \$0.8 million included buses, security systems, and technology. No debt was issued for these additions. 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 had \$38.7 million in bonds outstanding versus \$40.3 million in the previous year.

The School District has one unlimited tax bond obligation outstanding for \$37.2 million where 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 \$4.0 million, and principal and interest payments were made totaling approximately \$3.4 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 \$485,000, \$325,000, and \$750,000, 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 2020-2021 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 2020-2021 budget was adopted in June 2020 based on an estimate of students who will enroll in September 2020. Approximately 62.5 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. Based on early enrollment projections and our current trend of declining enrollment, we anticipated that the fall student count would be lower. We also considered the effect of COVID-19 and the possibility of starting school year 2021 in a virtual setting. 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.

Lapeer Community Schools of Lapeer County

Management's Discussion and Analysis (Continued)

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. For the first time in recent history, the State postponed final school funding for fiscal year 2020 and 2021 due to the financial impact of COVID-19 on state revenue sources. The State conducted a third revenue conference to ascertain its revenue thresholds in late August 2020. From that conference, it was determined that a reduction of \$175 per pupil would need to be made on the final FY 2020 state aid payment.

When the School District's fiscal year 2021 budget was developed in June 2020, there was a high probability that funding for school districts could have a severe negative impact. Hence, the School District's initial adopted General Fund budget includes a \$4.8 million use of fund balance. Information regarding supplemental federal relief funds for costs related to COVID-19 was also a major unknown factor at the time of the fiscal year 2021 budget adoption.

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, 2020

Governmental
Activities

Assets

Cash and cash equivalents (Note 4)	\$ 8,165,457
Investments (Note 4)	19,390
Receivables:	
Property taxes receivable	3,251
Other receivables	210,482
Due from other governments	7,296,926
Prepaid expenses	308,560
Restricted assets (Note 5)	2,996,328
Capital assets - Net (Note 8)	57,858,703
Total assets	76,859,097

Deferred Outflows of Resources

Deferred charges on bond refunding (Note 9)	1,859,938
Deferred pension costs (Note 11)	26,249,346
Deferred OPEB costs (Note 11)	6,067,052
Total deferred outflows of resources	34,176,336

Liabilities

Accounts payable	427,201
Due to other governmental units	1,054,005
Accrued liabilities and other	4,933,551
State aid anticipation notes (Note 12)	2,981,380
Unearned revenue (Note 6)	506,218
Noncurrent liabilities:	
Due within one year (Note 9)	2,244,232
Due in more than one year (Note 9)	43,752,326
Net pension liability (Note 11)	96,772,956
Net OPEB liability (Note 11)	20,866,490
Total liabilities	173,538,359

Deferred Inflows of Resources

Revenue in support of pension contributions made subsequent to the measurement date (Note 11)	3,197,041
Deferred pension cost reductions (Note 11)	5,414,945
Deferred OPEB cost reductions (Note 11)	8,558,418
Total deferred inflows of resources	17,170,404

Net Position (Deficit)

Net investment in capital assets	15,002,283
Restricted - Debt service	2,742,730
Unrestricted	(97,418,343)
Total net position (deficit)	\$ (79,673,330)

Lapeer Community Schools of Lapeer County

Statement of Activities

Year Ended June 30, 2020

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	\$ 31,674,293	\$ 30,697	\$ 8,839,432	\$ (22,804,164)
Support services	20,235,467	51,538	2,946,477	(17,237,452)
Athletics	877,187	140,259	-	(736,928)
Food services	2,302,671	502,621	1,975,001	174,951
Community services	608,964	607,618	-	(1,346)
Interest	1,703,020	-	-	(1,703,020)
Other debt costs	3,939	-	-	(3,939)
Depreciation expense (unallocated)	2,842,416	-	-	(2,842,416)
Total primary government	\$ 60,247,957	\$ 1,332,733	\$ 13,760,910	(45,154,314)
General revenue:				
Taxes:				
Property taxes levied for general purposes				6,618,403
Property taxes levied for debt service				3,959,642
State aid not restricted to specific purposes				32,021,887
Interest and investment earnings				70,638
Penalties, interest, and other taxes				46,069
Gain on sale of capital assets				12,988
Other				183,327
Total general revenue				42,912,954
Change in Net Position				(2,241,360)
Net Position (Deficit) - Beginning of year				(77,431,970)
Net Position (Deficit) - End of year				\$ (79,673,330)

Lapeer Community Schools of Lapeer County

Governmental Funds Balance Sheet

June 30, 2020

	General Fund	2016 Refunding Bond Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and cash equivalents (Note 4)	\$ 7,646,268	\$ -	\$ 519,189	\$ 8,165,457
Investments (Note 4)	19,390	-	-	19,390
Receivables:				
Property taxes receivable	1,542	1,709	-	3,251
Other receivables	207,948	-	-	207,948
Due from other governments	7,169,929	-	126,997	7,296,926
Due from other funds (Note 7)	102,018	-	-	102,018
Prepaid expenses	308,560	-	-	308,560
Restricted assets (Note 5)	-	2,996,328	-	2,996,328
	<u>\$ 15,455,655</u>	<u>\$ 2,998,037</u>	<u>\$ 646,186</u>	<u>\$ 19,099,878</u>
Total assets				
Liabilities				
Accounts payable	\$ 397,342	\$ -	\$ 29,859	\$ 427,201
Due to other governmental units	1,053,487	-	518	1,054,005
Due to other funds (Note 7)	-	-	99,484	99,484
Accrued liabilities and other	4,672,715	-	5,529	4,678,244
State aid anticipation notes (Note 12)	2,981,380	-	-	2,981,380
Unearned revenue (Note 6)	506,218	-	-	506,218
	<u>9,611,142</u>	<u>-</u>	<u>135,390</u>	<u>9,746,532</u>
Total liabilities				
Deferred Inflows of Resources - Unavailable revenue				
	<u>193,988</u>	<u>-</u>	<u>-</u>	<u>193,988</u>
Total liabilities and deferred inflows of resources	<u>9,805,130</u>	<u>-</u>	<u>135,390</u>	<u>9,940,520</u>
Fund Balances				
Nonspendable - Prepays	308,560	-	-	308,560
Restricted:				
Debt service	-	2,998,037	-	2,998,037
Food service	-	-	510,796	510,796
Assigned - Subsequent year's budget	4,874,468	-	-	4,874,468
Unassigned	467,497	-	-	467,497
	<u>5,650,525</u>	<u>2,998,037</u>	<u>510,796</u>	<u>9,159,358</u>
Total fund balances				
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 15,455,655</u>	<u>\$ 2,998,037</u>	<u>\$ 646,186</u>	<u>\$ 19,099,878</u>

Lapeer Community Schools of Lapeer County

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2020

Fund Balances Reported in Governmental Funds	\$ 9,159,358
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	104,838,739
Accumulated depreciation	<u>(46,980,036)</u>
Net capital assets used in governmental activities	57,858,703
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	193,988
Deferred outflows related to bond refundings are not reported in the funds	1,859,938
Bonds payable and unamortized bond premiums are not due and payable in the current period and are not reported in the funds	(44,716,358)
Accrued interest is not due and payable in the current period and is not reported in the funds	(255,307)
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	(310,200)
Provision for health and workers' compensation claims	(970,000)
Net pension liability and related deferred inflows and outflows	(75,938,555)
Net OPEB liability and related deferred inflows and outflows	<u>(23,357,856)</u>
Total employee fringe benefits not reported as fund liabilities	(100,576,611)
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>(3,197,041)</u>
Net Position (Deficit) of Governmental Activities	<u><u>\$ (79,673,330)</u></u>

Lapeer Community Schools of Lapeer County

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2020

	General Fund	2016 Refunding Bond Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Local sources	\$ 7,710,399	\$ 4,026,929	\$ 505,886	\$ 12,243,214
State sources	42,019,857	-	125,346	42,145,203
Federal sources	1,520,511	-	1,849,655	3,370,166
Total revenue	51,250,767	4,026,929	2,480,887	57,758,583
Expenditures				
Current:				
Instruction	28,920,949	-	-	28,920,949
Support services	18,824,494	-	-	18,824,494
Athletics	824,834	-	-	824,834
Food services	-	-	2,256,128	2,256,128
Community services	559,226	-	-	559,226
Debt service: (Note 9)				
Principal	-	1,490,000	145,000	1,635,000
Interest	-	1,901,600	55,970	1,957,570
Other debt costs	-	3,439	500	3,939
Capital outlay	971,848	-	-	971,848
Total expenditures	50,101,351	3,395,039	2,457,598	55,953,988
Excess of Revenue Over Expenditures	1,149,416	631,890	23,289	1,804,595
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	12,988	-	-	12,988
Transfers in (Note 7)	91,969	-	204,412	296,381
Transfers out (Note 7)	(204,412)	-	(91,969)	(296,381)
Total other financing (uses) sources	(99,455)	-	112,443	12,988
Net Change in Fund Balances	1,049,961	631,890	135,732	1,817,583
Fund Balances - Beginning of year	4,600,564	2,366,147	375,064	7,341,775
Fund Balances - End of year	\$ 5,650,525	\$ 2,998,037	\$ 510,796	\$ 9,159,358

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, 2020

Net Change in Fund Balances Reported in Governmental Funds	\$ 1,817,583
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	858,057
Depreciation expense	<u>(2,842,416)</u>
Total	(1,984,359)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	193,988
Revenue in support of pension contributions made subsequent to the measurement date	41,038
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	1,878,907
Interest expense is recognized in the government-wide statements as it accrues	10,643
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	<u>(4,199,160)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (2,241,360)</u></u>

Lapeer Community Schools of Lapeer County

Fiduciary Funds Statement of Fiduciary Net Position

June 30, 2020

	Private Purpose Trust Fund	Student Activities Agency Fund
Assets - Cash and cash equivalents (Note 4)	\$ 22,003	<u>\$ 543,964</u>
Liabilities		
Accounts payable	-	\$ 20,808
Due to student groups	-	520,622
Due to other funds (Note 7)	-	2,534
Total liabilities	-	<u>\$ 543,964</u>
Net Position - Restricted for endowments	<u>\$ 22,003</u>	

Lapeer Community Schools of Lapeer County

Fiduciary Funds Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2020

	<u>Private Purpose Trust Fund</u>
Additions - Revenue	\$ 67
Deductions - Scholarships and other expenses	<u>500</u>
Net Decrease in Net Position	(433)
Net Position - Beginning of year	<u>22,436</u>
Net Position - End of year	<u><u>\$ 22,003</u></u>

June 30, 2020

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.

Note 2 - Significant Accounting Policies (Continued)

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 has two major funds:

- The General Fund 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.
- The 2016 Refunding Bond Fund is used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on the 2016 Refunding Bond.

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 for the students.
- The Private Purpose Trust Fund is used to account for resources legally held for the students, 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.

Note 2 - Significant Accounting Policies (Continued)

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 health care-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.

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.

Investments

Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value.

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.

Note 2 - Significant Accounting Policies (Continued)

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

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

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 other financing sources and bond discounts as other financing uses. The General Fund and debt service funds generally are used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet 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.

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 and/or balance sheet 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.

Note 2 - Significant Accounting Policies (Continued)

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).

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.

Note 2 - Significant Accounting Policies (Continued)

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.

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 were originally effective for the School District's financial statements for the year ended June 30, 2020 but were extended to June 30, 2021 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In June 2017, the Governmental Accounting Standards Board issued 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, 2022.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including November 12, 2020, which is the date the financial statements were available to be issued.

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.

June 30, 2020

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 or 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

The School District did not have significant expenditure budget variances.

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 no 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.

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost. Investments may not be redeemed for at least 14 calendar days with the exception of direct investments of funds distributed by the State of Michigan. Redemptions made prior to the applicable 14-day period are subject to penalty equal to 15 days' interest on the amount so redeemed.

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 bank deposits of \$10,134,694 (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.

Note 4 - Deposits and Investments (Continued)

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 that 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, 2020, the School District does not have investments with custodial credit risk.

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.

Investment	Fair Value	Rating	Rating Organization
MILAF MAX Class	\$ 19,390	AAAm	Standard & Poor's

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 \$2,996,328 in restricted assets recorded in the 2016 Refunding Bond Fund 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.

Unavailable/Unearned Revenue (Continued)

At June 30, 2020, the School District had approximately \$193,988 of unavailable revenue related to Michigan State Police grant funds not received within the period of availability and \$506,218 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	Fund Due From		
	Nonmajor Funds	Fiduciary	Total
General Fund	\$ 99,484	\$ 2,534	\$ 102,018

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	\$ 2,942
	Debt service funds	201,470
	Total General Fund	204,412
Cafeteria Fund	General Fund	91,969
	Total	\$ 296,381

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.

June 30, 2020

Note 8 - Capital Assets

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

Governmental Activities

	Balance July 1, 2019	Additions	Disposals and Adjustments	Balance June 30, 2020
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	9,395,271	619,307	-	10,014,578
Buses and other vehicles	4,759,877	238,750	(703,016)	4,295,611
Land improvements	10,620,735	-	-	10,620,735
Subtotal	103,690,637	858,057	(703,016)	103,845,678
Accumulated depreciation:				
Buildings and improvements	30,040,502	1,506,007	-	31,546,509
Furniture and equipment	6,348,358	534,105	-	6,882,463
Buses and other vehicles	3,696,938	327,640	(703,016)	3,321,562
Land improvements	4,754,838	474,664	-	5,229,502
Subtotal	44,840,636	2,842,416	(703,016)	46,980,036
Net capital assets being depreciated	58,850,001	(1,984,359)	-	56,865,642
Net governmental activities capital assets	<u>\$ 59,843,062</u>	<u>\$ (1,984,359)</u>	<u>\$ -</u>	<u>\$ 57,858,703</u>

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

Note 9 - Long-term Debt

Long-term debt activity for the year ended June 30, 2020 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
Other debt - General obligation	\$ 40,345,000	\$ -	\$ (1,635,000)	\$ 38,710,000	\$ 1,700,000
Unamortized bond premiums	6,359,673	-	(353,315)	6,006,358	353,315
Total bonds payable	46,704,673	-	(1,988,315)	44,716,358	2,053,315
Compensated absences	305,700	4,500	-	310,200	15,812
Risk liabilities	921,900	1,259,139	(1,211,039)	970,000	175,105
Total governmental activities long-term debt	<u>\$ 47,932,273</u>	<u>\$ 1,263,639</u>	<u>\$ (3,199,354)</u>	<u>\$ 45,996,558</u>	<u>\$ 2,244,232</u>

The School District had deferred outflows of \$1,859,938 related to deferred charges on bond refundings at June 30, 2020.

Note 9 - Long-term Debt (Continued)

General Obligation Bonds and Contracts

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The School District's qualified bonds are fully guaranteed by the State of Michigan. The primary source of any required repayment is from the School District's property tax levy; however, the State of Michigan may withhold the School District's state aid funding in order to recover amounts it has paid on behalf of the School District. General obligations outstanding at June 30, 2020 are as follows:

Purpose	Year Issued	Interest Rates	Maturing	Outstanding
\$775,000 Limited Tax School Building and Site Bonds due in annual installments of \$55,000 to \$65,000	2013	3.07 - 3.62	May 2028	\$ 485,000
\$500,000 Limited Tax School Building and Site Bonds due in annual installments of \$30,000 to \$40,000	2014	2.60	May 2029	325,000
\$995,000 Limited Tax School Building and Site Bonds due in annual installments of \$65,000 to \$85,000	2015	3.0 - 4.0	May 2030	750,000
\$40,075,000 Qualified Refunding Bonds due in annual installments of \$1,550,000 to \$2,575,000	2016	4.0 - 5.0	May 2037	37,150,000
Total governmental activities				<u>\$ 38,710,000</u>

Other Long-term Liabilities

Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund. The risk liabilities generally will 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 employee salaries are paid, generally the General Fund.

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
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	1,945,000	1,652,236	3,597,236
2025	2,040,000	1,558,296	3,598,296
2026-2030	11,610,000	6,199,688	17,809,688
2031-2035	12,645,000	3,194,500	15,839,500
2036-2037	5,135,000	385,500	5,520,500
Total	<u>\$ 38,710,000</u>	<u>\$ 18,453,049</u>	<u>\$ 57,163,049</u>

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 injury (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:

	2020	2019
Estimated liability - Beginning of year	\$ 921,900	\$ 803,800
Estimated claims incurred, including changes in estimates	1,259,139	1,324,844
Claim payments	(1,211,039)	(1,206,744)
Estimated liability - End of year	\$ 970,000	\$ 921,900

Note 11 - Michigan Public School Employees' Retirement System

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (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 health care benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment health care benefits to retirees and beneficiaries who elect to receive those benefits.

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 health care plans. That report is available on the web at <http://www.michigan.gov/orsschools> or by writing to the Office of Retirement Services 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 health care 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 health care plan.

June 30, 2020

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

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. Some members who do not receive an annual increase 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 health care 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.

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to retiree health care 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 health care 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 stopped paying the 3 percent contribution to retiree health care as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

June 30, 2020

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

The School District's contributions are determined based on employee elections. There are multiple different pension and health care 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 ranges of rates are as follows:

	Pension	OPEB
October 1, 2018 - September 30, 2019	13.39% - 18.25%	7.57% - 7.93%
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%

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, 2020 were \$8,158,518, 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 \$3,197,041 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, 2020.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2020 were \$2,147,433, which include the School District's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2020, the School District reported a liability of \$96,772,956 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018, which used update procedures to roll forward the estimated liability to September 30, 2019. 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, 2019 and 2018, the School District's proportion was 0.292219 and 0.295872 percent, respectively, representing a change of (1.23) percent.

Net OPEB Liability

At June 30, 2020, the School District reported a liability of \$20,866,490 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2020 was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018, which used update procedures to roll forward the estimated liability to September 30, 2019. 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 September 30, 2019 and 2018, the School District's proportion was 0.290711 and 0.292759 percent, respectively, representing a change of (0.70) percent.

June 30, 2020

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

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

For 2020, the School District recognized pension expense of \$13,837,574, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2020, 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	\$ 433,767	\$ (403,534)
Changes in assumptions	18,948,213	-
Net difference between projected and actual earnings on pension plan investments	-	(3,101,409)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	2,596	(1,910,002)
The School District's contributions to the plan subsequent to the measurement date	6,864,770	-
	<u>\$ 26,249,346</u>	<u>\$ (5,414,945)</u>
Total		

The \$3,197,041 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, 2021. 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
2021	\$ 5,404,110
2022	4,434,692
2023	2,932,402
2024	1,198,427
Total	<u>\$ 13,969,631</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 year ended June 30, 2020, the School District recognized OPEB expense of \$397,502.

June 30, 2020

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

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (7,656,505)
Changes in assumptions	4,521,346	-
Net difference between projected and actual earnings on OPEB plan investments	-	(362,878)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	5,631	(539,035)
Employer contributions to the plan subsequent to the measurement date	1,540,075	-
Total	\$ 6,067,052	\$ (8,558,418)

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
2021	\$ (1,107,649)
2022	(1,107,649)
2023	(927,591)
2024	(606,648)
2025	(281,904)
Total	\$ (4,031,441)

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2019 are based on the results of an actuarial valuation as of September 30, 2018 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00% - 6.80%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.95%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75%
Health care cost trend rate - OPEB	7.50%	Year 1 graded to 3.5% year 12
Mortality basis		RP-2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP-2017 from 2006
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 2012 to 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation.

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

Significant assumption changes since the prior measurement date, September 30, 2018, for pension and OPEB include a reduction in both discount rates; continued impact of the updated experience study, which resulted in a lower than projected per person health benefit cost for OPEB; and favorable investment experience for both plans. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2018.

Discount Rate

The discount rate used to measure the total pension liability was 6.00 to 6.80 percent as of September 30, 2019 depending on the plan option. The discount rate used to measure the total OPEB liability was 6.95 percent as of September 30, 2019. 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.

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 %	5.50 %
Private equity pools	18.00	8.60
International equity pools	16.00	7.30
Fixed-income pools	10.50	1.20
Real estate and infrastructure pools	10.00	4.20
Absolute return pools	15.50	5.40
Short-term investment pools	2.00	0.80
Total	100.00 %	

Long-term rates of return are net of administrative expense and inflation of 2.3 percent.

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 Percentage Point Decrease (5.00 - 5.80%)	Current Discount Rate (6.00 - 6.80%)	1 Percentage Point Increase (7.00 - 7.80%)
Net pension liability of the School District	\$ 125,811,033	\$ 96,772,956	\$ 72,699,389

June 30, 2020

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

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 Percentage Point Decrease (5.95%)	Current Discount Rate (6.95%)	1 Percentage Point Increase (7.95%)
Net OPEB liability of the School District	\$ 25,595,886	\$ 20,866,490	\$ 16,895,111

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

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

	1 Percentage Point Decrease (6.50%)	Current Rate (7.50%)	1 Percentage Point Increase (8.50%)
Net OPEB liability of the School District	\$ 16,726,742	\$ 20,866,490	\$ 25,595,325

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, 2020, the School District reported a payable of \$1,432,757 and \$235,513 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2020.

Note 12 - Short-term Debt

State Aid Anticipation Note

The School District has direct borrowings from the Michigan Finance Authority (the "Lender") to provide sufficient resources before receiving its scheduled state aid. This liability is recorded as a fund liability in the General Fund.

During the year, the School District redeemed \$5,500,000 of these state aid anticipation notes (the "notes") and issued new notes of \$3,500,000 (set-aside pool note) with interest at 1.30 percent and monthly principal and interest payments of \$506,500 commencing on January 20, 2020 through July 20, 2020. Additionally, the School District borrowed \$2,500,000 (no set-aside pool note) with interest at 1.30 percent and a maturity date of August 20, 2020. The outstanding balance on the notes was \$2,981,380 at June 30, 2020. At June 30, 2020, the School District has accrued interest of \$39,000 on these notes. Subsequent to year end, the notes were paid in full with proceeds from new notes, as described below.

In the event of default, the notes are fully collateralized by the School District's future state aid funding, and the Lender has the authority to intercept state aid payments at its discretion. In the event that all or a portion of the required payments at maturity are not made, a penalty interest rate will go into effect that could exceed the stated rate, and interest becomes due on demand. If the Lender has reason to believe that the School District will be unable to fulfill the required repayments, the Lender has the sole discretion to accelerate the principal and interest repayments.

Note 12 - Short-term Debt (Continued)

In August 2020, the School District borrowed \$2,000,000 (set-aside pool note) and \$4,000,000 (no set-aside pool note) with interest rates of 0.70 and 0.25 percent, respectively. The notes require principal and interest payments of approximately \$290,000 beginning on January 20, 2021 through July 20, 2021, with the remaining balance due on August 20, 2021, and the notes have similar terms and provisions as the notes outstanding at June 30, 2020.

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, 2020, the School District's property tax revenue was reduced by approximately \$262,000 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 \$227,000 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.

Note 14 - Subsequent Events

Following the passing of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law on March 27, 2020 to combat the effects of the COVID pandemic, the U.S. Department of Treasury distributed Coronavirus Relief Fund (CRF) payments to the State of Michigan. During July and August 2020, the School District received \$1,787,527 of these restricted CRF funds from the Michigan Department of Education. The CRF funds can be used only for eligible costs and are subject to certain Uniform Guidance and grant-specific reporting requirements.

Required Supplemental Information

Lapeer Community Schools of Lapeer County

Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 7,822,310	\$ 7,537,769	\$ 7,710,399	\$ 172,630
State sources	42,074,810	43,635,222	42,019,857	(1,615,365)
Federal sources	1,546,424	1,701,650	1,520,511	(181,139)
Total revenue	51,443,544	52,874,641	51,250,767	(1,623,874)
Expenditures				
Current:				
Instruction:				
Basic programs	23,472,725	23,220,528	22,425,113	(795,415)
Added needs	6,256,760	6,745,983	6,495,836	(250,147)
Support services:				
Pupil	3,176,747	3,242,329	3,229,495	(12,834)
Instructional staff	3,731,788	3,851,729	3,606,864	(244,865)
General administration	590,501	585,770	553,700	(32,070)
School administration	2,806,419	3,071,511	3,008,729	(62,782)
Business	1,248,939	1,241,817	1,191,427	(50,390)
Operations and maintenance	3,688,285	3,707,100	3,518,098	(189,002)
Pupil transportation services	3,295,560	3,160,056	2,923,657	(236,399)
Central	962,222	829,508	792,524	(36,984)
Athletics	771,428	843,040	824,834	(18,206)
Community services	713,338	605,372	559,226	(46,146)
Capital outlay	1,094,585	1,227,110	971,848	(255,262)
Total expenditures	51,809,297	52,331,853	50,101,351	(2,230,502)
Excess of Revenue (Under) Over Expenditures	(365,753)	542,788	1,149,416	606,628
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	12,988	12,988
Transfers in	-	85,000	91,969	6,969
Transfers out	(205,642)	(202,170)	(204,412)	(2,242)
Total other financing uses	(205,642)	(117,170)	(99,455)	17,715
Net Change in Fund Balance	(571,395)	425,618	1,049,961	624,343
Fund Balance - Beginning of year	4,600,564	4,600,564	4,600,564	-
Fund Balance - End of year	\$ 4,029,169	\$ 5,026,182	\$ 5,650,525	\$ 624,343

Lapeer Community Schools of Lapeer County

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

	Last Six Plan Years					
	Plan Years Ended September 30					
	2019	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	0.29222 %	0.29587 %	0.29932 %	0.30514 %	0.31068 %	0.31237 %
School District's proportionate share of the net pension liability	\$ 96,772,956	\$ 88,944,606	\$ 77,567,596	\$ 76,130,317	\$ 75,884,606	\$ 68,803,150
School District's covered payroll	\$ 25,391,341	\$ 24,956,252	\$ 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 payroll	381.13 %	356.40 %	312.31 %	299.14 %	294.26 %	259.38 %
Plan fiduciary net position as a percentage of total pension liability	60.08 %	62.12 %	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 Six Fiscal Years Years Ended June 30					
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 8,015,808	\$ 7,622,839	\$ 7,550,688	\$ 7,024,145	\$ 7,064,308	\$ 5,701,242
Contributions in relation to the statutorily required contribution	<u>8,015,808</u>	<u>7,622,839</u>	<u>7,550,688</u>	<u>7,024,145</u>	<u>7,064,308</u>	<u>5,701,242</u>
Contribution Excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 25,431,397	\$ 25,127,382	\$ 24,875,002	\$ 24,841,140	\$ 25,165,151	\$ 26,190,001
Contributions as a Percentage of Covered Payroll	31.52 %	30.34 %	30.35 %	28.28 %	28.07 %	21.77 %

Lapeer Community Schools of Lapeer County

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

	Last Three Plan Years		
	Plan Years Ended September 30		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's proportion of the net OPEB liability	0.29071 %	0.29276 %	0.29893 %
School District's proportionate share of the net OPEB liability	\$ 20,866,490	\$ 23,271,243	\$ 26,471,730
School District's covered payroll	\$ 25,391,341	\$ 24,956,252	\$ 24,836,471
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	82.18 %	93.25 %	106.58 %
Plan fiduciary net position as a percentage of total OPEB liability	48.67 %	43.10 %	36.53 %

Lapeer Community Schools of Lapeer County

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

Last Three Fiscal Years Years Ended June 30

	2020	2019	2018
Statutorily required contribution	\$ 2,043,565	\$ 1,973,762	\$ 1,796,653
Contributions in relation to the statutorily required contribution	2,043,565	1,973,762	1,796,653
Contribution Excess	\$ -	\$ -	\$ -
School District's Covered Payroll	\$ 25,431,397	\$ 25,127,382	\$ 24,875,002
Contributions as a Percentage of Covered Payroll	8.04 %	7.86 %	7.22 %

June 30, 2020

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 each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of assumptions for each of the reported plan years ended September 30 except for the following:

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

OPEB Information

Ultimately, 10 years of data will be presented in both of the OPEB-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 each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of assumptions for each of the reported plan years ended September 30 except for the following:

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in a lower than projected per person health benefit cost to reduce the plan's total OPEB liability by an additional \$1.4 billion in 2019.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in a lower than projected per person health benefit cost to reduce the plan's total OPEB liability by \$1.4 billion in 2018.

Other Supplemental Information

Lapeer Community Schools of Lapeer County

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2020

	Special Revenue	Debt Service Funds			Total
	Fund	2013 Project Bond	2014 Project Bond	2015 Project Bond	
	Cafeteria				
Assets					
Cash and cash equivalents	\$ 519,189	\$ -	\$ -	\$ -	\$ 519,189
Receivables - Due from other governments	126,997	-	-	-	126,997
Total assets	\$ 646,186	\$ -	\$ -	\$ -	\$ 646,186
Liabilities					
Accounts payable	\$ 29,859	\$ -	\$ -	\$ -	\$ 29,859
Due to other governmental units	518	-	-	-	518
Due to other funds	99,484	-	-	-	99,484
Accrued liabilities and other	5,529	-	-	-	5,529
Total liabilities	135,390	-	-	-	135,390
Fund Balances - Restricted - Food service	510,796	-	-	-	510,796
Total liabilities and fund balances	\$ 646,186	\$ -	\$ -	\$ -	\$ 646,186

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, 2020

	Special Revenue Fund	Debt Service Funds			Total
	Cafeteria	2013 Project Bond	2014 Project Bond	2015 Project Bond	
Revenue					
Local sources	\$ 505,886	\$ -	\$ -	\$ -	\$ 505,886
State sources	125,346	-	-	-	125,346
Federal sources	1,849,655	-	-	-	1,849,655
Total revenue	2,480,887	-	-	-	2,480,887
Expenditures					
Current - Food services	2,256,128	-	-	-	2,256,128
Debt service:					
Principal	-	50,000	30,000	65,000	145,000
Interest	-	17,827	9,230	28,913	55,970
Other debt costs	-	-	-	500	500
Total expenditures	2,256,128	67,827	39,230	94,413	2,457,598
Excess of Revenue Over (Under) Expenditures	224,759	(67,827)	(39,230)	(94,413)	23,289
Other Financing Sources (Uses)					
Transfers in	2,942	67,827	39,230	94,413	204,412
Transfers out	(91,969)	-	-	-	(91,969)
Total other financing (uses) sources	(89,027)	67,827	39,230	94,413	112,443
Net Change in Fund Balances	135,732	-	-	-	135,732
Fund Balances - Beginning of year	375,064	-	-	-	375,064
Fund Balances - End of year	<u>\$ 510,796</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 510,796</u>

Lapeer Community Schools of Lapeer County

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

June 30, 2020

	Hall Endowment	Project Close-up	Beckwith	Total Private Purpose Trust Fund
Assets - Cash and cash equivalents	<u>\$ 6,454</u>	<u>\$ 9,087</u>	<u>\$ 6,462</u>	<u>\$ 22,003</u>
Net Position - Restricted for endowments	<u>\$ 6,454</u>	<u>\$ 9,087</u>	<u>\$ 6,462</u>	<u>\$ 22,003</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, 2020

	Hall Endowment	Project Close-up	Beckwith	Total Private Purpose Trust Fund
Operating Revenue - Interest and other	\$ 26	\$ 29	\$ 12	\$ 67
Operating Expenses - Scholarships, other expenses, and transfer out to Lapeer County Community Foundation	500	-	-	500
Net (Decrease) Increase in Net Position	(474)	29	12	(433)
Net Position - Beginning of year	6,928	9,058	6,450	22,436
Net Position - End of year	<u>\$ 6,454</u>	<u>\$ 9,087</u>	<u>\$ 6,462</u>	<u>\$ 22,003</u>

Lapeer Community Schools of Lapeer County

Other Supplemental Information Schedule of Bonded Indebtedness

June 30, 2020

Years Ending June 30	2013 Project Bond	2014 Project Bond	2015 Project Bond	2016 Refunding Bond	Total
	Principal	Principal	Principal	Principal	
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	\$ 485,000	\$ 325,000	\$ 750,000	\$ 37,150,000	\$ 38,710,000
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	3.07% - 3.62%	2.60%	3.00% - 4.00%	4.00% - 5.00%	
Original issue	\$ 775,000	\$ 500,000	\$ 995,000	\$ 40,075,000	