
Lapeer Community Schools of Lapeer County

**Financial Report
with Supplemental Information
June 30, 2022**

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Independent Auditor's Report

To the Board of Education
Lapeer Community Schools of Lapeer County

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2022 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the the governmental activities, the major funds, and the aggregate remaining fund information of the School District as of June 30, 2022 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the School District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 2 to the financial statements, as of July 1, 2021, the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Education
Lapeer Community Schools of Lapeer County

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District'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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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.

To the Board of Education
Lapeer Community Schools of Lapeer County

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022 on our consideration of the School District'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 the School District'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 the School District's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 28, 2022

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, 2022. 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, 2022 and 2021:

	Governmental Activities	
	2022	2021
	(in millions)	
Assets		
Current and other assets	\$ 22.0	\$ 24.0
Capital assets	53.9	55.7
Total assets	75.9	79.7
Deferred Outflows of Resources	20.5	28.6
Liabilities		
Current liabilities	8.3	11.6
Noncurrent liabilities	41.5	43.7
Net pension liability	67.4	98.9
Net OPEB liability	4.3	15.2
Total liabilities	121.5	169.4
Deferred Inflows of Resources	45.3	18.1
Net Position (Deficit)		
Net investment in capital assets	14.7	14.4
Restricted - Debt service	4.4	3.5
Unrestricted	(89.5)	(97.1)
Total net position (deficit)	\$ (70.4)	\$ (79.2)

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 \$(70.4) million at June 30, 2022. Net investment in capital assets totaling \$14.7 million compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position (\$(89.5) million) was unrestricted.

The \$(89.5) 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.

As required by the Governmental Accounting Standards Board (GASB), the School District adopted Statement No. 87, *Leases*, as of July 1, 2021. This standard required a lease asset and lease liability to be recorded for the School District totaling approximately \$371,000 at July 1, 2021. During fiscal year 2022, the School District recognized amortization expense of the leased assets and interest expense on the lease liability in the governmental activities.

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, 2022 and 2021:

	Governmental Activities	
	2022	2021
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 0.9	\$ 0.9
Operating grants	17.3	15.8
General revenue:		
Taxes	11.4	11.0
State aid not restricted to specific purposes	32.1	32.2
Other	1.3	0.6
Total revenue	63.0	60.5
Expenses		
Instruction	26.1	32.1
Support services	19.9	20.5
Athletics	0.9	0.9
Food services	2.4	1.9
Community services	0.5	0.6
Debt service	1.7	1.7
Depreciation and amortization expense (unallocated)	2.7	2.9
Total expenses	54.2	60.6
Change in Net Position	8.8	(0.1)
Net Position (Deficit) - Beginning of year	(79.2)	(79.1)
Net Position (Deficit) - End of year	\$ (70.4)	\$ (79.2)

Lapeer Community Schools of Lapeer County

Management's Discussion and Analysis (Continued)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$54.2 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 (\$17.3 million). We paid for the remaining public benefit portion of our governmental activities with \$11.4 million in taxes, \$32.1 million in state foundation allowance, and other revenue (i.e., interest and general entitlements).

The School District experienced an increase in net position of \$8.8 million.

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

The School District's Funds

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$11.0 million, which is a decrease of \$1.6 million from last year. The primary reasons for the decrease are as follows:

In the General Fund, our principal operating fund, the fund balance decreased by \$3.2 million to \$4.6 million. The change is mainly due to unavailable grant revenue of approximately \$2.9 million recorded as a result of the School District not receiving funds from the State of Michigan within 60 days of year end. The remaining difference of \$300,000 aligns with the School District's trend from previous years. Fiscal year 2022 was another transitional year, as COVID-19 restrictions eased. Increased funding became available to districts through ESSER II and III funding sources, which relieved some typical General Fund expenditures on a short-term basis. The School District will need to carefully plan when it develops its fiscal year 2023-2024 budget, as much of this additional one-time funding will end.

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

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 2022. 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.

Actual revenue for the year ended June 30, 2022 came in \$4.2 million under the final budgeted amounts due primarily to grant revenue not being recorded in fiscal year 2022 because they were received more than 60 days after the year end of June 30, 2022.

Actual expenditures for the year ended June 30, 2022 came in \$1.6 million under the final budgeted amounts due to reduced spending of normal operational costs related to two main budgeted projects, difficulties in staffing, and an increase in grant funds that were not all expended by the fiscal year end.

Lapeer Community Schools of Lapeer County

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2022 and 2021, the School District had \$53.9 million and \$55.7 million, respectively, invested in a broad range of capital assets, including land, buildings, vehicles, furniture, equipment, and leased assets. This represents a net decrease (including additions, disposals, and depreciation) of approximately \$1.8 million from 2021 to 2022.

	2022	2021
Land	\$ 993,061	\$ 993,061
Buildings and improvements	78,656,846	78,625,161
Furniture and equipment	10,697,569	10,066,503
Buses and other vehicles	4,249,126	3,963,946
Land improvements	10,587,722	10,587,722
Lease assets - Copiers	370,986	-
Total capital assets	105,555,310	104,236,393
Less accumulated depreciation and amortization	51,639,011	48,898,308
Total capital assets - Net of accumulated depreciation and amortization	<u>\$ 53,916,299</u>	<u>\$ 55,338,085</u>

This year's additions of \$0.9 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 \$35.2 million in bonds outstanding versus \$37.0 million in the previous year.

The School District has one unlimited tax bond obligation outstanding for \$34.0 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 \$4.2 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 \$375,000, \$260,000, and \$615,000, 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 the General Fund.

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

Lapeer Community Schools of Lapeer County

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2022-2023 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 2022-2023 budget was adopted in June 2022 based on an estimate of students who will enroll in September 2022. Approximately 69.0 percent of total General Fund revenue is from the foundation allowance. The fiscal year 2022 increase of \$589 was the largest increase in the Proposal A funding model history. The School District originally budgeted a larger than normal decrease in students, directly related to market changes in parental decisions related to virtual learners under the previous COVID-19 closure(s) year. The actual decrease came in 50 FTE better for the year, which lead to better than anticipated revenue. Under state law, the School District cannot access additional property tax revenue for general operations. Based on early enrollment projections, we conservatively anticipated a slight decrease in stable enrollment from fiscal year 2022 to fiscal year 2023. This would account for the School District's anticipated 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. As COVID-19 relief funding begins to wind down in fiscal year 2023, the School District will need to have a transition plan for expenditures previously budgeted in the General Fund or new areas of focus, like social/emotional supports, in order to maintain continuity in learning supports.

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to the School District. The State periodically holds a Consensus Revenue Estimating Conference to estimate revenue. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation, including a foundation allowance increase of \$450 per pupil. Due to increases in the state required contribution to the retirement system and increases in health care costs, the School District estimates that the net increase in per pupil funding to fund other operating costs will be \$180 per pupil.

Contacting the School District's Management

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

Lapeer Community Schools of Lapeer County

Statement of Net Position

June 30, 2022

	Governmental Activities
	<u> </u>
Assets	
Cash and cash equivalents (Note 4)	\$ 5,601,679
Investments (Note 4)	19,447
Receivables:	
Property taxes receivable	1,366
Other receivables	13,834
Due from other governments	11,498,750
Prepaid expenses	279,192
Restricted assets (Note 5)	4,681,837
Capital assets - Net (Note 8)	<u>53,916,299</u>
Total assets	76,012,404
Deferred Outflows of Resources	
Deferred charges on bond refunding (Note 9)	1,641,122
Deferred pension costs (Note 12)	13,579,623
Deferred OPEB costs (Note 12)	<u>5,233,053</u>
Total deferred outflows of resources	20,453,798
Liabilities	
Accounts payable	519,386
Due to other governmental units	1,461,693
Accrued liabilities and other	5,459,446
State aid anticipation notes (Note 13)	600,000
Unearned revenue (Note 6)	358,288
Noncurrent liabilities:	
Due within one year (Note 9)	2,452,472
Due in more than one year (Note 9)	38,996,029
Net pension liability (Note 12)	67,392,864
Net OPEB liability (Note 12)	<u>4,332,930</u>
Total liabilities	121,573,108
Deferred Inflows of Resources	
Revenue in support of pension contributions made subsequent to the measurement date (Note 12)	4,465,180
Deferred pension costs (Note 12)	23,969,895
Deferred OPEB costs (Note 12)	<u>16,822,490</u>
Total deferred inflows of resources	<u>45,257,565</u>
Net Position (Deficit)	
Net investment in capital assets	14,761,120
Restricted - Debt service	4,393,239
Unrestricted	<u>(89,518,830)</u>
Total net position (deficit)	<u><u>\$ (70,364,471)</u></u>

Lapeer Community Schools of Lapeer County

Statement of Activities

Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenue		Governmental
		Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Position
Primary government - Governmental activities:				
Instruction	\$ 26,144,828	\$ 19,397	\$ 11,413,406	\$ (14,712,025)
Support services	19,940,755	30,309	2,812,385	(17,098,061)
Athletics	891,041	150,133	-	(740,908)
Food services	2,442,514	219,812	3,070,442	847,740
Community services	472,764	485,449	-	12,685
Interdistrict payments	15,000	-	-	(15,000)
Interest	1,627,331	-	-	(1,627,331)
Other debt costs	2,144	-	-	(2,144)
Depreciation expense (unallocated)	2,740,703	-	-	(2,740,703)
Total primary government	\$ 54,277,080	\$ 905,100	\$ 17,296,233	(36,075,747)
General revenue:				
Taxes:				
Property taxes levied for general purposes				7,137,018
Property taxes levied for debt service				4,241,900
State aid not restricted to specific purposes				32,149,057
Interest and investment earnings				8,919
Penalties, interest, and other taxes				44,725
Other				1,293,032
Total general revenue				44,874,651
Change in Net Position				8,798,904
Net Position (Deficit) - Beginning of year				(79,163,375)
Net Position (Deficit) - End of year				\$ (70,364,471)

Lapeer Community Schools of Lapeer County

Governmental Funds Balance Sheet

June 30, 2022

	General Fund	2016 Refunding Bond Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and cash equivalents (Note 4)	\$ 3,785,074	\$ -	\$ 1,816,605	\$ 5,601,679
Investments (Note 4)	19,447	-	-	19,447
Receivables:				
Property taxes receivable	635	731	-	1,366
Other receivables	13,834	-	-	13,834
Due from other governments	11,347,190	-	151,560	11,498,750
Due from other funds (Note 7)	96,184	-	-	96,184
Prepaid expenses	270,897	-	8,295	279,192
Restricted assets (Note 5)	-	4,681,837	-	4,681,837
	<u>\$ 15,533,261</u>	<u>\$ 4,682,568</u>	<u>\$ 1,976,460</u>	<u>\$ 22,192,289</u>
Total assets				
Liabilities				
Accounts payable	\$ 420,896	\$ -	\$ 98,490	\$ 519,386
Due to other governmental units	1,461,693	-	-	1,461,693
Due to other funds (Note 7)	-	-	96,184	96,184
Accrued liabilities and other	5,148,536	-	21,581	5,170,117
State aid anticipation notes (Note 13)	600,000	-	-	600,000
Unearned revenue (Note 6)	358,288	-	-	358,288
	<u>7,989,413</u>	<u>-</u>	<u>216,255</u>	<u>8,205,668</u>
Total liabilities				
Deferred Inflows of Resources - Unavailable revenue (Note 6)				
	<u>2,976,253</u>	<u>-</u>	<u>-</u>	<u>2,976,253</u>
Total liabilities and deferred inflows of resources	<u>10,965,666</u>	<u>-</u>	<u>216,255</u>	<u>11,181,921</u>
Fund Balances				
Nonspendable - Prepaids	270,897	-	8,295	279,192
Restricted:				
Debt service	-	4,682,568	-	4,682,568
Food service	-	-	1,118,599	1,118,599
Committed - Student activities	-	-	633,311	633,311
Unassigned	4,296,698	-	-	4,296,698
	<u>4,567,595</u>	<u>4,682,568</u>	<u>1,760,205</u>	<u>11,010,368</u>
Total fund balances				
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 15,533,261</u>	<u>\$ 4,682,568</u>	<u>\$ 1,976,460</u>	<u>\$ 22,192,289</u>

Lapeer Community Schools of Lapeer County

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

June 30, 2022

Fund Balances Reported in Governmental Funds	\$ 11,010,368
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	105,555,310
Accumulated depreciation	<u>(51,639,011)</u>
Net capital assets used in governmental activities	53,916,299
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	2,976,253
Deferred outflows related to bond refundings are not reported in the funds	1,641,122
Bonds payable and unamortized bond premiums are not due and payable in the current period and are not reported in the funds	(40,796,301)
Accrued interest is not due and payable in the current period and is not reported in the funds	(289,329)
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	(316,200)
Provision for health and workers' compensation claims	(336,000)
Net pension liability and related deferred inflows and outflows	(77,783,136)
Net OPEB liability and related deferred inflows and outflows	<u>(15,922,367)</u>
Total employee fringe benefits not reported as fund liabilities	(94,357,703)
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>(4,465,180)</u>
Net Position (Deficit) of Governmental Activities	<u><u>\$ (70,364,471)</u></u>

Lapeer Community Schools of Lapeer County

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2022

	General Fund	2016 Refunding Bond Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Local sources	\$ 8,510,793	\$ 4,287,824	\$ 863,885	\$ 13,662,502
State sources	42,405,531	27,018	137,679	42,570,228
Federal sources	1,710,707	-	2,932,763	4,643,470
Total revenue	52,627,031	4,314,842	3,934,327	60,876,200
Expenditures				
Current:				
Instruction	30,845,698	-	-	30,845,698
Support services	22,095,304	-	579,781	22,675,085
Athletics	1,005,616	-	-	1,005,616
Food services	-	-	2,518,942	2,518,942
Community services	556,277	-	-	556,277
Debt service: (Note 9)				
Principal	109,413	1,615,000	160,000	1,884,413
Interest	-	1,780,000	47,287	1,827,287
Other debt costs	-	1,604	540	2,144
Capital outlay	1,110,233	-	83,694	1,193,927
Interdistrict payments	15,000	-	-	15,000
Total expenditures	55,737,541	3,396,604	3,390,244	62,524,389
Excess of Revenue (Under) Over Expenditures	(3,110,510)	918,238	544,083	(1,648,189)
Other Financing Sources (Uses)				
Transfers in (Note 7)	84,824	-	208,591	293,415
Transfers out (Note 7)	(208,591)	-	(84,824)	(293,415)
Total other financing (uses) sources	(123,767)	-	123,767	-
Net Change in Fund Balances	(3,234,277)	918,238	667,850	(1,648,189)
Fund Balances - Beginning of year	7,801,872	3,764,330	1,092,355	12,658,557
Fund Balances - End of year	\$ 4,567,595	\$ 4,682,568	\$ 1,760,205	\$ 11,010,368

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, 2022

Net Change in Fund Balances Reported in Governmental Funds	\$ (1,648,189)
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	947,931
Depreciation expense	<u>(2,740,703)</u>
Total	(1,792,772)
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	2,976,253
Revenue in support of pension contributions made subsequent to the measurement date	(776,469)
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	2,128,320
Interest expense is recognized in the government-wide statements as it accrues	(43,951)
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>7,955,712</u>
Change in Net Position of Governmental Activities	<u><u>\$ 8,798,904</u></u>

June 30, 2022

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 include 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:

	Depreciable Life - Years
	<hr/>
Building and improvements	20 to 50
Furniture and equipment	3 to 10
Buses and other vehicles	5 to 10
Land improvements	20
Lease assets	5

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 the following deferred outflows of resources and deferred inflows of resources:

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 exist only 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.

Leases

The School District is a lessee for noncancelable leases of copiers. The School District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the governmental activities column in the government-wide financial statements. The School District recognizes lease assets and liabilities with an initial value of \$5,000 or more.

At the commencement of a lease, the School District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the School District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The School District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the School District is reasonably certain to exercise.

The School District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Upcoming Accounting Pronouncements

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2023.

Note 2 - Significant Accounting Policies (Continued)

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2025.

Adoption of New Accounting Pronouncement

During the current year, the School District adopted GASB Statement No. 87, *Leases*. As a result, the statement of net position now includes a liability for the present value of payments expected to be made and right-to-use assets. The School District recorded a lease asset and lease liability of approximately \$371,000 at July 1, 2021. There was no impact to net position at July 1, 2021. Lease activity is further described in Note 11.

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, athletics is included within central services. 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.

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

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

	Budget	Actual
Operations and maintenance	\$ 4,005,498	\$ 4,246,870
Debt service	-	109,413
Total	<u>\$ 4,005,498</u>	<u>\$ 4,356,283</u>

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 \$9,216,284 (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The School District believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy for custodial credit risk states 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, 2022, 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.

Note 4 - Deposits and Investments (Continued)

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	\$ 19,447	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 \$4,681,837 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.

At June 30, 2022, the School District had approximately \$358,288 of unearned revenue related to grant and categorical aid payments received prior to meeting all eligibility requirements.

At June 30, 2022, the School District had \$2,976,253 of unavailable revenue related to grant and categorical aid payments not received until subsequent to 60 days after year end.

Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From	
	Nonmajor Funds	Total
General Funds	\$ 96,184	\$ 96,184

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.

June 30, 2022

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

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	\$ 764
	Debt service funds	207,827
	Total General Fund	208,591
Cafeteria Fund	General Fund	84,824
	Total	<u>\$ 293,415</u>

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

Note 8 - Capital Assets

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

Governmental Activities

	Balance July 1, 2021	Additions	Disposals and Adjustments	Balance June 30, 2022
Capital assets not being depreciated - Land	\$ 993,061	\$ -	\$ -	\$ 993,061
Capital assets being depreciated:				
Buildings and improvements	78,625,161	31,685	-	78,656,846
Furniture and equipment	10,066,503	631,066	-	10,697,569
Buses and other vehicles	3,963,946	285,180	-	4,249,126
Land improvements	10,587,722	-	-	10,587,722
Lease assets - Copiers	370,986	-	-	370,986
Subtotal	103,614,318	947,931	-	104,562,249
Accumulated depreciation and amortization:				
Buildings and improvements	32,739,074	1,505,256	-	34,244,330
Furniture and equipment	7,449,166	357,234	-	7,806,400
Buses and other vehicles	3,049,029	283,551	-	3,332,580
Land improvements	5,661,039	476,836	-	6,137,875
Accumulated amortization - Lease assets - Copiers	-	117,826	-	117,826
Subtotal	48,898,308	2,740,703	-	51,639,011
Net capital assets being depreciated and amortized	54,716,010	(1,792,772)	-	52,923,238
Net governmental activities capital assets	<u>\$ 55,709,071</u>	<u>\$ (1,792,772)</u>	<u>\$ -</u>	<u>\$ 53,916,299</u>

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

June 30, 2022

Note 9 - Long-term Debt

Long-term debt activity for the year ended June 30, 2022 can be summarized as follows:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due within One Year
Bonds payable:					
Other debt - General obligation	\$ 37,010,000	\$ -	\$ (1,775,000)	\$ 35,235,000	\$ 1,860,000
Unamortized bond premiums	5,653,043	-	(353,315)	5,299,728	353,315
Total bonds payable	42,663,043	-	(2,128,315)	40,534,728	2,213,315
Leases	370,986	-	(109,413)	261,573	81,459
Compensated absences	325,700	-	(9,500)	316,200	9,156
Risk liabilities	371,000	877,922	(912,922)	336,000	148,542
Total governmental activities long-term debt	<u>\$ 43,730,729</u>	<u>\$ 877,922</u>	<u>\$ (3,160,150)</u>	<u>\$ 41,448,501</u>	<u>\$ 2,452,472</u>

The School District had deferred outflows of \$1,641,122 related to deferred charges on bond refundings at June 30, 2022.

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, 2022 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	\$ 375,000
\$500,000 Limited Tax School Building and Site Bonds due in annual installments of \$35,000 to \$40,000	2014	2.60	May 2029	260,000
\$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	615,000
\$40,075,000 Qualified Refunding Bonds due in annual installments of \$1,615,000 to \$2,575,000	2016	5.0	May 2037	<u>33,985,000</u>
Total governmental activities				<u>\$ 35,235,000</u>

Note 9 - Long-term Debt (Continued)

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 11. 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
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	2,250,000	1,354,579	3,604,579
2028-2032	12,190,000	5,041,773	17,231,773
2033-2038	12,810,000	1,924,250	14,734,250
Total	<u>\$ 35,235,000</u>	<u>\$ 14,732,061</u>	<u>\$ 49,967,061</u>

Note 10 - Leases

The School District leases certain assets from various third parties. The assets leased include copiers. Payments are generally fixed monthly for copiers with certain variable payments not included in the measurement of the lease liability required as they are based on usage of the asset.

Lease asset activity of the School District is included in Note 8.

Future principal and interest payment requirements related to the School District's lease liability at June 30, 2022 are as follows:

Years Ending	Principal	Interest	Total
2021	\$ 81,459	\$ 15,423	\$ 96,882
2022	81,548	10,005	91,553
2023	69,639	4,695	74,334
2024	28,927	516	29,443
Total	<u>\$ 261,573</u>	<u>\$ 30,639</u>	<u>\$ 292,212</u>

Note 11 - 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.

Note 11 - Risk Management (Continued)

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:

	2022	2021
Estimated liability - Beginning of year	\$ 371,000	\$ 970,000
Estimated claims incurred, including changes in estimates	877,922	133,504
Claim payments	(912,922)	(732,504)
Estimated liability - End of year	\$ 336,000	\$ 371,000

Note 12 - 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.

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.

Note 12 - Michigan Public School Employees' Retirement System (Continued)

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 participants 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 their 401(k) accounts. 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.

The ranges of rates are as follows:

	Pension	OPEB
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

June 30, 2022

Note 12 - Michigan Public School Employees' Retirement System (Continued)

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, 2022 were \$9,759,530, which includes 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 \$4,465,180 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, 2022.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2022 were \$2,326,852, which includes the School District's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2022, the School District reported a liability of \$67,392,864 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020, which used update procedures to roll forward the estimated liability to September 30, 2021. 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, 2021 and 2020, the School District's proportion was 0.28 and 0.29 percent, respectively, representing a change of (1.11) percent.

Net OPEB Liability

At June 30, 2022, the School District reported a liability of \$4,332,930 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2022 was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020, which used update procedures to roll forward the estimated liability to September 30, 2021. 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, 2021 and 2020, the School District's proportion was 0.28 percent.

June 30, 2022

Note 12 - Michigan Public School Employees' Retirement System (Continued)

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

For 2022, the School District recognized pension expense of \$6,443,885, inclusive of payments to fund the MPERS UAAL stabilization rate. At June 30, 2022, 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	\$ 1,043,944	\$ (396,864)
Changes in assumptions	4,248,205	-
Net difference between projected and actual earnings on pension plan investments	-	(21,666,589)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	-	(1,906,442)
The School District's contributions to the plan subsequent to the measurement date	8,287,474	-
	<u>8,287,474</u>	<u>-</u>
Total	<u>\$ 13,579,623</u>	<u>\$ (23,969,895)</u>

The \$4,465,180 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, 2023. 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
2023	\$ (2,714,487)
2024	(4,398,061)
2025	(5,612,269)
2026	(5,952,929)
Total	<u>\$ (18,677,746)</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, 2022, the School District recognized OPEB recovery of \$2,644,796.

June 30, 2022

Note 12 - Michigan Public School Employees' Retirement System (Continued)

At June 30, 2022, 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	\$ -	\$ (12,368,040)
Changes in assumptions	3,622,114	(542,004)
Net difference between projected and actual earnings on OPEB plan investments	-	(3,265,807)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	34,964	(646,639)
Employer contributions to the plan subsequent to the measurement date	1,575,975	-
Total	<u>\$ 5,233,053</u>	<u>\$ (16,822,490)</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
2023	\$ (3,489,433)
2024	(3,175,110)
2025	(2,856,313)
2026	(2,642,109)
2027	(886,179)
Thereafter	(116,268)
Total	<u>\$ (13,165,412)</u>

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2021 are based on the results of an actuarial valuation as of September 30, 2020 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	5.25% - 7.75%	Year 1 graded to 3.5% in year 15, 3.0% in 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, 2018 valuation.

Note 12 - Michigan Public School Employees' Retirement System (Continued)

Significant assumption changes since the prior measurement date, September 30, 2020, for the OPEB plan include an increase in the health care cost trend rate of 0.75 percentage points for members under 65 and a reduction from 7.0 percent to 5.25 percent for members over 65. 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, 2020.

Significant assumption changes since the measurement date, September 30, 2021, for the pension and OPEB plan include a reduction of both plans' discount rates to 6.0 percent. The change increases the total plan's net pension liability by approximately \$8.1 billion and the total plan's net OPEB liability by approximately \$1.1 billion.

Discount Rate

The discount rate used to measure the total pension liability was 6.00 to 6.80 percent as of September 30, 2021 depending on the plan option. The discount rate used to measure the total OPEB liability was 6.95 percent as of September 30, 2021. 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 %	5.40 %
Private equity pools	16.00	9.10
International equity pools	15.00	7.50
Fixed-income pools	10.50	(0.70)
Real estate and infrastructure pools	10.00	5.40
Absolute return pools	9.00	2.60
Short-term investment pools	2.00	(1.30)
Real return/opportunistic pools	12.50	6.10
Total	100.00 %	

Note 12 - Michigan Public School Employees' Retirement System (Continued)

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	\$ 96,353,519	\$ 67,392,864	\$ 43,382,582

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	\$ 8,051,366	\$ 4,332,930	\$ 1,177,306

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	Current Rate	1 Percentage Point Increase
Net OPEB liability of the School District	\$ 1,054,601	\$ 4,332,930	\$ 8,021,445

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, 2022, the School District reported a payable of \$1,750,955 and \$216,949 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2022.

Note 13 - 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.

Note 13 - 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. The outstanding balance on the note was \$600,000 at June 30, 2022. At June 30, 2022, the School District has accrued interest of \$605 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.

Note 14 - 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, 2022, the School District's property tax revenue was reduced by approximately \$156,000 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 \$135,000 in reimbursements from the State of Michigan. The School District is not reimbursed for lost revenue from debt service millages. There are no abatements made by the School District.

Note 15 - Line of Credit

Subsequent to year end, on August 3, 2022, the School District entered into a line of credit agreement with a bank with available borrowings of approximately \$3,000,000. Interest is payable monthly at a floating rate of prime minus 1.375 percent (an effective rate of 4.125 percent at time of entering into the line of credit). The line of credit is collateralized by all assets.

Required Supplemental Information

Lapeer Community Schools of Lapeer County

Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 9,135,599	\$ 8,378,810	\$ 8,510,793	\$ 131,983
State sources	40,368,963	42,467,676	42,405,531	(62,145)
Federal sources	2,315,711	5,944,239	1,710,707	(4,233,532)
Total revenue	51,820,273	56,790,725	52,627,031	(4,163,694)
Expenditures				
Current:				
Instruction:				
Basic programs	22,555,759	25,279,458	23,770,909	(1,508,549)
Added needs	7,414,203	6,845,490	7,058,289	212,799
Adult/Continuing education	-	-	16,500	16,500
Support services:				
Pupil	3,502,129	3,919,609	3,788,275	(131,334)
Instructional staff	3,795,322	4,197,377	3,958,886	(238,491)
General administration	532,145	517,233	505,879	(11,354)
School administration	3,065,965	3,171,370	3,173,314	1,944
Business	1,220,515	1,241,014	1,181,947	(59,067)
Operations and maintenance	3,739,055	4,005,498	4,246,870	241,372
Pupil transportation services	3,477,485	3,254,240	3,336,653	82,413
Central	1,485,749	2,144,832	1,903,480	(241,352)
Athletics	856,280	878,760	1,005,616	126,856
Community services	601,124	585,951	556,277	(29,674)
Debt service - Principal	-	-	109,413	109,413
Capital outlay	1,083,225	1,683,615	1,110,233	(573,382)
Interdistrict payments	-	-	15,000	15,000
Total expenditures	53,328,956	57,724,447	55,737,541	(1,986,906)
Excess of Expenditures Over Revenue	(1,508,683)	(933,722)	(3,110,510)	(2,176,788)
Other Financing Sources (Uses)				
Transfers in	100,000	95,000	84,824	(10,176)
Transfers out	(209,790)	(212,855)	(208,591)	4,264
Total other financing uses	(109,790)	(117,855)	(123,767)	(5,912)
Net Change in Fund Balance	(1,618,473)	(1,051,577)	(3,234,277)	(2,182,700)
Fund Balance - Beginning of year	7,801,872	7,801,872	7,801,872	-
Fund Balance - End of year	<u>\$ 6,183,399</u>	<u>\$ 6,750,295</u>	<u>\$ 4,567,595</u>	<u>\$ (2,182,700)</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 Eight Plan Years							
	Plan Years Ended September 30							
	2021	2020	2019	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	0.28465 %	0.28786 %	0.29222 %	0.29587 %	0.29932 %	0.30514 %	0.31068 %	0.31237 %
School District's proportionate share of the net pension liability	\$ 67,392,864	\$ 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	\$ 25,597,524	\$ 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	263.28 %	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	72.32 %	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 Eight Fiscal Years							
	Years Ended June 30							
	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 9,538,051	\$ 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	9,538,051	8,412,123	8,015,808	7,622,839	7,550,688	7,024,145	7,064,308	5,701,242
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's Covered Payroll	\$ 26,309,662	\$ 24,949,620	\$ 25,431,397	\$ 25,127,382	\$ 24,875,002	\$ 24,841,140	\$ 25,165,151	\$ 26,190,001
Contributions as a Percentage of Covered Payroll	36.25 %	33.72 %	31.52 %	30.34 %	30.35 %	28.28 %	28.07 %	21.77 %

Lapeer Community Schools of Lapeer County

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

	Last Five Plan Years				
	Plan Years Ended September 30				
	2021	2020	2019	2018	2017
School District's proportion of the net OPEB liability	0.28387 %	0.28426 %	0.29071 %	0.29276 %	0.29893 %
School District's proportionate share of the net OPEB liability	\$ 4,332,930	\$ 15,228,398	\$ 20,866,490	\$ 23,271,243	\$ 26,471,730
School District's covered payroll	\$ 25,597,524	\$ 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	16.93 %	60.53 %	82.18 %	93.25 %	106.58 %
Plan fiduciary net position as a percentage of total OPEB liability	88.87 %	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

	Last Five Fiscal Years				
	Years Ended June 30				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 2,123,663	\$ 2,058,843	\$ 2,043,565	\$ 1,973,762	\$ 1,796,653
Contributions in relation to the statutorily required contribution	<u>2,123,663</u>	<u>2,058,843</u>	<u>2,043,565</u>	<u>1,973,762</u>	<u>1,796,653</u>
Contribution Excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 26,309,662	\$ 24,949,620	\$ 25,431,397	\$ 25,127,382	\$ 24,875,002
Contributions as a Percentage of Covered Payroll	8.07 %	8.25 %	8.04 %	7.86 %	7.22 %

June 30, 2022

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:

- 2021 - The health care cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.3 billion in 2021.
- 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.

Other Supplemental Information

Lapeer Community Schools of Lapeer County

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2022

	Special Revenue Funds		Debt Service Funds			Total
	Cafeteria	Student Activities	2013 Project Bond	2014 Project Bond	2015 Project Bond	
Assets						
Cash and cash equivalents	\$ 1,172,986	\$ 643,619	\$ -	\$ -	\$ -	\$ 1,816,605
Receivables - Due from other governments	151,560	-	-	-	-	151,560
Prepaid expenses	8,295	-	-	-	-	8,295
Total assets	\$ 1,332,841	\$ 643,619	\$ -	\$ -	\$ -	\$ 1,976,460
Liabilities						
Accounts payable	\$ 98,107	\$ 383	\$ -	\$ -	\$ -	\$ 98,490
Due to other funds	86,259	9,925	-	-	-	96,184
Accrued liabilities and other	21,581	-	-	-	-	21,581
Total liabilities	205,947	10,308	-	-	-	216,255
Fund Balances						
Nonspendable	8,295	-	-	-	-	8,295
Restricted - Food service	1,118,599	-	-	-	-	1,118,599
Committed - Student activities	-	633,311	-	-	-	633,311
Total fund balances	1,126,894	633,311	-	-	-	1,760,205
Total liabilities and fund balances	\$ 1,332,841	\$ 643,619	\$ -	\$ -	\$ -	\$ 1,976,460

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, 2022

	Special Revenue Funds		Debt Service Funds			Total
	Cafeteria	Student Activities	2013 Project Bond	2014 Project Bond	2015 Project Bond	
Revenue						
Local sources	\$ 221,598	\$ 642,287	\$ -	\$ -	\$ -	\$ 863,885
State sources	137,679	-	-	-	-	137,679
Federal sources	2,932,763	-	-	-	-	2,932,763
Total revenue	3,292,040	642,287	-	-	-	3,934,327
Expenditures						
Current:						
Support services	-	579,781	-	-	-	579,781
Food services	2,518,942	-	-	-	-	2,518,942
Debt service:						
Principal	-	-	55,000	35,000	70,000	160,000
Interest	-	-	14,604	7,670	25,013	47,287
Other debt costs	-	-	-	-	540	540
Capital outlay	83,694	-	-	-	-	83,694
Total expenditures	2,602,636	579,781	69,604	42,670	95,553	3,390,244
Excess of Revenue Over (Under) Expenditures	689,404	62,506	(69,604)	(42,670)	(95,553)	544,083
Other Financing Sources (Uses)						
Transfers in	764	-	69,604	42,670	95,553	208,591
Transfers out	(84,824)	-	-	-	-	(84,824)
Total other financing (uses) sources	(84,060)	-	69,604	42,670	95,553	123,767
Net Change in Fund Balances	605,344	62,506	-	-	-	667,850
Fund Balances - Beginning of year	521,550	570,805	-	-	-	1,092,355
Fund Balances - End of year	\$ 1,126,894	\$ 633,311	\$ -	\$ -	\$ -	\$ 1,760,205

Lapeer Community Schools of Lapeer County

Other Supplemental Information Schedule of Bonded Indebtedness

June 30, 2022

Years Ending June 30	2013 Project Bond	2014 Project Bond	2015 Project Bond	2016 Refunding Bond Fund	Total
	Principal	Principal	Principal	Principal	
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	\$ 375,000	\$ 260,000	\$ 615,000	\$ 33,985,000	\$ 35,235,000
Principal payments due	May 1	May 1	May 1	May 1	
Interest payments due	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	
Interest rate	3.07% - 3.62%	2.60%	3.00% - 4.00%	5.00%	
Original issue	\$ 775,000	\$ 500,000	\$ 995,000	\$ 40,075,000	