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# Lapeer Community Schools of Lapeer County

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**Financial Report  
with Supplemental Information  
June 30, 2021**

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## **Independent Auditor's Report**

To the Board of Education  
Lapeer Community Schools of Lapeer County

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the major 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, 2021 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, 2021 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 2 to the basic financial statements, as of July 1, 2020, the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

To the Board of Education  
Lapeer Community Schools of Lapeer County

**Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 October 8, 2021 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lapeer Community Schools of Lapeer County's 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.



October 8, 2021

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, 2021. 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. 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.

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

# Lapeer Community Schools of Lapeer County

## Management's Discussion and Analysis (Continued)

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

### **Reporting the School District's Fund Financial Statements**

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

### **Governmental Funds**

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

### **The School District as 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, 2021 and 2020:

	Governmental Activities	
	2021	2020
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 24.0	\$ 18.9
Capital assets	55.3	57.9
Total assets	79.3	76.8
<b>Deferred Outflows of Resources</b>	28.6	34.2
<b>Liabilities</b>		
Current liabilities	11.5	9.9
Noncurrent liabilities	43.4	45.9
Net pension liability	98.9	96.8
Net OPEB liability	15.2	20.9
Total liabilities	169.0	173.5
<b>Deferred Inflows of Resources</b>	18.1	17.2
<b>Net Position (Deficit)</b>		
Net investment in capital assets	14.4	15.0
Restricted	3.5	2.7
Unrestricted	(97.1)	(97.4)
Total net position (deficit)	<b>\$ (79.2)</b>	<b>\$ (79.7)</b>

# Lapeer Community Schools of Lapeer County

## Management's Discussion and Analysis (Continued)

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 \$(79.2) million at June 30, 2021. Net investment in capital assets totaling \$14.4 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 (\$(97.1) million) was unrestricted.

The \$(97.1) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations net of the pension and OPEB liabilities. The unrestricted net position balance enables the School District to meet working capital and cash flow requirements and provide for future uncertainties. The operating results of the General Fund and changes in the net pension and OPEB liabilities will have a significant impact on the change in unrestricted net position from year to year.

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, 2021 and 2020:

	Governmental Activities	
	2021	2020
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 0.9	\$ 1.3
Operating grants	15.8	13.8
General revenue:		
Taxes	11.0	10.6
State aid not restricted to specific purposes	32.2	32.0
Other	0.6	0.2
Total revenue	60.5	57.9
<b>Expenses</b>		
Instruction	32.1	31.7
Support services	20.5	20.2
Athletics	0.9	0.9
Food services	1.9	2.3
Community services	0.6	0.6
Debt service	1.7	1.7
Depreciation expense (unallocated)	2.9	2.8
Total expenses	60.6	60.2
<b>Change in Net Position</b>	(0.1)	(2.3)
<b>Net Position (Deficit) - Beginning of year (as restated) (Note 2)</b>	(79.1)	(77.4)
<b>Net Position (Deficit) - End of year</b>	<b>\$(79.2)</b>	<b>\$(79.7)</b>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$60.6 million. Certain activities were partially funded from those who benefited from the programs (\$0.9 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$15.8 million). We paid for the remaining public benefit portion of our governmental activities with \$11.0 million in taxes, \$32.2 million in state foundation allowance, and other revenue (i.e., interest and general entitlements).

The School District experienced a decrease in net position of \$0.1 million.

# Lapeer Community Schools of Lapeer County

## Management's Discussion and Analysis (Continued)

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.

As required by the Governmental Accounting Standards Board (GASB), the School District adopted GASB Statement No. 84, *Fiduciary Activities*, as of July 1, 2020. This standard provides guidance on the identification and reporting of fiduciary activities and required the School District to evaluate activities to determine if they were fiduciary in nature. The standard also changed the reporting and presentation requirements of fiduciary activities. The effect of the adoption on the governmental activities was to increase July 1, 2020 beginning net position by \$0.5 million, which represents the activities that used to be reported as fiduciary but are now reported as governmental under GASB 84. The governmental statement of net position at June 30, 2021 and statement of activities for the year ended June 30, 2021 include all the balances and transactions for those activities that used to be reported as fiduciary but are now reported as governmental.

### ***The School District's Funds***

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$12.7 million, which is an increase of \$3.0 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 by \$2.2 million to \$7.8 million. The change is mainly due to reduced spending of normal operational costs during the COVID-19 pandemic. The pandemic caused the School District to transition to remote instruction for short periods throughout the year, several students and staff were quarantined, and many positions were unable to be filled. Due to these factors, the School District also spent less in utilities, fuel costs, repairs and maintenance, and capital expenditures. Additionally, the School District did experience an influx of federal funds that assisted in paying for new expenditures directly related to the pandemic, such as PPE supplies and technology devices to provide to students for remote learning.

Fund balance of our special revenue funds and debt service funds remained stable.

With the adoption of GASB 84, the School District created the student activities special revenue to account for activities previously reported as fiduciary funds. The effect of the adoption was to increase July 1, 2020 beginning fund balance by \$0.5 million.

### **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 2021. 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 2020-2021 combined General Fund original budget. Budgeted revenue was increased by \$8.3 million primarily due to MDE adjusting the per pupil funding to the SuperBlend calculation, where the School District's enrollment was based significantly on the previous year's enrollment. The State also did not cut the per pupil foundation by the \$700/pupil amount that the School District budgeted for in the original adopted budget. In addition to state funds, the School District also received approximately \$2.6 million in COVID-19 Relief Funding. Budgeted expenditures were increased by \$2.8 million primary due to the COVID-19 Relief Funding received in the current fiscal year.

Actual revenue for the year ended June 30, 2021 came in \$1.5 million under the final budgeted amounts due to unspent state and federally funded grants, as well as unspent ESSER II funds where revenue was not available in fiscal year 2021, as anticipated.



# Lapeer Community Schools of Lapeer County

## Management's Discussion and Analysis (Continued)

Actual expenditures for the year ended June 30, 2021 came in \$3.0 million under the final budgeted amounts due to reduced spending of normal operational costs during the COVID-19 pandemic. As stated previously, the pandemic caused the School District to transition to remote instruction for short periods throughout the year, several students and staff were quarantined, and many positions were unable to be filled. Due to these factors, the School District also spent less in utilities, fuel costs, repairs and maintenance, and capital expenditures. Also, as stated above, grant expenditures were left unspent in several state and federal grants.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

As of June 30, 2021 and 2020, the School District had \$55.3 million and \$57.9 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 \$2.6 million from 2020 to 2021.

	<u>2021</u>	<u>2020</u>
Land	\$ 993,061	\$ 993,061
Buildings and improvements	78,625,161	78,914,754
Furniture and equipment	10,066,503	10,014,578
Buses and other vehicles	3,963,946	4,295,611
Land improvements	<u>10,587,722</u>	<u>10,620,735</u>
Total capital assets	104,236,393	104,838,739
Less accumulated depreciation	<u>48,898,308</u>	<u>46,980,036</u>
Total capital assets - Net of accumulated depreciation	<u><b>\$ 55,338,085</b></u>	<u><b>\$ 57,858,703</b></u>

This year's additions of \$0.3 million included buses, renovations, instruments, security systems, and land improvements. 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 \$37.0 million in bonds outstanding versus \$38.7 million in the previous year.

The School District has one unlimited tax bond obligation outstanding for \$35.6 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 \$4.1 million, and principal and interest payments were made totaling approximately \$3.6 million. Bonded debt millage rates are determined annually to ensure that the School District has sufficient resources to pay annual bond principal and interest payments. The School District also has three separate limited tax general obligation bond issues. These bonds have face values of \$775,000, \$500,000, and \$995,000 and outstanding balances of \$430,000, \$295,000, and \$685,000, 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.

# Lapeer Community Schools of Lapeer County

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## Management's Discussion and Analysis (Continued)

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### ***Economic Factors and Next Year's Budgets and Rates***

Our elected officials and administration consider many factors when setting the School District's 2021-2022 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 2021-2022 budget was adopted in June 2021 based on an estimate of students who will enroll in September 2021. Approximately 58.9 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, we conservatively anticipated a stable enrollment from fiscal year 2021 to fiscal year 2022. This would account for the School District's normal attrition of 100 pupil FTE. 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.

### ***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, 2021

Governmental  
Activities

### Assets

Cash and cash equivalents (Note 4)	\$ 11,633,325
Investments (Note 4)	19,407
Receivables:	
Property taxes receivable	2,183
Other receivables	29,434
Due from other governments	8,225,352
Prepaid expenses	305,275
Restricted assets (Note 5)	3,763,644
Capital assets - Net (Note 8)	<u>55,338,085</u>
Total assets	79,316,705

### Deferred Outflows of Resources

Deferred charges on bond refunding (Note 9)	1,750,530
Deferred pension costs (Note 11)	20,131,004
Deferred OPEB costs (Note 11)	<u>6,734,761</u>
Total deferred outflows of resources	28,616,295

### Liabilities

Accounts payable	336,252
Due to other governmental units	904,535
Accrued liabilities and other	5,553,287
State aid anticipation notes (Note 12)	4,285,000
Unearned revenue (Note 6)	486,367
Noncurrent liabilities:	
Due within one year (Note 9)	2,372,768
Due in more than one year (Note 9)	40,986,975
Net pension liability (Note 11)	98,883,869
Net OPEB liability (Note 11)	<u>15,228,398</u>
Total liabilities	169,037,451

### Deferred Inflows of Resources

Revenue in support of pension contributions made subsequent to the measurement date (Note 11)	3,688,711
Deferred pension costs (Note 11)	2,172,542
Deferred OPEB costs (Note 11)	<u>12,197,671</u>
Total deferred inflows of resources	<u>18,058,924</u>

### Net Position (Deficit)

Net investment in capital assets	14,425,572
Restricted - Debt service	3,518,952
Unrestricted	<u>(97,107,899)</u>
Total net position (deficit)	<u><u>\$ (79,163,375)</u></u>

# Lapeer Community Schools of Lapeer County

## Statement of Activities

Year Ended June 30, 2021

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	\$ 32,115,769	\$ 56,151	\$ 10,554,074	\$ (21,505,544)
Support services	20,459,906	16,477	3,518,025	(16,925,404)
Athletics	894,824	117,035	-	(777,789)
Food services	1,901,911	117,504	1,772,479	(11,928)
Community services	612,460	548,430	-	(64,030)
Interest	1,639,869	-	-	(1,639,869)
Other debt costs	1,088	-	-	(1,088)
Depreciation expense (unallocated)	2,857,892	-	-	(2,857,892)
Total primary government	<b>\$ 60,483,719</b>	<b>\$ 855,597</b>	<b>\$ 15,844,578</b>	(43,783,544)
General revenue:				
Taxes:				
Property taxes levied for general purposes				6,879,971
Property taxes levied for debt service				4,106,287
State aid not restricted to specific purposes				32,211,171
Interest and investment earnings				33,449
Penalties, interest, and other taxes				33,030
Gain on sale of capital assets				21,407
Other				465,559
Total general revenue				<u>43,750,874</u>
<b>Change in Net Position</b>				(32,670)
<b>Net Position (Deficit) - Beginning of year (as restated) (Note 2)</b>				<u>(79,130,705)</u>
<b>Net Position (Deficit) - End of year</b>				<b><u>\$ (79,163,375)</u></b>

# Lapeer Community Schools of Lapeer County

## Governmental Funds Balance Sheet

June 30, 2021

	General Fund	2016 Refunding Bond Fund	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents (Note 4)	\$ 10,693,790	\$ -	\$ 939,535	\$ 11,633,325
Investments (Note 4)	19,407	-	-	19,407
Receivables:				
Property taxes receivable	1,497	686	-	2,183
Other receivables	27,333	-	2,101	29,434
Due from other governments	8,094,201	-	131,151	8,225,352
Due from other funds (Note 7)	-	-	129,341	129,341
Prepaid expenses	296,681	-	8,594	305,275
Restricted assets (Note 5)	-	3,763,644	-	3,763,644
	<u>\$ 19,132,909</u>	<u>\$ 3,764,330</u>	<u>\$ 1,210,722</u>	<u>\$ 24,107,961</u>
Total assets				
<b>Liabilities</b>				
Accounts payable	\$ 257,503	\$ -	\$ 78,749	\$ 336,252
Due to other governmental units	903,148	-	1,387	904,535
Due to other funds (Note 7)	123,506	-	5,835	129,341
Accrued liabilities and other	5,275,513	-	32,396	5,307,909
State aid anticipation notes (Note 12)	4,285,000	-	-	4,285,000
Unearned revenue (Note 6)	486,367	-	-	486,367
	<u>11,331,037</u>	<u>-</u>	<u>118,367</u>	<u>11,449,404</u>
Total liabilities				
<b>Fund Balances</b>				
Nonspendable - Prepays	296,681	-	8,594	305,275
Restricted:				
Debt service	-	3,764,330	-	3,764,330
Food service	-	-	512,956	512,956
Committed - Student activities	-	-	570,805	570,805
Assigned - Subsequent year's budget	1,618,473	-	-	1,618,473
Unassigned	5,886,718	-	-	5,886,718
	<u>7,801,872</u>	<u>3,764,330</u>	<u>1,092,355</u>	<u>12,658,557</u>
Total fund balances				
Total liabilities and fund balances	<u>\$ 19,132,909</u>	<u>\$ 3,764,330</u>	<u>\$ 1,210,722</u>	<u>\$ 24,107,961</u>

## Lapeer Community Schools of Lapeer County

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

June 30, 2021

<b>Fund Balances Reported in Governmental Funds</b>	\$ 12,658,557
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	104,236,393
Accumulated depreciation	<u>(48,898,308)</u>
Net capital assets used in governmental activities	55,338,085
Deferred outflows related to bond refundings are not reported in the funds	1,750,530
Bonds payable and unamortized bond premiums are not due and payable in the current period and are not reported in the funds	(42,663,043)
Accrued interest is not due and payable in the current period and is not reported in the funds	(245,378)
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	(325,700)
Provision for health and workers' compensation claims	(371,000)
Net pension liability and related deferred inflows and outflows	(80,925,407)
Net OPEB liability and related deferred inflows and outflows	<u>(20,691,308)</u>
Total employee fringe benefits not reported as fund liabilities	(102,313,415)
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>(3,688,711)</u>
<b>Net Position (Deficit) of Governmental Activities</b>	<b><u><u>\$ (79,163,375)</u></u></b>

# Lapeer Community Schools of Lapeer County

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances

**Year Ended June 30, 2021**

	General Fund	2016 Refunding Bond Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>				
Local sources	\$ 7,860,676	\$ 4,142,426	\$ 410,220	\$ 12,413,322
State sources	42,589,718	16,411	65,327	42,671,456
Federal sources	4,257,912	-	1,772,610	6,030,522
Total revenue	54,708,306	4,158,837	2,248,157	61,115,300
<b>Expenditures</b>				
Current:				
Instruction	30,760,546	-	-	30,760,546
Support services	19,601,575	-	252,742	19,854,317
Athletics	862,349	-	-	862,349
Food services	-	-	1,877,962	1,877,962
Community services	584,372	-	-	584,372
Debt service: (Note 9)				
Principal	-	1,550,000	150,000	1,700,000
Interest	-	1,842,000	51,705	1,893,705
Other debt costs	-	544	544	1,088
Capital outlay	645,794	-	-	645,794
Total expenditures	52,454,636	3,392,544	2,332,953	58,180,133
<b>Excess of Revenue Over (Under) Expenditures</b>	2,253,670	766,293	(84,796)	2,935,167
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	21,407	-	-	21,407
Transfers in (Note 7)	81,744	-	205,474	287,218
Transfers out (Note 7)	(205,474)	-	(81,744)	(287,218)
Total other financing (uses) sources	(102,323)	-	123,730	21,407
<b>Net Change in Fund Balances</b>	2,151,347	766,293	38,934	2,956,574
<b>Fund Balances</b> - Beginning of year (as restated) (Note 2)	5,650,525	2,998,037	1,053,421	9,701,983
<b>Fund Balances</b> - End of year	<u>\$ 7,801,872</u>	<u>\$ 3,764,330</u>	<u>\$ 1,092,355</u>	<u>\$ 12,658,557</u>

# 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, 2021**

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ 2,956,574</b>
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	337,274
Depreciation expense	<u>(2,857,892)</u>
Total	(2,520,618)
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	(491,670)
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	1,943,907
Interest expense is recognized in the government-wide statements as it accrues	9,929
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>(1,736,804)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ (32,670)</u></u></b>



June 30, 2021

### 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 type:

**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 funds are the Cafeteria Fund and the Student Activities Fund. Revenue sources for the Cafeteria Fund include sales to customers and dedicated grants from federal sources. Revenue sources for the Student Activities Fund includes fundraising revenue, scholarships, and donations earned and received by student groups. Any operating deficit generated by these funds 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.

**Interfund Activity**

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

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

***Basis of Accounting***

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

**Note 2 - Significant Accounting Policies (Continued)**

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.

***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.

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

	<u>Depreciable Life - Years</u>
Buildings and improvements	20 to 50
Furniture and equipment	3 to 10
Buses and other vehicles	5 to 10
Land improvements	20

June 30, 2021

**Note 2 - Significant Accounting Policies (Continued)**

**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.

**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.

**Note 2 - Significant Accounting Policies (Continued)**

**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.

**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.

**Note 2 - Significant Accounting Policies (Continued)**

**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 Pronouncement**

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 has analyzed the new standard and has determined that amounts in the financial statements will not be significantly impacted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2022.

**Adoption of New Accounting Pronouncement**

During the current year, the School District adopted GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. As a result of implementing this standard, student activities and private purpose trust funds were previously reported as fiduciary activities but no longer meet the definition of such; therefore, these activities are now reported within a nonmajor governmental special revenue fund.

The effect of this new standard on fund balance/net position was as follows:

	Governmental Activities	Nonmajor Funds
Net position (deficit)/fund balance - June 30, 2020 - As previously reported	\$ (79,673,330)	\$ 510,796
Adjustment for GASB Statement No. 84 - To change fund type	542,625	542,625
Net position (deficit)/fund balance - June 30, 2020 - As restated	<u>\$ (79,130,705)</u>	<u>\$ 1,053,421</u>

**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, 2021

**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. The School District increased budgeted state revenue in response to a better than anticipated foundation allowance and increased federal revenue in response to additional Federal funding related to the COVID-19 pandemic. Budgeted expenditures were also increased as a result of COVID-19 expenditures.

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 \$13,883,895 (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.

June 30, 2021

**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, 2021, 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	\$ 19,407	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 \$3,763,644 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.



**June 30, 2021**

**Note 6 - Unavailable/Unearned Revenue (Continued)**

At June 30, 2021, the School District had approximately \$486,367 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		Total
	General Fund	Nonmajor Funds	
Nonmajor Funds	\$ 123,506	\$ 5,835	\$ 129,341

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

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Cafeteria Fund	\$ 3,225
	Debt service funds	202,249
	Total General Fund	205,474
Cafeteria Fund	General Fund	81,744
	Total	\$ 287,218

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, 2021

**Note 8 - Capital Assets**

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

**Governmental Activities**

	Balance July 1, 2020	Additions	Disposals and Adjustments	Balance June 30, 2021
Capital assets not being depreciated - Land	\$ 993,061	\$ -	\$ -	\$ 993,061
Capital assets being depreciated:				
Buildings and improvements	78,914,754	23,239	(312,832)	78,625,161
Furniture and equipment	10,014,578	51,925	-	10,066,503
Buses and other vehicles	4,295,611	251,510	(583,175)	3,963,946
Land improvements	10,620,735	10,600	(43,613)	10,587,722
Subtotal	103,845,678	337,274	(939,620)	103,243,332
Accumulated depreciation:				
Buildings and improvements	31,546,509	1,505,397	(312,832)	32,739,074
Furniture and equipment	6,882,463	566,703	-	7,449,166
Buses and other vehicles	3,321,562	310,642	(583,175)	3,049,029
Land improvements	5,229,502	475,150	(43,613)	5,661,039
Subtotal	46,980,036	2,857,892	(939,620)	48,898,308
Net capital assets being depreciated	56,865,642	(2,520,618)	-	54,345,024
Net governmental activities capital assets	<u>\$ 57,858,703</u>	<u>\$ (2,520,618)</u>	<u>\$ -</u>	<u>\$ 55,338,085</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, 2021 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
Other debt - General obligation:	\$ 38,710,000	\$ -	\$ (1,700,000)	\$ 37,010,000	\$ 1,775,000
Unamortized bond premiums	6,006,358	-	(353,315)	5,653,043	353,315
Total bonds payable	44,716,358	-	(2,053,315)	42,663,043	2,128,315
Compensated absences	310,200	15,500	-	325,700	16,949
Risk liabilities	970,000	133,504	(732,504)	371,000	227,504
Total governmental activities long-term debt	<u>\$ 45,996,558</u>	<u>\$ 149,004</u>	<u>\$ (2,785,819)</u>	<u>\$ 43,359,743</u>	<u>\$ 2,372,768</u>

The School District had deferred outflows of \$1,750,530 related to deferred charges on bond refundings at June 30, 2021.

June 30, 2021

**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, 2021 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	\$ 430,000
\$500,000 Limited Tax School Building and Site Bonds due in annual installments of \$35,000 to \$40,000	2014	2.60	May 2029	295,000
\$995,000 Limited Tax School Building and Site Bonds due in annual installments of \$70,000 to \$85,000	2015	3.00 - 4.00	May 2030	685,000
\$40,075,000 Qualified Refunding Bonds due in annual installments of \$1,615,000 to \$2,575,000	2016	5.0	May 2037	35,600,000
Total governmental activities				<u>\$ 37,010,000</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
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	2,140,000	1,459,089	3,599,089
2027-2031	11,915,000	5,629,599	17,544,599
2032-2036	12,760,000	2,562,250	15,322,250
2037	2,575,000	128,750	2,703,750
Total	<u>\$ 37,010,000</u>	<u>\$ 16,559,344</u>	<u>\$ 53,569,344</u>

June 30, 2021

**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:

	2021	2020
Estimated liability - Beginning of year	\$ 970,000	\$ 921,900
Estimated claims incurred, including changes in estimates	133,504	1,259,139
Claim payments	(732,504)	(1,211,039)
Estimated liability - End of year	<u>\$ 371,000</u>	<u>\$ 970,000</u>

**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>.

***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.

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 by 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.

June 30, 2021

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

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 the 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 accounts 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) accounts.

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.

June 30, 2021

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

The ranges of rates are as follows:

	Pension	OPEB
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%

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, 2021 were \$8,568,418, 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 \$3,688,711 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, 2021.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2021 were \$2,173,425, which include the School District's contributions required for those members with a defined contribution benefit.

**Net Pension Liability**

At June 30, 2021, the School District reported a liability of \$98,883,869 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019, which used update procedures to roll forward the estimated liability to September 30, 2020. 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, 2020 and 2019, the School District's proportion was 0.287862 and 0.292219 percent, respectively, representing a change of (1.49) percent.

**Net OPEB Liability**

At June 30, 2021, the School District reported a liability of \$15,228,398 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2021 was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019, which used update procedures to roll forward the estimated liability to September 30, 2020. 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, 2020 and 2019, the School District's proportion was 0.284257 and 0.290711 percent, respectively, representing a change of (2.22) percent.

June 30, 2021

**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 2021, the School District recognized pension expense of \$13,274,820, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2021, 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	\$ 1,510,864	\$ (211,053)
Changes in assumptions	10,957,286	-
Net difference between projected and actual earnings on pension plan investments	415,466	-
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	886	(1,961,489)
The School District's contributions to the plan subsequent to the measurement date	7,246,502	-
	<u>7,246,502</u>	<u>-</u>
Total	<u>\$ 20,131,004</u>	<u>\$ (2,172,542)</u>

The \$3,688,711 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, 2022. 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
2022	\$ 4,945,245
2023	3,469,104
2024	1,764,150
2025	533,461
Total	<u>\$ 10,711,960</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, 2021, the School District recognized OPEB recovery of \$(642,240).

June 30, 2021

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

At June 30, 2021, 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	\$ -	\$ (11,346,580)
Changes in assumptions	5,021,105	-
Net difference between projected and actual earnings on OPEB plan investments	127,098	-
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	28,429	(851,091)
Employer contributions to the plan subsequent to the measurement date	1,558,129	-
Total	<u>\$ 6,734,761</u>	<u>\$ (12,197,671)</u>

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

Years Ending	Amount
2022	\$ (1,904,399)
2023	(1,728,365)
2024	(1,413,667)
2025	(1,094,533)
2026	(880,075)
Total	<u>\$ (7,021,039)</u>

**Actuarial Assumptions**

The total pension liability and total OPEB liability as of September 30, 2020 are based on the results of an actuarial valuation as of September 30, 2019 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	7.0%	(Year 1 graded to 3.5% year 15, 3.0% year 120)
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.



June 30, 2021

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

Significant assumption changes since the prior measurement date, September 30, 2019, for the OPEB plan include a reduction in the health care cost trend rate of 0.50 percentage points and the actual per person health benefit costs were lower than projected. There were no significant changes in assumptions for the pension actuarial valuation. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2019.

**Discount Rate**

The discount rate used to measure the total pension liability was 6.00 to 6.80 percent as of September 30, 2020 depending on the plan option. The discount rate used to measure the total OPEB liability was 6.95 percent as of September 30, 2020. 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	25.00 %	5.60 %
Private equity pools	16.00	9.30
International equity pools	15.00	7.40
Fixed-income pools	10.50	0.50
Real estate and infrastructure pools	10.00	4.90
Absolute return pools	9.00	3.20
Short-term investment pools	2.00	(0.10)
Real return/opportunistic pools	12.50	6.60
Total	100.00 %	

Long-term rates of return are net of administrative expense and inflation of 2.1 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	\$ 127,988,394	\$ 98,883,869	\$ 74,762,705

June 30, 2021

**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	\$ 19,562,608	\$ 15,228,398	\$ 11,579,357

***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 (6.00%)	Current Rate (7.00%)	1 Percentage Point Increase (8.00%)
Net OPEB liability of the School District	\$ 11,439,642	\$ 15,228,398	\$ 19,537,642

***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, 2021, the School District reported a payable of \$1,334,704 and \$290,572 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2021.

**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 \$2,981,380 of these state aid anticipation notes (the "notes") and issued new notes of \$2,000,000 (set-aside pool note) with interest at 0.70 percent and monthly principal and interest payments of approximately \$286,000 commencing on January 20, 2021 through July 20, 2021. Additionally, the School District borrowed \$4,000,000 (no set-aside pool note) with interest at 0.25 percent and a maturity date of August 20, 2021. The outstanding balance on the notes was \$4,285,000 at June 30, 2021. At June 30, 2021, the School District has accrued interest of \$10,875 on these notes. Subsequent to year end, the notes were paid in full.

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.

**June 30, 2021**

**Note 12 - Short-term Debt (Continued)**

In August 2021, the School District borrowed \$3,000,000 (set-aside pool note) with an interest rate of 0.11 percent. The note requires principal and interest payments of approximately \$600,605 beginning on March 21, 2022 through July 20, 2022, and the note has similar terms and provisions as the notes outstanding at June 30, 2021.

**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, 2021, the School District's property tax revenue was reduced by approximately \$215,000 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 \$187,000 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.

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## Required Supplemental Information

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# Lapeer Community Schools of Lapeer County

## Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
<b>Revenue</b>				
Local sources	\$ 7,499,856	\$ 7,974,561	\$ 7,860,676	\$ (113,885)
State sources	38,811,271	43,112,534	42,589,718	(522,816)
Federal sources	1,644,441	5,133,855	4,257,912	(875,943)
Total revenue	47,955,568	56,220,950	54,708,306	(1,512,644)
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	23,557,438	24,939,628	24,396,118	(543,510)
Added needs	6,822,712	6,962,695	6,364,428	(598,267)
Support services:				
Pupil	3,293,302	3,452,880	3,387,860	(65,020)
Instructional staff	3,779,008	3,856,304	3,542,099	(314,205)
General administration	618,270	525,141	469,552	(55,589)
School administration	2,965,096	3,030,107	2,942,327	(87,780)
Business	1,277,817	1,217,019	1,159,696	(57,323)
Operations and maintenance	3,844,315	4,255,283	3,880,125	(375,158)
Pupil transportation services	3,400,406	3,172,645	2,879,457	(293,188)
Central	891,505	1,397,595	1,340,459	(57,136)
Athletics	849,040	880,649	862,349	(18,300)
Community services	609,372	627,143	584,372	(42,771)
Capital outlay	817,190	1,170,903	645,794	(525,109)
Total expenditures	52,725,471	55,487,992	52,454,636	(3,033,356)
<b>Excess of Revenue (Under) Over Expenditures</b>	(4,769,903)	732,958	2,253,670	1,520,712
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	13,000	15,000	21,407	6,407
Transfers in	85,000	85,000	81,744	(3,256)
Transfers out	(202,565)	(205,452)	(205,474)	(22)
Total other financing uses	(104,565)	(105,452)	(102,323)	3,129
<b>Net Change in Fund Balance</b>	(4,874,468)	627,506	2,151,347	1,523,841
<b>Fund Balance - Beginning of year</b>	5,650,525	5,650,525	5,650,525	-
<b>Fund Balance - End of year</b>	<u>\$ 776,057</u>	<u>\$ 6,278,031</u>	<u>\$ 7,801,872</u>	<u>\$ 1,523,841</u>

**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 Seven Plan Years  
 Plan Years Ended September 30**

	2020	2019	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	0.28786 %	0.29222 %	0.29587 %	0.29932 %	0.30514 %	0.31068 %	0.31237 %
School District's proportionate share of the net pension liability	\$98,883,869	\$96,772,956	\$88,944,606	\$77,567,596	\$76,130,317	\$75,884,606	\$68,803,150
School District's covered payroll	\$25,158,596	\$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	393.04 %	381.13 %	356.40 %	312.31 %	299.14 %	294.26 %	259.38 %
Plan fiduciary net position as a percentage of total pension liability	59.49 %	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 Seven Fiscal Years Years Ended June 30

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 8,412,123	\$ 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	8,412,123	8,015,808	7,622,839	7,550,688	7,024,145	7,064,308	5,701,242
<b>Contribution Excess</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>School District's Covered Payroll</b>	<b>\$24,949,620</b>	<b>\$25,431,397</b>	<b>\$25,127,382</b>	<b>\$24,875,002</b>	<b>\$24,841,140</b>	<b>\$25,165,151</b>	<b>\$26,190,001</b>
<b>Contributions as a Percentage of Covered Payroll</b>	<b>33.72 %</b>	<b>31.52 %</b>	<b>30.34 %</b>	<b>30.35 %</b>	<b>28.28 %</b>	<b>28.07 %</b>	<b>21.77 %</b>

**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

	<b>Last Four Plan Years</b>			
	<b>Plan Years Ended September 30</b>			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's proportion of the net OPEB liability	0.28426 %	0.29071 %	0.29276 %	0.29893 %
School District's proportionate share of the net OPEB liability	\$ 15,228,398	\$ 20,866,490	\$ 23,271,243	\$ 26,471,730
School District's covered payroll	\$ 25,158,596	\$ 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	60.53 %	82.18 %	93.25 %	106.58 %
Plan fiduciary net position as a percentage of total OPEB liability	59.76 %	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

	<b>Last Four Fiscal Years Years Ended June 30</b>			
	2021	2020	2019	2018
Statutorily required contribution	\$ 2,058,843	\$ 2,043,565	\$ 1,973,762	\$ 1,796,653
Contributions in relation to the statutorily required contribution	<u>2,058,843</u>	<u>2,043,565</u>	<u>1,973,762</u>	<u>1,796,653</u>
<b>Contribution Excess</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>School District's Covered Payroll</b>	\$ 24,949,620	\$ 25,431,397	\$ 25,127,382	\$ 24,875,002
<b>Contributions as a Percentage of Covered Payroll</b>	8.25 %	8.04 %	7.86 %	7.22 %

June 30, 2021

### ***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:

- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points. This, in addition to actual per person health benefit cost being lower than projected, reduced the plan's total OPEB liability by an additional \$1.8 billion in 2020.
- 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.

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## Other Supplemental Information

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# Lapeer Community Schools of Lapeer County

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

**June 30, 2021**

	Special Revenue Fund		Debt Service Funds			Total
	Cafeteria	Student Activities	2013 Project Bond	2014 Project Bond	2015 Project Bond	
<b>Assets</b>						
Cash and cash equivalents	\$ 362,870	\$ 576,665	\$ -	\$ -	\$ -	\$ 939,535
Receivables - Due from other governments	133,252	-	-	-	-	133,252
Due from other funds	129,341	-	-	-	-	129,341
Prepaid expenses	8,594	-	-	-	-	8,594
Total assets	<b>\$ 634,057</b>	<b>\$ 576,665</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,210,722</b>
<b>Liabilities</b>						
Accounts payable	\$ 78,724	\$ 25	\$ -	\$ -	\$ -	\$ 78,749
Due to other governmental units	1,387	-	-	-	-	1,387
Due to other funds	-	5,835	-	-	-	5,835
Accrued liabilities and other	32,396	-	-	-	-	32,396
Total liabilities	112,507	5,860	-	-	-	118,367
<b>Fund Balances</b>						
Nonspendable	8,594	-	-	-	-	8,594
Restricted - Food service	512,956	-	-	-	-	512,956
Committed - Student activities	-	570,805	-	-	-	570,805
Total fund balances	521,550	570,805	-	-	-	1,092,355
Total liabilities and fund balances	<b>\$ 634,057</b>	<b>\$ 576,665</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,210,722</b>

# 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, 2021**

	Special Revenue Fund		Debt Service Funds			Total
	Cafeteria	Student Activities	2013 Project Bond	2014 Project Bond	2015 Project Bond	
<b>Revenue</b>						
Local sources	\$ 129,298	\$ 280,922	\$ -	\$ -	\$ -	\$ 410,220
State sources	65,327	-	-	-	-	65,327
Federal sources	1,772,610	-	-	-	-	1,772,610
Total revenue	1,967,235	280,922	-	-	-	2,248,157
<b>Expenditures</b>						
Current:						
Support services	-	252,742	-	-	-	252,742
Food services	1,877,962	-	-	-	-	1,877,962
Debt service:						
Principal	-	-	55,000	30,000	65,000	150,000
Interest	-	-	16,292	8,450	26,963	51,705
Other debt costs	-	-	-	-	544	544
Total expenditures	1,877,962	252,742	71,292	38,450	92,507	2,332,953
<b>Excess of Revenue Over (Under) Expenditures</b>	89,273	28,180	(71,292)	(38,450)	(92,507)	(84,796)
<b>Other Financing Sources (Uses)</b>						
Transfers in	3,225	-	71,292	38,450	92,507	205,474
Transfers out	(81,744)	-	-	-	-	(81,744)
Total other financing (uses) sources	(78,519)	-	71,292	38,450	92,507	123,730
<b>Net Change in Fund Balances</b>	10,754	28,180	-	-	-	38,934
<b>Fund Balances</b> - Beginning of year (as restated) (Note 2)	510,796	542,625	-	-	-	1,053,421
<b>Fund Balances</b> - End of year	<u>\$ 521,550</u>	<u>\$ 570,805</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,092,355</u>

# Lapeer Community Schools of Lapeer County

## Other Supplemental Information Schedule of Bonded Indebtedness

June 30, 2021

Years Ending June 30	2013 Project Bond	2014 Project Bond	2015 Project Bond	2016 Refunding Bond	Total
	Principal	Principal	Principal	Principal	
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	<b>\$ 430,000</b>	<b>\$ 295,000</b>	<b>\$ 685,000</b>	<b>\$ 35,600,000</b>	<b>\$ 37,010,000</b>
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%	5.00%	
Original issue	<b>\$ 775,000</b>	<b>\$ 500,000</b>	<b>\$ 995,000</b>	<b>\$ 40,075,000</b>	