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# Lakeview School District

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

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## Independent Auditor's Report

To the Board of Education  
Lakeview School District

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lakeview School District (the "School District") as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise Lakeview School District's basic financial statements, as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lakeview School District as of June 30, 2021 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

To the Board of Education  
Lakeview School District

**Required Supplemental Information**

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

**Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lakeview 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.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2021 on our consideration of Lakeview 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 Lakeview 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 Lakeview School District's internal control over financial reporting and compliance.



October 26, 2021

This section of Lakeview School District's (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2021. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

### ***Using This Annual Report***

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Lakeview School District 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 Capital Projects Non-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 Pension Contributions

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

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.

# Lakeview School District

## 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 Food Services Fund is an example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects).

### **Governmental Funds**

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

### **The School District as a Whole**

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2021 and 2020:

	Governmental Activities	
	2021	2020
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 21.0	\$ 19.8
Capital assets	73.2	74.6
Total assets	94.2	94.4
<b>Deferred Outflows of Resources</b>	27.6	34.5
<b>Liabilities</b>		
Current liabilities	5.6	6.0
Noncurrent liabilities	68.1	72.6
Net pension liability	80.0	79.2
Net OPEB liability	12.3	17.0
Total liabilities	166.0	174.8
<b>Deferred Inflows of Resources</b>	15.6	14.0
<b>Net Position (Deficit)</b>		
Net investment in capital assets	11.1	10.5
Restricted	0.4	2.0
Unrestricted	(71.3)	(72.4)
Total net position (deficit)	<b>\$ (59.8)</b>	<b>\$ (59.9)</b>

# Lakeview School District

## 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 \$(59.8) million at June 30, 2021. Net investment in capital assets, totaling \$11.1 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 (\$71.3 million) was unrestricted.

The \$(71.3 million) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations and the impact of GASB Statement Nos. 68 and 75 (recording the School District's share of the net pension and OPEB liabilities from the state-managed retirement system). Unrestricted net position, when available, would enable the School District to meet working capital and cash flow requirements and to provide for future uncertainties. The operating results of the General Fund and the change in the net pension/OPEB liabilities will have significant impacts 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. 84, *Fiduciary Activities*, as of July 1, 2020. This standard provides guidance on the identification and reporting of fiduciary activities and required the School District to evaluate activities to determine if they were fiduciary in nature. The standard also changed the reporting and presentation requirements of fiduciary activities. The effect of the adoption on the governmental activities was to increase July 1, 2020 beginning net position by \$286,989, which represents the activities that used to be reported as fiduciary but are now reported as governmental under GASB 84. The governmental statement of net position at June 30, 2021 and statement of activities for the year ended June 30, 2021 include all the balances and transactions for those activities that used to be reported as fiduciary but are now reported as governmental. All school districts were required to adopt this new standard.

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2021 and 2020:

	Governmental Activities	
	2021	2020
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 0.5	\$ 1.2
Operating grants	13.3	10.8
General revenue:		
Taxes	9.2	9.0
State aid not restricted to specific purposes	29.0	28.1
Other	0.2	0.5
Total revenue	52.2	49.6
<b>Expenses</b>		
Instruction	28.9	27.8
Support services	15.3	16.5
Athletics	0.8	1.0
Food services	2.2	2.5
Community services	0.4	0.4
Debt service	2.7	2.7
Depreciation expense (unallocated)	2.1	1.9
Total expenses	52.4	52.8
<b>Change in Net Position</b>	(0.2)	(3.2)
<b>Net Position (Deficit) - Beginning of year (as restated)</b>	(59.6)	(56.7)
<b>Net Position (Deficit) - End of year</b>	\$ (59.8)	\$ (59.9)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$52.4 million. Certain activities were partially funded from those who benefited from the programs (\$0.5 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$13.3 million). We paid for the remaining public benefit portion of our governmental activities with \$9.2 million in taxes, \$29.0 million in state foundation allowance, and other revenue (i.e., interest and general entitlements).

The School District experienced a decrease in net position of \$0.2 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 \$15.8 million, which is an increase of \$1.2 million from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, the fund balance increased by \$0.8 million to \$9.4 million. The change occurred primarily due to COVID-19 with additional funding received and inability to implement all the planned spending.

In the Capital Projects Non-Bond Fund, the fund balance increased by \$2.1 million to \$3.7 million. The change occurred primarily due to the transfer of excess funds in the General Fund for anticipated future capital needs.

The fund balance of our special revenue funds increased from \$1.3 million to \$1.4 million as a result of increased funding provided for purposes of the extended summer food service program. With the adoption of GASB 84, the School District created the Student Activities special revenue fund to account for activities previously reported as fiduciary funds. The effect of the adoption was to increase July 1, 2020 beginning fund balance by \$286,989.

The fund balance of our debt service fund increased by \$0.3 million as a result of school loan revolving fund proceeds. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt service fund balances are reserved since they can only be used to pay debt service obligations.

Combined, the fund balance of our nonmajor capital project funds decreased \$2.2 million. This decrease is primarily due to continued construction related to the 2016 Capital Projects Fund. The bond projects associated with the 2016 Capital Projects Fund were considered substantially completed as of June 30, 2021.

#### **General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2021. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

There were significant revisions made to the 2020-2021 original budget. Budgeted revenue was increased \$6.4 million for several reasons. The original budget was based on a \$700 per pupil decrease in foundation allowance based on early predictions when the budget was adopted. The decrease did not go into effect, so, in revision, the foundation allowance was restored back to the \$8,115 amount per pupil. We also received additional COVID-19 grants. Budgeted expenditures were increased \$4.0 million in response to COVID-19 for virtual learning, technology, additional staffing, and curriculum costs.



# Lakeview School District

## Management's Discussion and Analysis (Continued)

There were significant variances between the final budget and actual amounts. Revenue was under budget by approximately \$0.9 million due primarily to unused At-Risk, COVID-19, and Title funds that that will carry over into the following year. The expenditures came in \$2.9 million under budget due to COVID-19, which caused us to be unable to do all projects as planned and caused some reduction of staffing due to remote learning.

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

#### **Capital Assets**

As of June 30, 2021, the School District had \$73.2 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This represents a net decrease (including additions, disposals, and depreciation) of approximately \$1.3 million, or 1.8 percent, from 2020 to 2021.

	<u>2021</u>	<u>2020</u>
Land	\$ 1,049,309	\$ 1,049,309
Construction in progress	17,135	1,286,238
Buildings and improvements	97,299,019	95,085,500
Furniture and equipment	5,652,989	5,539,658
Buses and other vehicles	<u>2,695,892</u>	<u>2,488,274</u>
Total capital assets	106,714,344	105,448,979
Less - Accumulated depreciation	<u>33,468,631</u>	<u>30,882,590</u>
Total capital assets - Net of accumulated depreciation	<u><u>\$ 73,245,713</u></u>	<u><u>\$ 74,566,389</u></u>

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 \$56.6 million in bonds outstanding versus \$59.4 million in the previous year, a change of 4.7 percent.

Those bonds consisted of the following:

	<u>2021</u>	<u>2020</u>
General obligation bonds	\$ 56,635,000	\$ 59,385,000

The School District's general obligation bond rating is AA from Standard & Poor's Investor Services. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues qualified debt (i.e., debt backed by the State of Michigan), such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$56.6 million is significantly below this \$102.5 million statutorily imposed limit.

Other obligations include compensated absences and accreted interest. We present more detailed information about our long-term liabilities in the notes to the financial statements.

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

Our elected officials and administration consider many factors when setting the School District's 2021-2022 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2021-2022 budget was adopted in June 2021 based on an estimate of students who will enroll in September 2021. Approximately 64.5 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2022 school year, we anticipate that the fall student count will be around 3,990, which is an increase of 86 over what was used in creating the 2022 budget. Once the final student count and related per pupil funding are validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to the School District. The State periodically holds a Revenue Estimating Conference to estimate revenue. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation, including a foundation allowance increase of \$589 per pupil.

	<b>June 30, 2021</b>
	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and investments (Note 4)	\$ 10,920,928
Receivables:	
Accounts receivable	45,973
Due from other governments	7,435,796
Inventories	51,453
Prepaid costs	172,098
Restricted assets (Note 2)	2,302,353
Capital assets - Net (Note 6)	<u>73,245,713</u>
Total assets	94,174,314
<b>Deferred Outflows of Resources</b>	
Accumulated decrease in fair value of hedging derivatives (Note 9)	5,806,507
Deferred pension costs (Note 11)	16,376,506
Deferred OPEB costs (Note 11)	<u>5,452,043</u>
Total deferred outflows of resources	27,635,056
<b>Liabilities</b>	
Accounts payable	603,220
Due to other governmental units	626,141
Accrued payroll and other liabilities	3,885,264
Unearned revenue (Note 5)	529,212
Noncurrent liabilities:	
Due within one year (Note 8)	3,041,080
Due in more than one year (Note 8)	65,037,600
Net pension liability (Note 11)	79,960,016
Net OPEB liability (Note 11)	<u>12,316,271</u>
Total liabilities	165,998,804
<b>Deferred Inflows of Resources</b>	
Revenue in support of pension contributions made subsequent to the measurement date (Note 11)	2,984,582
Deferred pension cost reductions (Note 11)	2,437,647
Deferred OPEB cost reductions (Note 11)	<u>10,180,872</u>
Total deferred inflows of resources	<u>15,603,101</u>
<b>Net Position (Deficit)</b>	
Net investment in capital assets	11,061,201
Restricted:	
Debt service	460,244
Capital projects	19,135
Unrestricted	<u>(71,333,115)</u>
Total net position (deficit)	<u><u>\$ (59,792,535)</u></u>

Year Ended June 30, 2021

Functions/Programs	Program Revenue			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Primary government - Governmental activities:				
Instruction	\$ 28,898,134	\$ -	\$ 7,133,983	\$ (21,764,151)
Support services	15,327,614	6,188	3,841,376	(11,480,050)
Athletics	841,593	110,714	30,879	(700,000)
Food services	2,188,630	187,059	2,277,496	275,925
Community services	409,151	212,100	-	(197,051)
Interest	2,384,537	-	-	(2,384,537)
Other debt costs	231,040	-	-	(231,040)
Depreciation expense (unallocated)	2,110,234	-	-	(2,110,234)
Total primary government	<b>\$ 52,390,933</b>	<b>\$ 516,061</b>	<b>\$ 13,283,734</b>	(38,591,138)
General revenue:				
Taxes:				
Property taxes levied for general purposes				4,146,281
Property taxes levied for debt service				5,053,187
State aid not restricted to specific purposes				28,969,158
Interest and investment earnings				5,846
Loss on disposal of capital assets				(144,027)
Other				357,686
Total general revenue				38,388,131
<b>Change in Net Position</b>				(203,007)
<b>Net Position (Deficit) - Beginning of year (as restated) (Note 2)</b>				(59,589,528)
<b>Net Position (Deficit) - End of year</b>				<b>\$ (59,792,535)</b>

# Lakeview School District

## Governmental Funds Balance Sheet

June 30, 2021

	General Fund	Capital Projects Non-Bond	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments (Note 4)	\$ 9,262,796	\$ -	\$ 1,658,132	\$ 10,920,928
Receivables:				
Accounts receivable	20,168	-	25,805	45,973
Due from other governments	7,316,855	-	118,941	7,435,796
Due from other funds (Note 7)	996,424	3,731,828	60,636	4,788,888
Inventories	25,481	-	25,972	51,453
Prepaid costs	161,205	-	10,893	172,098
Restricted assets (Note 2)	-	-	2,302,353	2,302,353
	<u>\$ 17,782,929</u>	<u>\$ 3,731,828</u>	<u>\$ 4,202,732</u>	<u>\$ 25,717,489</u>
Total assets				
<b>Liabilities</b>				
Accounts payable	\$ 393,233	\$ 1,703	\$ 208,284	\$ 603,220
Due to other governmental units	624,884	-	1,257	626,141
Due to other funds (Note 7)	3,792,464	-	996,424	4,788,888
Accrued payroll and other liabilities	3,069,364	-	282,757	3,352,121
Unearned revenue (Note 5)	487,073	-	42,139	529,212
	<u>8,367,018</u>	<u>1,703</u>	<u>1,530,861</u>	<u>9,899,582</u>
Total liabilities				
<b>Fund Balances</b>				
Nonspendable:				
Inventory	25,481	-	25,972	51,453
Prepaid costs	161,205	-	10,893	172,098
Restricted:				
Debt service	-	-	992,887	992,887
Capital projects	-	-	523,838	523,838
Food service	-	-	1,085,639	1,085,639
Committed - Student activities	-	-	237,529	237,529
Assigned:				
Capital projects	-	3,730,125	-	3,730,125
Compensated absences	59,573	-	-	59,573
Unassigned	9,169,652	-	(204,887)	8,964,765
	<u>9,415,911</u>	<u>3,730,125</u>	<u>2,671,871</u>	<u>15,817,907</u>
Total fund balances				
	<u>\$ 17,782,929</u>	<u>\$ 3,731,828</u>	<u>\$ 4,202,732</u>	<u>\$ 25,717,489</u>
Total liabilities and fund balances				

**Governmental Funds**

**Reconciliation of the Balance Sheet to the Statement of Net Position**

**June 30, 2021**

<b>Fund Balances Reported in Governmental Funds</b>	<b>\$ 15,817,907</b>
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	106,714,344
Accumulated depreciation	<u>(33,468,631)</u>
Net capital assets used in governmental activities	73,245,713
Bonds payable and derivative instruments are not due and payable in the current period and are not reported in the funds	(62,212,600)
Accrued interest is not due and payable in the current period and is not reported in the funds	(533,143)
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	(59,573)
Net pension liability and related deferred inflows and outflows	(66,021,157)
Net OPEB liability and related deferred inflows and outflows	(17,045,100)
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>(2,984,582)</u>
<b>Net Position (Deficit) of Governmental Activities</b>	<b><u><u>\$ (59,792,535)</u></u></b>

**Lakeview School District**

**Governmental Funds**  
**Statement of Revenue, Expenditures, and Changes in Fund Balances**

**Year Ended June 30, 2021**

	General Fund	Capital Projects Non-Bond	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>				
Local sources	\$ 4,677,839	\$ -	\$ 5,491,624	\$ 10,169,463
State sources	35,316,300	-	96,812	35,413,112
Federal sources	2,944,836	-	2,220,831	5,165,667
Governmental - Intergovernmental	1,966,857	-	-	1,966,857
Total revenue	44,905,832	-	7,809,267	52,715,099
<b>Expenditures</b>				
Current:				
Instruction	27,373,221	-	-	27,373,221
Support services	12,833,368	-	308,836	13,142,204
Athletics	804,032	-	-	804,032
Food services	-	-	2,081,085	2,081,085
Community services	390,740	-	-	390,740
Debt service:				
Principal	170,000	-	2,580,000	2,750,000
Interest	89,406	-	2,439,080	2,528,486
Other debt costs	500	-	230,540	231,040
Capital outlay	330,325	127,084	2,187,848	2,645,257
Total expenditures	41,991,592	127,084	9,827,389	51,946,065
<b>Excess of Revenue Over (Under) Expenditures</b>	2,914,240	(127,084)	(2,018,122)	769,034
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	8,387	-	-	8,387
School loan revolving fund proceeds (Note 8)	-	-	374,367	374,367
Transfers in (Note 7)	159,638	2,258,737	-	2,418,375
Transfers out (Note 7)	(2,258,737)	-	(159,638)	(2,418,375)
Total other financing (uses) sources	(2,090,712)	2,258,737	214,729	382,754
<b>Net Change in Fund Balances</b>	823,528	2,131,653	(1,803,393)	1,151,788
<b>Fund Balances</b> - Beginning of year (as restated) (Note 2)	8,592,383	1,598,472	4,475,264	14,666,119
<b>Fund Balances</b> - End of year	<u>\$ 9,415,911</u>	<u>\$ 3,730,125</u>	<u>\$ 2,671,871</u>	<u>\$ 15,817,907</u>

**Lakeview School District**

**Governmental Funds**

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

**Year Ended June 30, 2021**

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ 1,151,788</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capitalized capital outlay	1,608,362
Depreciation expense	(2,776,624)
Net book value of assets disposed of	(152,414)
Revenue in support of pension contributions made subsequent to the measurement date	(383,146)
Issuing debt, net of premiums and discounts, provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position	(374,367)
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	2,906,080
Interest expense is recognized in the government-wide statements as it accrues	(12,131)
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>(2,170,555)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (203,007)</u></b>



**Note 1 - Nature of Business**

Lakeview School District (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. 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 it spends certain resources; separate funds allow the School District to show the particular expenditures for which specific revenue is used. The various funds are aggregated into the following fund types:

**Governmental Funds**

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The School District reports the following funds as major governmental 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 Capital Projects Non-Bond Fund is used to record revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, and equipment; technology upgrades; and remodeling and repairs. The fund operates until the purpose for which it was created is accomplished.

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

- The Bond Issue Debt Service Fund is used to record tax, interest, and other revenue for payment of principal, interest, and other expenditures on the 2002 and 2016 bond issue.
- 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 Food Services Fund and Student Activities Fund. Revenue sources for the Food Services Fund include sales to customers and dedicated grants from state and federal sources. Revenue sources for the Student Activities Fund include fundraising revenue and donations earned and received by student groups. Any operating deficit generated by these activities is the responsibility of the General Fund.
- Capital project funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, and equipment; technology upgrades; and remodeling and repairs. The funds operate until the purpose for which they were created is accomplished.

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

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

***Basis of Accounting***

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

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

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

***Specific Balances and Transactions***

**Cash and Investments**

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 are stated at fair value except for investment in external investment pools valued at amortized cost.

**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. United States Department of Agriculture Commodities inventory received by the Food Services Fund is recorded as inventory. 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, when applicable.

**Restricted Assets**

The unspent bond proceeds and related interest of the capital projects funds relate to bond proceeds received and are restricted for allowable capital purposes in accordance with the initial ballot language. The Public Improvement Fund restricted assets are set aside for future expenditures approved by the Board of Education. The Energy Bond Fund restricted assets are restricted for allowable capital purposes in accordance with the energy bond language. The unspent property tax revenue and related interest of the debt service fund require amounts to be set aside for future bond payments. These amounts have also been classified as restricted assets.

**Capital Assets**

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

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

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

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

**Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in governmental activities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bond 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 debt service funds are generally used to liquidate governmental long-term debt.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position 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 a future period and will not be recognized as an outflow of resources (expense) until then.

The School District reports deferred outflows related to hedging derivatives 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 a period and will not be recognized as an inflow of resources (revenue) until that time.

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

**Net Position**

Net position of the School District is classified in three components. Net investment in capital assets 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. The restricted component of 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 and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements (as applicable), a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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

**Fund Balance Flow Assumptions**

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

**Fund Balance Policies**

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the School District that can, by passing a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

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 superintendent and director of finance to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**Property Tax Revenue**

Properties are assessed as of December 31, and the related property taxes become a lien on July 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.

**Grants and Contributions**

The School District receives federal, state, and local grants, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

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

**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 the 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 (Sick Leave)**

It is the School District's policy to permit employees to accumulate earned but unused sick pay benefits. Sick pay is accrued for the estimated amount that the School District will pay upon employment termination. A liability is reported in the government-wide and proprietary fund 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.

**Interest Rate Swap**

The School District has entered into an interest rate swap agreement under which the School District will pay fixed interest payments and receive variable interest payments on the Series 2002B bonds. The School District entered into these contracts to reduce the impact of changes in interest rates on its interest cost related to certain variable rate debt. The bonds and related swap agreement mature on May 1, 2032.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principals 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.

**Adoption of New Accounting Pronouncement**

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

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

	Governmental Activities	Nonmajor Funds
Net position (deficit)/fund balance - June 30, 2020 - As previously reported	\$ (59,876,517)	\$ 4,188,275
Adjustment for GASB Statement No. 84 - To change fund type	286,989	286,989
Net position (deficit)/fund balance - June 30, 2020 - As restated	(59,589,528)	4,475,264

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

***Upcoming Accounting Pronouncement***

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School District has analyzed the new standard and has determined that the amounts in the financial statements will not be significantly impacted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2022.

**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 all special revenue funds. 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 or decreased budgeted amounts during the year in response to changes in student counts, federal grant funding, and other economic conditions.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts, etc.) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

***Excess of Expenditures Over Appropriations in Budgeted Funds***

The School District did not have significant expenditure budget variances. The budget and actual information is presented in the same format as the adopted budget, which includes some classification differences from amounts reported on the statement of revenue, expenditures, and changes in fund balances.

***Fund Deficits***

The School District had a fund balance deficit in the 2021 Capital Projects Fund of \$204,888 at June 30, 2021. The deficit is a result of incurring bond costs related to the 2021 Building and Site Bonds prior to the closing of the bonds, which occurred subsequent to year end. The bonds closed in July 2021, and the deficit was eliminated. See Note 14 for further details.

***Capital Projects Fund Compliance***

The 2016 Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For this capital project, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

Beginning with the year of bond issuance, the School District has reported the annual construction activity in the 2016 Capital Projects Fund. The projects for which the 2016 Building and Site bonds were issued were considered complete on June 28, 2021. The cumulative expenditures recognized for the construction period were \$31,194,020.

**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 five financial institutions 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 except for a 1-day minimum investment period on the Michigan Liquid Asset Fund (MILAF) cash management funds and a 14-day redemption limitation on MILAF MAX Class funds.

The investment policy adopted by the board has authorized investments as listed in the state statutory authority above.

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 does not have a deposit policy for custodial credit risk. At year end, the School District had \$11,490,615 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The School District believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

***Custodial Credit Risk of Investments***

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have a policy for custodial credit risk. At June 30, 2021, the School District does not have investments with custodial credit risk.

***Interest Rate Risk***

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. The School District's policy does address ways to control interest rate risk. The School District is exposed to interest rate risk primarily through the investment derivative instrument, as discussed in Note 9.



June 30, 2021

**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. As of year end, the credit quality rating of debt securities (other than the U.S. government) are as follows:

Investment	Carrying Value	Rating	Rating Organization
Bank of New York Money Market	\$ 370,479	Not Rated	Not Rated
PNC Bank Money Market	625,000	Not Rated	Not Rated
MILAF+ Max Class	270,002	AAAm	S&P
Michigan CLASS Investment (Note 12)	712,146	AAAm	S&P
Total investments	<u>\$ 1,977,627</u>		

***Concentration of Credit Risk***

The School District places no limit on the amount it may invest in any one issuer. The School District does not have a policy to minimize 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 - 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, 2021, the School District had no unavailable revenue and \$529,212 of unearned revenue, primarily related to grant and categorical aid payment received prior to meeting all eligibility requirements.

June 30, 2021

**Note 6 - Capital Assets**

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

**Governmental Activities**

	Balance July 1, 2020	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2021
Capital assets not being depreciated:					
Land	\$ 1,049,309	\$ -	\$ -	\$ -	\$ 1,049,309
Construction in progress	1,286,238	(1,259,258)	17,135	(26,980)	17,135
Subtotal	2,335,547	(1,259,258)	17,135	(26,980)	1,066,444
Capital assets being depreciated:					
Buildings and improvements	95,085,500	1,259,258	1,117,292	(163,031)	97,299,019
Furniture and equipment	5,539,658	-	232,207	(118,876)	5,652,989
Buses and other vehicles	2,488,274	-	241,728	(34,110)	2,695,892
Subtotal	103,113,432	1,259,258	1,591,227	(316,017)	105,647,900
Accumulated depreciation:					
Buildings and improvements	24,970,282	-	2,288,891	(45,681)	27,213,492
Furniture and equipment	4,294,600	-	318,053	(114,203)	4,498,450
Buses and other vehicles	1,617,708	-	169,680	(30,699)	1,756,689
Subtotal	30,882,590	-	2,776,624	(190,583)	33,468,631
Net capital assets being depreciated	72,230,842	1,259,258	(1,185,397)	(125,434)	72,179,269
Net governmental activities capital assets	<u>\$ 74,566,389</u>	<u>\$ -</u>	<u>\$ (1,168,262)</u>	<u>\$ (152,414)</u>	<u>\$ 73,245,713</u>

Depreciation expense was charged to activities of the School District as follows:

Governmental activities:	
Support services	\$ 666,390
Unallocated	2,110,234
Total governmental activities	<u>\$ 2,776,624</u>

The unallocated portion of depreciation expense was not charged to activities, as the School District considers it assets to benefit multiple activities, and allocation is not practical.

June 30, 2021

**Note 7 - Interfund Receivables, Payables, and Transfers**

The composition of interfund balances is as follows:

Fund Due To	Fund Due From		
	General Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 996,424	\$ 996,424
Capital Projects Non-Bond Fund	3,731,828	-	3,731,828
Nonmajor governmental funds	60,636	-	60,636
<b>Total</b>	<b>\$ 3,792,464</b>	<b>\$ 996,424</b>	<b>\$ 4,788,888</b>

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.

The Food Services Fund transferred \$159,638 to the General Fund for reimbursement of indirect costs. The General Fund transferred \$2,258,737 to the Capital Projects Non-Bond Fund for future planned capital projects.

**Note 8 - Long-term Debt**

Long-term debt activity for the year ended June 30, 2021 can be summarized as follows:

	Beginning Balance	Additions	Reductions and Adjustments	Ending Balance	Due within One Year
Bonds payable:					
Direct borrowings and direct placements - School loan revolving fund:	\$ 1,370,094	\$ 374,367	\$ -	\$ 1,744,461	\$ -
Other debt:					
General obligation	59,385,000	-	(2,750,000)	56,635,000	2,885,000
Unamortized bond premiums	3,989,219	-	(156,080)	3,833,139	156,080
Total bonds payable	64,744,313	374,367	(2,906,080)	62,212,600	3,041,080
Compensated absences	63,537	-	(3,964)	59,573	-
Derivative instruments	7,879,214	-	(2,072,707)	5,806,507	-
<b>Total governmental activities long-term debt</b>	<b>\$ 72,687,064</b>	<b>\$ 374,367</b>	<b>\$ (4,982,751)</b>	<b>\$ 68,078,680</b>	<b>\$ 3,041,080</b>

June 30, 2021

**Note 8 - Long-term Debt (Continued)**

**General Obligation Bonds**

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The School District's qualified bonds are fully guaranteed by the State of Michigan. The primary source of any required repayment is from the School District's property tax levy; however, the State of Michigan may withhold the School District's state aid funding in order to recover amounts it has paid on behalf of the School District. General obligations outstanding at June 30, 2021 are as follows:

Purpose	Year Issued	Interest Rates	Maturing	Outstanding
\$32,785,000 building and site general obligation unlimited tax bonds	2002	Variable	May 2032	\$ 30,705,000
\$25,565,000 building and site general obligation unlimited tax bonds	2016	2.00 - 5.00	May 2046	23,300,000
\$3,135,000 energy conservation improvement limited tax bonds	2018	3.00 - 4.00	May 2033	2,630,000
Total governmental activities				<u>\$ 56,635,000</u>

**Other Long-term Liabilities**

Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund.

**Debt Service Requirements to Maturity**

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities		
	Bonds Payable - Other Debt		
	Principal	Interest	Total
2022	\$ 2,885,000	\$ 2,417,718	\$ 5,302,718
2023	3,025,000	2,299,864	5,324,864
2024	3,165,000	2,192,808	5,357,808
2025	3,310,000	2,080,754	5,390,754
2026	3,470,000	1,945,487	5,415,487
2027-2031	19,875,000	7,468,994	27,343,994
2032-2036	8,430,000	3,960,730	12,390,730
2037-2041	5,625,000	2,581,250	8,206,250
2042-2046	6,850,000	1,050,000	7,900,000
Total	<u>\$ 56,635,000</u>	<u>\$ 25,997,605</u>	<u>\$ 82,632,605</u>

**Note 8 - Long-term Debt (Continued)**

***School Loan Revolving Fund***

The School Loan Revolving Fund payable represents a direct borrowing from the State of Michigan for loans made to the School District, as authorized by the 1963 State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the School District issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board in accordance with Section 9 of Act No. 92 of the Public Acts of 2005 (the "Act"), as amended. The School Loan Revolving Fund is accessible to school districts for borrowings that were initiated after July 19, 2005. Interest during the year ended June 30, 2021 was 3.00 percent. Repayment begins as soon as annual tax collections exceed annual debt service payment requirements. The predetermined mandatory final loan repayment date is May 1, 2052. If the School District fails to levy the appropriate debt mills in accordance with the agreement or defaults in loan repayment, the School District shall increase its debt levy in the next succeeding year, and a default late charge of 3 percent will apply. Due to the variability of the factors that affect the timing of repayment, including the future amount of state equalized value of property in the School District, no provision for repayment has been included in the above debt maturity schedule. If the School District is in default of the loan agreement, the State of Michigan may withhold state aid funding until repayment terms satisfactory to the State of Michigan have been made.

**Note 9 - Derivatives**

***Interest Rate Swap Agreements***

During the year, the School District had interest rate swap agreements in connection with its \$32.785 million 2002B School Building and Site Variable Rate Bonds.

***Hedging Derivative Instruments***

The swap agreement (referred to as the "SIFMA swap") was entered into on November 14, 2002, with an effective date of November 1, 2005. The terms of this agreement were amended in January 2011, with the amended terms reflected in the description below.

The intention of the swap was to effectively hedge the changes in cash flows related to the interest payments on the variable rate bonds. At June 30, 2021, the swap's notional amount of \$30.705 million matched the \$30.705 million outstanding balance of the variable rate bonds. The notional value of the swap and the principal amount of the associated debt decline at the same rate until maturity in May 2032. Under the swap, the School District pays the counterparty a fixed payment of 3.939 percent and receives a variable payment computed at the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA) rate. The bonds' variable rate coupons are determined by the bank based on the current LIBOR. This rate approximates the SIFMA rate at June 30, 2021. At June 30, 2021, the SIFMA swap had a negative fair value of \$5,806,507, which was recorded in long-term liabilities on the statement of net position, with the change in fair value being recorded as a deferred outflow on the statement of net position.

***Fair Value***

The fair value of the interest rate swap was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. The payments are then discounted using spot rates implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swap.

**Note 9 - Derivatives (Continued)**

The interest rate swaps and forward contracts are subject to the following risks:

***Credit Risk***

The fair value of the interest rate swap was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. The payments are then discounted using spot rates implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swap.

***Interest Rate Risk***

The interest rate risk associated with the variable rate debt is terminated upon the execution of the fixed-rate swap agreement. The counterparty for the fixed-rate swap agrees to pay the variable rate based on the SIFMA in exchange for the School District making a fixed rate payment; therefore, the interest rate risk is held by the counterparty rather than the School District.

***Basis Risk***

The School District is exposed to basis risk on its LIBOR-based interest rate swaps due to variable-rate payments received by the School District on these instruments based on a rate or index other than interest rates the School District pays on its variable-rate debt. The basis swap the School District entered into is designed to eliminate this difference by having the interest payments received from the counterparty on the fixed-rate swap match the interest payments due on the bonds (the School District pays the bondholder based on the SIFMA index rather than the LIBOR index). As of June 30, 2021, the SIFMA swap index rate was 0.030 percent, whereas the weighted-average interest rate of the School District's hedged variable rate debt was approximately 0.030 percent.

***Termination Risk***

The School District or the counterparty may terminate the SIFMA swap if the other party fails to perform under the terms of the contract. The SIFMA swap may be terminated by the counterparty if the School District's credit quality rating and the State of Michigan's credit quality rating fall below A, as issued by Standard & Poor's or Moody's Investors Service. If the SIFMA swap is terminated, the variable-rate bond would no longer carry a synthetic fixed interest rate. Also, if, at the time of termination, the SIFMA swap has a negative value, the School District would be liable to the counterparty for a payment equal to the swap's fair value. In the event a termination event occurs, the School District may amend its agreement with the counterparty, seek a new counterparty to preserve a fixed rate mode, or revert to a variable-rate mode or issued fixed-rate bonds.

***Derivative Instrument Payments and Hedged Debt***

As of June 30, 2021, aggregate debt service requirements of the School District's debt and net receipts/payments on associated hedging derivative instruments (the SIFMA swap) are presented below. These amounts assume that current interest rates on variable rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the SIFMA swap will vary.

**Note 9 - Derivatives (Continued)**

Fiscal Years Ending	Principal	Interest	Hedging Derivatives - Net	Total
2022	\$ 2,180,000	\$ 9,212	\$ 1,200,105	\$ 3,389,317
2023	2,285,000	8,558	1,114,900	3,408,458
2024	2,395,000	7,872	1,025,590	3,428,462
2025	2,510,000	7,154	931,982	3,449,136
2026	2,635,000	6,401	833,878	3,475,279
2027-2031	15,205,000	19,358	2,521,960	17,746,318
2032	3,495,000	1,049	136,602	3,632,651
Total	<u>\$ 30,705,000</u>	<u>\$ 59,604</u>	<u>\$ 7,765,017</u>	<u>\$ 38,529,621</u>

**Note 10 - Risk Management**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for dental claims and participates in the SET-SEG risk pool for claims relating to workers' compensation, general liability, dental claims, and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The SET-SEG 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.

**Note 11 - Michigan Public School Employees' Retirement System**

***Plan Description***

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

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment health care plans. That report is available on the web at <http://www.michigan.gov/orsschools>.

***Benefits Provided***

Benefit provisions of the defined benefit (DB) pension plan and the postemployment health care plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan and the postemployment health care plan.

June 30, 2021

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

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

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

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

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

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

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

**Contributions**

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

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

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



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

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

The ranges of rates are as follows:

	Pension	OPEB
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 7.39%
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%

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

The School District's required and actual pension contributions to the plan for the year ended June 30, 2021 were \$6,943,633, 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 \$2,984,582 in revenue received from the State of Michigan and remitted to the System to fund the MPERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2021.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2021 were \$1,774,915, which includes the School District's contributions required for those members with a defined contribution benefit.

**Net Pension Liability**

At June 30, 2021, the School District reported a liability of \$79,960,016 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019, which used update procedures to roll forward the estimated liability to September 30, 2020. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2020 and 2019, the School District's proportion was 0.2328 and 0.2391 percent, respectively, representing a change of (2.65) percent.

**Net OPEB Liability**

At June 30, 2021, the School District reported a liability of \$12,316,271 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2021 was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019, which used update procedures to roll forward the estimated liability to September 30, 2020. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2020 and 2019, the School District's proportion was 0.2299 and 0.2362 percent, respectively, representing a change of (2.66) percent.

June 30, 2021

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

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

For 2021, the School District recognized pension expense of \$11,210,552, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,221,723	\$ (170,663)
Changes in assumptions	8,860,341	-
Net difference between projected and actual earnings on pension plan investments	335,956	-
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	95,966	(2,266,984)
The School District's contributions to the plan subsequent to the measurement date	5,862,520	-
	<u>5,862,520</u>	<u>-</u>
Total	<u>\$ 16,376,506</u>	<u>\$ (2,437,647)</u>

The \$2,984,582 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2022. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2022	\$ 3,999,548
2023	2,543,395
2024	1,186,840
2025	346,556
Total	<u>\$ 8,076,339</u>

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

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

For the year ended June 30, 2021, the School District recognized OPEB recovery of \$586,302.

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

June 30, 2021

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (9,176,773)
Changes in assumptions	4,060,919	-
Net difference between projected and actual earnings on OPEB plan investments	102,793	-
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	20,246	(1,004,099)
Employer contributions to the plan subsequent to the measurement date	1,268,085	-
Total	<u>\$ 5,452,043</u>	<u>\$ (10,180,872)</u>

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

Years Ending	Amount
2022	\$ (1,607,099)
2023	(1,464,000)
2024	(1,228,281)
2025	(970,808)
2026	(726,726)
Total	<u>\$ (5,996,914)</u>

**Actuarial Assumptions**

The total pension liability and total OPEB liability as of September 30, 2020 are based on the results of an actuarial valuation as of September 30, 2019 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00% - 6.80%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.95%	Net of investment expenses based on the groups
Salary increases	2.75 - 11.55%	Including wage inflation of 2.75%
Health care cost trend rate - OPEB	7.00%	(Year 1, graded to 3.5% year 15, 3.0% year 120)
Mortality basis		RP-2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP-2017 from 2006
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 2012 to 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation.

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

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

**Discount Rate**

The discount rate used to measure the total pension liability was 6.00 to 6.80 percent as of September 30, 2020 depending on the plan option. The discount rate used to measure the total OPEB liability was 6.95 percent as of September 30, 2020. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	25.00 %	5.60 %
Private equity pools	16.00	9.30
International equity pools	15.00	7.40
Fixed-income pools	10.50	0.50
Real estate and infrastructure pools	10.00	4.90
Absolute return pools	9.00	3.20
Real return/opportunistic pools	12.50	6.60
Short-term investment pools	2.00	(0.10)
Total	100.00 %	

Long-term rates of return are net of administrative expense and inflation of 2.1 percent.

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

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

	1 Percentage Point Decrease (5.00 - 5.80%)	Current Discount Rate (6.00 - 6.80%)	1 Percentage Point Increase (7.00 - 7.80%)
Net pension liability of the School District	\$ 103,494,677	\$ 79,960,016	\$ 60,455,028

June 30, 2021

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

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

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

	1 Percentage Point Decrease (5.95%)	Current Discount Rate (6.95%)	1 Percentage Point Increase (7.95%)
Net OPEB liability of the School District	\$ 15,821,650	\$ 12,316,271	\$ 9,365,036

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

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

	1 Percentage Point Decrease (6.00%)	Current Rate (7.00%)	1 Percentage Point Increase (8.00%)
Net OPEB liability of the School District	\$ 9,252,039	\$ 12,316,271	\$ 15,801,458

***Pension Plan and OPEB Plan Fiduciary Net Position***

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

***Payable to the Pension Plan and OPEB Plan***

At June 30, 2021, the School District reported a payable of \$894,395 and \$154,878 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2021.

**Note 12 - Fair Value Measurements**

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets and liabilities. Level 1 inputs are quoted prices in active markets for identical assets and liabilities; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The School District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The School District has three investments in Michigan CLASS Investment Pool totaling \$712,146, with a recurring fair value measurement measured at net asset value (NAV) as of June 30, 2021. The valuation method for investments measured at NAV per share (or its equivalent) is presented below.

***Investments in Entities that Calculate Net Asset Value per Share***

The School District holds shares or interests in investment companies where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

**Note 12 - Fair Value Measurements (Continued)**

As of June 30, 2021, the fair value, unfunded commitments, and redemption rules of those investments consisted entirely of the investment in the Michigan CLASS Investment Pool, with a fair value of \$712,146. There are no unfunded commitments, required redemption frequency, or redemption notice periods related to this investment.

The Michigan CLASS Investment Pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated A1 or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

**Note 13 - Tax Abatements**

The School District receives reduced property tax revenue as a result of industrial facilities tax exemptions (PA 198 of 1974) and brownfield redevelopment agreements 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; brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2021, the School District had no significant tax abatements.

**Note 14 - Subsequent Events**

Subsequent to year end, the School District issued \$27.0 million in 2021 Building and Site Bonds and received net proceeds of \$26,920,512 (including bond premium of \$669,262, underwriter's discount of \$478,750 and good faith deposit of \$270,000). The 2021 Building and Site Bonds bear interest ranging from 2.25 to 2.50 percent and require annual principal payments beginning in May 2022 through May 2046.

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## Required Supplemental Information

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**Lakeview School District**

**Required Supplemental Information  
Budgetary Comparison Schedule  
General Fund**

**Year Ended June 30, 2021**

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
<b>Revenue</b>				
Local sources	\$ 5,109,266	\$ 4,715,995	\$ 4,677,839	\$ (38,156)
State sources	31,250,564	35,364,004	35,316,300	(47,704)
Federal sources	896,776	3,758,751	2,944,836	(813,915)
Governmental - Intergovernmental	2,237,209	2,012,002	1,966,857	(45,145)
Total revenue	39,493,815	45,850,752	44,905,832	(944,920)
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	20,473,564	22,921,257	22,477,104	(444,153)
Added needs	5,233,189	5,685,730	4,896,117	(789,613)
Support services:				
Pupil	2,309,284	2,174,524	2,108,523	(66,001)
Instructional staff	1,380,522	1,607,816	1,213,626	(394,190)
General administration	508,076	535,504	496,571	(38,933)
School administration	2,885,686	2,952,094	2,820,906	(131,188)
Business	736,059	794,913	738,626	(56,287)
Operations and maintenance	3,439,095	3,781,992	3,527,793	(254,199)
Pupil transportation services	1,049,666	1,206,928	856,003	(350,925)
Central	1,383,184	1,471,308	1,401,645	(69,663)
Athletics	833,720	878,965	804,032	(74,933)
Community services	396,332	650,608	390,740	(259,868)
Debt service:				
Principal	170,000	170,000	170,000	-
Interest	89,407	89,407	89,406	(1)
Other debt costs	500	500	500	-
Total expenditures	40,888,284	44,921,546	41,991,592	(2,929,954)
<b>Excess of Revenue (Under) Over Expenditures</b>	(1,394,469)	929,206	2,914,240	1,985,034
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	-	4,121	8,387	4,266
Transfers in	190,500	180,815	159,638	(21,177)
Transfers out	-	(2,292,114)	(2,258,737)	33,377
Total other financing sources (uses)	190,500	(2,107,178)	(2,090,712)	16,466
<b>Net Change in Fund Balance</b>	(1,203,969)	(1,177,972)	823,528	2,001,500
<b>Fund Balance - Beginning of year</b>	8,592,383	8,592,383	8,592,383	-
<b>Fund Balance - End of year</b>	<b>\$ 7,388,414</b>	<b>\$ 7,414,411</b>	<b>\$ 9,415,911</b>	<b>\$ 2,001,500</b>



## Lakeview School District

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

	<b>Last Seven Plan Years</b>						
	<b>Plan Years Ended September 30</b>						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's proportion of the net pension liability	0.23277 %	0.23910 %	0.24444 %	0.24499 %	0.24149 %	0.23775 %	0.23489 %
School District's proportionate share of the net pension liability	\$ 79,960,016	\$ 79,181,884	\$ 73,482,475	\$ 63,488,081	\$ 60,250,877	\$ 58,070,118	\$ 51,738,115
School District's covered payroll	\$ 20,362,541	\$ 20,643,030	\$ 20,803,833	\$ 20,645,288	\$ 20,543,795	\$ 19,895,933	\$ 20,160,208
School District's proportionate share of the net pension liability as a percentage of its covered payroll	392.68 %	383.58 %	353.22 %	307.52 %	293.28 %	291.87 %	256.63 %
Plan fiduciary net position as a percentage of total pension liability	59.49 %	60.08 %	62.12 %	63.96 %	63.01 %	62.92 %	66.20 %

**Lakeview School District**

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

	<b>Last Seven Fiscal Years</b>						
	<b>Years Ended June 30</b>						
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 6,806,056	\$ 6,370,127	\$ 6,424,268	\$ 6,029,990	\$ 5,751,849	\$ 5,613,789	\$ 4,298,303
Contributions in relation to the statutorily required contribution	<u>6,806,056</u>	<u>6,370,127</u>	<u>6,424,268</u>	<u>6,029,990</u>	<u>5,751,849</u>	<u>5,613,789</u>	<u>4,298,303</u>
<b>Contribution Excess (Deficiency)</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>School District's Covered Payroll</b>	<b>\$ 20,359,946</b>	<b>\$ 20,349,231</b>	<b>\$ 20,671,299</b>	<b>\$ 20,819,515</b>	<b>\$ 20,572,185</b>	<b>\$ 20,452,465</b>	<b>\$ 19,899,487</b>
<b>Contributions as a Percentage of Covered Payroll</b>	<b>33.43 %</b>	<b>31.30 %</b>	<b>31.08 %</b>	<b>28.96 %</b>	<b>27.96 %</b>	<b>27.45 %</b>	<b>21.60 %</b>

**Lakeview School District**

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

	<b>Last Four Plan Years</b>			
	<b>Plan Years Ended September 30</b>			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's proportion of the net OPEB liability	0.22990 %	0.23619 %	0.24420 %	0.24545 %
School District's proportionate share of the net OPEB liability	\$ 12,316,271	\$ 16,953,122	\$ 19,411,667	\$ 21,735,337
School District's covered payroll	\$ 20,362,541	\$ 20,643,030	\$ 20,803,833	\$ 20,645,288
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	60.48 %	82.13 %	93.31 %	105.28 %
Plan fiduciary net position as a percentage of total OPEB liability	59.76 %	48.67 %	43.10 %	36.53 %

**Lakeview School District**

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

	<b>Last Four Fiscal Years Years Ended June 30</b>			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 1,676,000	\$ 1,627,886	\$ 1,623,736	\$ 1,488,338
Contributions in relation to the statutorily required contribution	<u>1,676,000</u>	<u>1,627,886</u>	<u>1,623,736</u>	<u>1,488,338</u>
<b>Contribution Excess (Deficiency)</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>School District's Covered Payroll</b>	\$ 20,359,946	\$ 20,349,231	\$ 20,671,299	\$ 20,819,515
<b>Contributions as a Percentage of Covered Payroll</b>	8.23 %	8.00 %	7.86 %	7.15 %

***Pension Information***

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

**Benefit Changes**

There were no changes of benefit terms for each of the reported plan years ended September 30.

**Changes in Assumptions**

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

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

***OPEB Information***

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

**Benefit Changes**

There were no changes of benefit terms for each of the reported plan years ended September 30.

**Changes in Assumptions**

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

- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points. This, in addition to the actual per person health benefit cost being lower than projected, reduced the plan's total OPEB liability by an additional \$1.8 billion in 2020.
- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in a lower than projected per person health benefit cost to reduce the plan's total OPEB liability by an additional \$1.4 billion in 2019.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in a lower than projected per person health benefit cost to reduce the plan's total OPEB liability by \$1.4 billion in 2018.

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## Other Supplemental Information

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# Lakeview School District

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

**June 30, 2021**

	Special Revenue Fund		Debt Service Fund	Capital Projects Funds				Total
	Food Services Fund	Student Activities	Bond Issue Debt Service Fund	Public Improvement Fund	2016 Capital Projects Fund	Energy Bond Fund	2021 Capital Projects Fund	
<b>Assets</b>								
Cash and investments	\$ 1,420,603	\$ 237,529	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,658,132
Receivables:								
Accounts receivable	16,328	-	-	-	9,477	-	-	25,805
Due from other governments	112,932	-	6,009	-	-	-	-	118,941
Due from other funds	55,886	-	4,750	-	-	-	-	60,636
Inventories	25,972	-	-	-	-	-	-	25,972
Prepaid costs	6,795	-	500	-	-	3,598	-	10,893
Restricted assets	-	-	998,689	480,213	509,824	43,625	270,002	2,302,353
<b>Total assets</b>	<b>\$ 1,638,516</b>	<b>\$ 237,529</b>	<b>\$ 1,009,948</b>	<b>\$ 480,213</b>	<b>\$ 519,301</b>	<b>\$ 47,223</b>	<b>\$ 270,002</b>	<b>\$ 4,202,732</b>
<b>Liabilities</b>								
Accounts payable	\$ 46,009	\$ -	\$ 16,561	\$ -	\$ -	\$ -	\$ 145,714	\$ 208,284
Due to other governmental units	1,257	-	-	-	-	-	-	1,257
Due to other funds	417,948	-	-	-	519,301	-	59,175	996,424
Accrued payroll and other liabilities	12,757	-	-	-	-	-	270,000	282,757
Unearned revenue	42,139	-	-	-	-	-	-	42,139
<b>Total liabilities</b>	<b>520,110</b>	<b>-</b>	<b>16,561</b>	<b>-</b>	<b>519,301</b>	<b>-</b>	<b>474,889</b>	<b>1,530,861</b>
<b>Fund Balances</b>								
Nonspendable:								
Inventory	25,972	-	-	-	-	-	-	25,972
Prepaid costs	6,795	-	500	-	-	3,598	-	10,893
Restricted:								
Debt service	-	-	992,887	-	-	-	-	992,887
Capital projects	-	-	-	480,213	-	43,625	-	523,838
Food service	1,085,639	-	-	-	-	-	-	1,085,639
Committed - Student activities	-	237,529	-	-	-	-	-	237,529
Unassigned	-	-	-	-	-	-	(204,887)	(204,887)
<b>Total fund balances (deficit)</b>	<b>1,118,406</b>	<b>237,529</b>	<b>993,387</b>	<b>480,213</b>	<b>-</b>	<b>47,223</b>	<b>(204,887)</b>	<b>2,671,871</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 1,638,516</b>	<b>\$ 237,529</b>	<b>\$ 1,009,948</b>	<b>\$ 480,213</b>	<b>\$ 519,301</b>	<b>\$ 47,223</b>	<b>\$ 270,002</b>	<b>\$ 4,202,732</b>

# Lakeview School District

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

**Year Ended June 30, 2021**

	Special Revenue Fund		Debt Service Fund	Capital Projects Funds				Total
	Food Services Fund	Student Activities	Debt Fund	Public Improvement Fund	2016 Capital Projects Fund	Energy Bond Fund	2021 Capital Projects Fund	
<b>Revenue</b>								
Local sources	\$ 270,432	\$ 155,371	\$ 5,054,703	\$ 53	\$ 11,020	\$ 43	\$ 2	\$ 5,491,624
State sources	96,812	-	-	-	-	-	-	96,812
Federal sources	2,179,675	-	-	-	41,156	-	-	2,220,831
<b>Total revenue</b>	<b>2,546,919</b>	<b>155,371</b>	<b>5,054,703</b>	<b>53</b>	<b>52,176</b>	<b>43</b>	<b>2</b>	<b>7,809,267</b>
<b>Expenditures</b>								
Current:								
Support services	43,852	204,831	415	10	10,504	11,075	38,149	308,836
Food services	2,081,085	-	-	-	-	-	-	2,081,085
Debt service:								
Principal	-	-	2,580,000	-	-	-	-	2,580,000
Interest	-	-	2,439,080	-	-	-	-	2,439,080
Other debt costs	-	-	100,988	-	-	-	129,552	230,540
Capital outlay	141,901	-	-	300,593	1,708,166	-	37,188	2,187,848
<b>Total expenditures</b>	<b>2,266,838</b>	<b>204,831</b>	<b>5,120,483</b>	<b>300,603</b>	<b>1,718,670</b>	<b>11,075</b>	<b>204,889</b>	<b>9,827,389</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>280,081</b>	<b>(49,460)</b>	<b>(65,780)</b>	<b>(300,550)</b>	<b>(1,666,494)</b>	<b>(11,032)</b>	<b>(204,887)</b>	<b>(2,018,122)</b>
<b>Other Financing Sources (Uses)</b>								
School loan revolving fund proceeds	-	-	374,367	-	-	-	-	374,367
Transfers out	(159,638)	-	-	-	-	-	-	(159,638)
<b>Total other financing (uses) sources</b>	<b>(159,638)</b>	<b>-</b>	<b>374,367</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>214,729</b>
<b>Net Change in Fund Balances</b>	<b>120,443</b>	<b>(49,460)</b>	<b>308,587</b>	<b>(300,550)</b>	<b>(1,666,494)</b>	<b>(11,032)</b>	<b>(204,887)</b>	<b>(1,803,393)</b>
<b>Fund Balances - Beginning of year (as restated)</b>	<b>997,963</b>	<b>286,989</b>	<b>684,800</b>	<b>780,763</b>	<b>1,666,494</b>	<b>58,255</b>	<b>-</b>	<b>4,475,264</b>
<b>Fund Balances (Deficit) - End of year</b>	<b>\$ 1,118,406</b>	<b>\$ 237,529</b>	<b>\$ 993,387</b>	<b>\$ 480,213</b>	<b>\$ -</b>	<b>\$ 47,223</b>	<b>\$ (204,887)</b>	<b>\$ 2,671,871</b>



**Lakeview School District**

**Other Supplemental Information  
Schedule of Bonded Indebtedness**

**June 30, 2021**

Years Ending June 30	2002 Debt Series B	2016 Building and Site Bonds	2018 Energy Bond
	Principal	Principal	Principal
2022	\$ 2,180,000	\$ 525,000	\$ 180,000
2023	2,285,000	550,000	190,000
2024	2,395,000	575,000	195,000
2025	2,510,000	600,000	200,000
2026	2,635,000	625,000	210,000
2027	2,760,000	650,000	215,000
2028	2,895,000	675,000	220,000
2029	3,035,000	700,000	230,000
2030	3,180,000	725,000	235,000
2031	3,335,000	775,000	245,000
2032	3,495,000	800,000	250,000
2033	-	850,000	260,000
2034	-	875,000	-
2035	-	925,000	-
2036	-	975,000	-
2037	-	1,025,000	-
2038	-	1,075,000	-
2039	-	1,125,000	-
2040	-	1,175,000	-
2041	-	1,225,000	-
2042	-	1,275,000	-
2043	-	1,325,000	-
2044	-	1,375,000	-
2045	-	1,425,000	-
2046	-	1,450,000	-
Total remaining payments	<b>\$ 30,705,000</b>	<b>\$ 23,300,000</b>	<b>\$ 2,630,000</b>
Principal payments due	May 1	May 1	May 1
Interest payments due	May 1 and November 1	May 1 and November 1	May 1 and November 1
Interest rate	Variable	2.00% to 5.00%	3.00% to 4.00%
Original issue	<b>\$ 32,785,000</b>	<b>\$ 25,565,000</b>	<b>\$ 3,135,000</b>