
Lake Shore Public Schools

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

Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-10
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	13
Reconciliation of the Balance Sheet to the Statement of Net Position	14
Statement of Revenue, Expenditures, and Changes in Fund Balances	15
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	16
Proprietary Fund:	
Statement of Net Position	17
Statement of Revenue, Expenses, and Changes in Net Position	18
Statement of Cash Flows	19
Notes to Financial Statements	20-39
Required Supplemental Information	40
Budgetary Comparison Schedule - General Fund	41
Schedule of Proportionate Share of the Net Pension Liability	42
Schedule of Pension Contributions	43
Schedule of Proportionate Share of the Net OPEB Liability	44
Schedule of OPEB Contributions	45
Notes to Required Supplemental Information	46
Other Supplemental Information	47
Nonmajor Governmental Funds:	
Combining Balance Sheet	48
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	49
Schedule of Bonded Indebtedness	50
Federal Awards Supplemental Information	Issued Under Separate Cover

Independent Auditor's Report

To the Board of Education
Lake Shore Public Schools

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of Lake Shore Public Schools (the "School District") as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major funds, and the aggregate remaining fund information of the School District as of June 30, 2022 and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

To the Board of Education
Lake Shore Public Schools

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplemental Information

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

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Education
Lake Shore Public Schools

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2022 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 7, 2022

This section of Lake Shore Public Schools' (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2022. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using This Annual Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Lake Shore Public Schools 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 2022 Capital Projects Fund - with all other funds presented in one column as nonmajor funds. The Internal Service Fund statement of net position; statement of revenue, expenses, and changes in net position; and statement of cash flows present financial information about activities for which the School District provides services to other funds.

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 Proportionate Share of the Net Pension Liability

Schedule of Pension Contributions

Schedule of 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 and liabilities/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 and deferred outflows of resources and liabilities and deferred inflows of resources, as reported in the statement of net position - as one way to measure the School District's 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 condition 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 condition of the School District.

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

Reporting the School District's Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds, not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Cafeteria and Capital Projects funds are examples) 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). The governmental funds of the School District use the following accounting approach:

Governmental Funds

Most of the School District's services are reported in 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.

Proprietary Funds

Proprietary fund reporting focuses on the economic resources measurement and an accounting method called full accrual accounting. The proprietary fund statements present a long-term view of operations and the services it provides to other funds. The School District established a proprietary fund, specifically the Internal Service Fund, to finance specific services provided to other funds of the School District on a cost-reimbursement basis.

Lake Shore Public Schools

Management's Discussion and Analysis (Continued)

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2022 and 2021:

	Governmental Activities	
	2022	2021
	(in millions)	
Assets		
Current and other assets	\$ 34.4	\$ 15.7
Capital assets	42.3	42.0
Total assets	76.7	57.7
Deferred Outflows of Resources	17.2	24.3
Liabilities		
Current liabilities	6.2	5.5
Noncurrent liabilities	61.8	41.9
Net pension liability	60.3	88.2
Net OPEB liability	3.9	13.7
Total liabilities	132.2	149.3
Deferred Inflows of Resources	40.5	16.4
Net Position (Deficit)		
Net investment in capital assets	4.5	3.8
Restricted	-	-
Unrestricted	(83.3)	(87.5)
Total net position (deficit)	\$ (78.8)	\$ (83.7)

The above analysis focuses on the net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was a deficit of \$78.8 million at June 30, 2022, a net decrease in the deficit of \$4.9 million over June 30, 2021. The net investment in capital assets of \$4.5 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 remainder was an unrestricted net deficit of \$83.3 million.

The \$83.3 million deficit in unrestricted net position of governmental activities represents the accumulated results of all past years' operations and the impact from adoption of GASB Statement Nos. 68 and 75 (recording the School District's share of the net pension and OPEB liabilities, respectively, from the state-managed retirement system). Unrestricted net position, when available, would enable the School District to meet working capital and cash flow requirements, as well as to provide for future uncertainties. The operating results of the General Fund and the change in the net pension and OPEB liabilities will have significant impacts on the change in unrestricted net position from year to year.

Lake Shore Public Schools

Management's Discussion and Analysis (Continued)

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2022 and 2021:

	Governmental Activities	
	2022	2021
(in millions)		
Revenue		
Program revenue:		
Charges for services	\$ 1.1	\$ 0.4
Operating grants	21.6	16.9
General revenue:		
Taxes	6.7	6.6
State aid not restricted to specific purposes	23.8	25.4
Other	1.1	0.3
Total revenue	54.3	49.6
Expenses		
Instruction	25.1	27.7
Support services	16.8	17.0
Athletics	0.6	0.7
Food services	1.4	1.1
Adult and community services	1.0	0.7
Debt service	1.9	1.2
Depreciation expense (unallocated)	2.6	2.5
Total expenses	49.4	50.9
Change in Net Position	4.9	(1.3)
Net Position (Deficit) - Beginning of year	(83.7)	(82.4)
Net Position (Deficit) - End of year	<u>\$ (78.8)</u>	<u>\$ (83.7)</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$49.4 million. Certain activities were partially funded from those who benefited from the programs (\$1.1 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$21.6 million). We paid for the remaining public benefit portion of our governmental activities with \$6.7 million in taxes, \$23.8 million in state foundation allowance, and other revenue (i.e., interest and general entitlements).

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 the School District's 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 the year, the governmental funds reported a combined fund balance of \$28 million. The General Fund reported a fund balance decrease of approximately \$1,990,000. The main reason for the significant operating loss was a decline of 213 students compared to 2020-2021, equating to approximately \$1.8 million in lost revenue. This loss was a result of the elimination of the 2020-2021 state-mandated safe harbor super blend, which limited student count losses to 25 percent of the actual decline.

Lake Shore Public Schools

Management's Discussion and Analysis (Continued)

The debt service funds showed a combined fund balance decrease of approximately \$6,900. Millage rates remained the same as the previous year at a rate of 7.0 mills. Millage rates are determined when appropriate to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. The debt service funds' fund balances are restricted since they can only be used to pay debt service obligations.

The remaining fund balance of the 2019 and 2017 Capital Projects Funds was fully used during 2022. During 2022, the School District issued the 2022 bonds and the 2022 Capital Projects Fund had approximately \$22,400,000 in fund balance at June 30, 2022.

The School District's nonbonded capital projects fund is the Building and Site Fund. This fund balance decreased from the prior year by approximately \$352,000. The Building and Site Fund will continue to be in existence going forward and will be utilized to fund major capital needs so that these expenditures are not a financial burden on the General Fund.

On a combined basis, the special revenue funds fund balance increased by \$156,388 during 2022.

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 before year end. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information in these financial statements. Expenditure variances were minimal.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2022, the School District had \$42.3 million invested in a broad range of capital assets, including land, construction in progress, buildings, vehicles, furniture, and equipment. This amount represents an increase of approximately \$300,000 from the previous year (including additions, disposals, and depreciation).

	Governmental Activities	
	2022	2021
Land	\$ 307,684	\$ 307,684
Buildings and improvements	33,808,602	34,650,086
Furniture and equipment	4,789,643	3,498,222
Buses and other vehicles	356,222	436,164
Land improvements	3,038,386	3,079,090
Total capital assets - Net of accumulated depreciation	\$ 42,300,537	\$ 41,971,246

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 \$56.71 million in general obligation bonds outstanding versus \$37.69 million in the previous year.

The School District's general obligation bond rating is AA by Standard & Poor's. 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. All of the bonds issued by the School District are qualified.

Other obligations include accrued vacation pay, sick leave, and insurance benefits. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Next Year's Budget Outlook for the General Fund

The operating results of the General Fund, the School District's principal operating fund, will have a significant impact on other funds and the change in unrestricted net position from year to year. The following budget outlook will focus on the General Fund.

Revenue Projection

Our elected officials and administration considered many factors when setting the School District's 2022-2023 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2022-2023 fiscal year is based on 90 and 10 percent of the October 2022 and February 2022 student counts, respectively. The 2022-2023 budget, adopted in June 2022, was based on the School District's estimate of students that will be enrolled in October 2022. The 2022-2023 student count estimate of 3,076 is based on the spring 2022 figure, which is a reduction of 80 from the 2021-2022 blended amount of 3,156. Overall, the School District has continued to experience a declining enrollment trend.

Approximately 65 percent of total General Fund revenue is from the foundation allowance. The 2022-2023 budget is based on a decrease of 80 students from the 2021-2022 blended count. Based on executive, senate, and house budget proposals that were in negotiation as of June 30, 2022, a \$435 per student foundation allowance increase was assumed. The net result of these assumptions is a budgeted 2022-2023 net increase in the foundation allowance of approximately \$642,000.

Under state law, the School District cannot assess additional property tax revenue for general operations. 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 school districts. The State periodically holds a Revenue Estimating Conference, usually in January and May, to estimate annual revenue. As a result of the State's recent history of foundation allowance reductions in midyear, once the final student count and related per pupil funding are validated, state law requires the School District to amend the budget if actual school district resources are not sufficient to fund original appropriations.

Expense Projection

Wages, taxes, and benefits comprise approximately 89 percent of all General Fund expenditures.

With regard to pension and OPEB costs, which are the biggest benefit expense for employees, the state retirement system has been reformed by the State. The reform will artificially keep the contribution rate at a lower rate than actual and shift more retirement costs to employees.

The actual contribution rate schools will be paying for the 2022-2023 school year is 44.88 percent, a 3.70 percent increase from last year. The State of Michigan is helping schools pay for this increase by allocating additional funding to be used toward the retirement rate increase. With the additional funding, the retirement rate will be artificially reduced to approximately 28.23 percent, the same percent as last year.

Each percentage increase in the retirement rate equates to an increase in retirement benefit expenses of approximately \$200,000.

2022-2023 Bottom Line

Lake Shore Public Schools maintains the position that it is the School District's goal to provide services to our students through prudent expenditures and strategic planning, not to generate profits. Services to the School District's students include, but are not limited to instruction, support services, athletics, community education, food services, and the maintenance and safety of our school buildings.

In May 2022, voters agreed with the board's position and approved a \$66,750,000 bond proposal that will pay for the following: remodeling, furnishing, and refurbishing school buildings; erecting, furnishing and equipping additions to school buildings; acquiring and installing instructional technology; improving outdoor spaces, playgrounds and athletic fields, among other things. This project will commence in the fall of 2022 with projected completion in 2027.

Although there had been a wage freeze for a number of years, it is important to the board to retain and attract qualified staff, both instructional and noninstructional. To that end, the board continues to authorize salary increases to acknowledge employees' hard work and dedication. We anticipate the use of fund balance to cover a portion of these costs.

Fund balance will play an important role in maintaining a strong fiscal position. The School District will reevaluate the appropriate amount of fund balance to ensure a level of cash flows needed during the period from August 21 to October 19. This is the time period when there is no state foundation revenue coming to the School District; however, the School District has payroll and operational expenses that must be paid. Based on these financial obligations, it is a best practice that a minimum of 10 percent fund balance (as compared to operating expenditures) be maintained. Based on the district's 2021-2022 operating loss of \$1,990,118 and 6.5 percent fund balance as of June 30, 2022, a \$2,764,000 state aid anticipation note borrowing occurred in August 2022 for cash flow purposes.

Lake Shore Public Schools will continue to take action in 2022-2023 to ensure that all financial challenges are overcome. With the loss of over 500 students since June 30, 2016, combined with salary and benefit increases over the last five years, a 2019-2020 \$175 per student foundation allowance proration, and all of the financial volatility caused by the COVID-19 pandemic, the School District reported a General Fund fund balance of 6.5 percent as a percentage of expenditures as of June 30, 2022. These financial facts have caused the School District to implement a district-wide staff right-sizing plan commencing on July 1, 2022 to ensure that its financial position improves despite adverse industry developments and necessary employee compensation increases.

For the 2022-2023 school year, the School District is expected to utilize approximately \$1.5 million in ESSER III funding for learning recovery, technology upgrades, and costs associated with the COVID-19 pandemic. However, uncertainties in the federal and state economies due to historically high inflation, rising interest rates and reduced economic growth combined with overall financial volatilities will challenge the School District's goal of 15 percent fund balance as a percentage of expenditures.

Contacting the School District's Management

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

Lake Shore Public Schools

Statement of Net Position

June 30, 2022

	<u>Governmental Activities</u>
Assets	
Cash and investments (Note 4)	\$ 3,650,169
Receivables:	
Property taxes receivable	29,592
Other receivables	113,623
Due from other governments	6,899,850
Inventories	43,081
Prepaid costs	594,253
Restricted assets (Note 4)	23,019,437
Capital assets - Net (Note 6)	<u>42,300,537</u>
Total assets	76,650,542
Deferred Outflows of Resources	
Deferred charges on bond refunding (Note 8)	80,214
Deferred pension costs (Note 10)	12,393,652
Deferred OPEB costs (Note 10)	<u>4,755,996</u>
Total deferred outflows of resources	17,229,862
Liabilities	
Accounts payable	1,034,662
Due to other governmental units	8,000
Accrued liabilities:	
Accrued payroll-related liabilities	3,922,956
Accrued interest	301,632
Unearned revenue (Note 5)	924,657
Provision for uninsured losses (Note 9)	8,730
Noncurrent liabilities:	
Due within one year (Note 8)	9,034,845
Due in more than one year (Note 8)	52,774,779
Net pension liability (Note 10)	60,287,859
Net OPEB liability (Note 10)	<u>3,881,118</u>
Total liabilities	132,179,238
Deferred Inflows of Resources	
Revenue in support of pension contributions made subsequent to measurement date (Note 10)	4,004,152
Deferred pension cost reductions (Note 10)	21,428,250
Deferred OPEB cost reductions (Note 10)	<u>15,108,304</u>
Total deferred inflows of resources	<u>40,540,706</u>
Net Position (Deficit)	
Net investment in capital assets	4,508,678
Unrestricted	<u>(83,348,218)</u>
Total net position (deficit)	<u><u>\$ (78,839,540)</u></u>

Lake Shore Public Schools

Statement of Activities

Year Ended June 30, 2022

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	\$ 25,128,202	\$ 531,967	\$ 10,908,098	\$ (13,688,137)
Support services	16,751,733	28,416	8,924,807	(7,798,510)
Athletics	638,737	42,792	-	(595,945)
Food services	1,375,838	63,119	1,739,050	426,331
Adult and community services	952,275	455,926	-	(496,349)
Interest	1,144,624	-	-	(1,144,624)
Other debt costs	737,396	-	-	(737,396)
Depreciation expense (unallocated)	2,582,941	-	-	(2,582,941)
Total primary government	\$ 49,311,746	\$ 1,122,220	\$ 21,571,955	(26,617,571)
General revenue (expenses):				
Taxes:				
Property taxes levied for general purposes				2,394,497
Property taxes levied for debt service				4,344,453
State aid not restricted to specific purposes				23,802,769
Interest and investment earnings				6,543
Penalties, interest, and other taxes				6,236
Loss on disposal of capital assets				(64,540)
Other				973,416
Total general revenue (expenses)				<u>31,463,374</u>
Change in Net Position				4,845,803
Net Position (Deficit) - Beginning of year				<u>(83,685,343)</u>
Net Position (Deficit) - End of year				<u>\$ (78,839,540)</u>

Lake Shore Public Schools

Governmental Funds Balance Sheet

June 30, 2022

	General Fund	2022 Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments (Note 4)	\$ 1,645,813	\$ -	\$ 1,566,809	\$ 3,212,622
Receivables:				
Property taxes receivable	29,592	-	-	29,592
Other receivables	113,623	-	-	113,623
Due from other governments	6,519,139	-	380,711	6,899,850
Due from other funds (Note 7)	138,812	-	990,316	1,129,128
Inventories	-	-	43,081	43,081
Prepaid costs	582,125	-	12,128	594,253
Restricted assets (Note 4)	-	22,740,898	278,539	23,019,437
	\$ 9,029,104	\$ 22,740,898	\$ 3,271,584	\$ 35,041,586
Total assets				
Liabilities				
Accounts payable	\$ 479,151	\$ 344,584	\$ 210,927	\$ 1,034,662
Due to other governmental units	8,000	-	-	8,000
Due to other funds (Note 7)	973,354	-	129,940	1,103,294
Accrued liabilities	3,771,768	-	151,188	3,922,956
Unearned revenue (Note 5)	800,422	-	124,235	924,657
	6,032,695	344,584	616,290	6,993,569
Total liabilities				
Fund Balances				
Nonspendable:				
Inventories	-	-	43,081	43,081
Prepaid costs	582,125	-	5,156	587,281
Restricted:				
Debt service	-	-	115,216	115,216
Capital projects	-	22,396,314	-	22,396,314
Adult and community education	-	-	449,336	449,336
Food service	-	-	648,795	648,795
Committed:				
Technology plan	-	-	58,614	58,614
Vehicle replacement plan	-	-	180,000	180,000
International program operations	-	-	98,710	98,710
Capital projects	-	-	532,655	532,655
Student activities	-	-	465,117	465,117
Deferred maintenance plan	267,500	-	58,614	326,114
Assigned (Note 11)	1,076,054	-	-	1,076,054
Unassigned	1,070,730	-	-	1,070,730
	2,996,409	22,396,314	2,655,294	28,048,017
Total fund balances				
Total liabilities and fund balances	\$ 9,029,104	\$ 22,740,898	\$ 3,271,584	\$ 35,041,586

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2022

Fund Balances Reported in Governmental Funds	\$ 28,048,017
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	97,465,407
Accumulated depreciation	<u>(55,164,870)</u>
Net capital assets used in governmental activities	42,300,537
Deferred outflows related to bond refundings are not reported in the funds	80,214
Bonds payable (including unamortized premiums) and the School Loan Revolving Fund loan balance are not due and payable in the current period and are not reported in the funds	(60,268,387)
Accrued interest is not due and payable in the current period and is not reported in the funds	(301,632)
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	(1,303,229)
Long-term insurance benefits	(238,008)
Net pension liability and related deferred inflows and outflows	(69,322,457)
Net OPEB liability and related deferred inflows and outflows	(14,233,426)
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	(4,004,152)
Internal service funds are included as part of governmental activities	<u>402,983</u>
Net Position (Deficit) of Governmental Activities	<u><u>\$ (78,839,540)</u></u>

Lake Shore Public Schools

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2022

	General Fund	2022 Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Local sources	\$ 2,844,214	\$ -	\$ 6,003,151	\$ 8,847,365
State sources	31,630,509	-	1,245,799	32,876,308
Federal sources	7,570,724	-	3,813,824	11,384,548
Interdistrict sources	1,781,386	-	13,888	1,795,274
Total revenue	43,826,833	-	11,076,662	54,903,495
Expenditures				
Current:				
Instruction	26,867,973	-	2,412,516	29,280,489
Support services	16,791,540	38,405	1,691,469	18,521,414
Athletics	747,280	-	-	747,280
Food services	-	-	1,437,087	1,437,087
Adult and community services	331,680	-	804,955	1,136,635
Debt service:				
Principal	-	-	3,590,000	3,590,000
Interest	-	-	1,116,826	1,116,826
Other debt costs	-	736,896	500	737,396
Capital outlay	1,242,168	218,928	2,420,111	3,881,207
Total expenditures	45,980,641	994,229	13,473,464	60,448,334
Excess of Expenditures Over Revenue	(2,153,808)	(994,229)	(2,396,802)	(5,544,839)
Other Financing Sources (Uses)				
Face value of debt issued (Note 8)	-	22,615,000	-	22,615,000
Premium on debt issued (Note 8)	-	775,543	-	775,543
School Bond Loan Revolving Fund proceeds	-	-	318,308	318,308
Transfers in (Note 7)	180,000	-	16,310	196,310
Transfers out (Note 7)	(16,310)	-	(180,000)	(196,310)
Total other financing sources	163,690	23,390,543	154,618	23,708,851
Net Change in Fund Balances	(1,990,118)	22,396,314	(2,242,184)	18,164,012
Fund Balances - Beginning of year	4,986,527	-	4,897,478	9,884,005
Fund Balances - End of year	<u>\$ 2,996,409</u>	<u>\$ 22,396,314</u>	<u>\$ 2,655,294</u>	<u>\$ 28,048,017</u>

Lake Shore Public Schools

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

Year Ended June 30, 2022

Net Change in Fund Balances Reported in Governmental Funds	\$ 18,164,012
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	3,468,761
Depreciation expense	(3,074,930)
Net book value of assets disposed of	(64,540)
Revenue in support of pension contributions made subsequent to the measurement date	(681,406)
Issuing debt, net of premiums, provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position	(23,708,851)
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 and deferred outflows related to bond refundings are not expenses in the governmental funds	3,706,167
Interest expense is recognized in the government-wide statements as it accrues	(143,965)
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	7,307,462
The long-term insurance benefit does not use current financial resources and is not reported as an expenditure in the governmental funds	19,992
Internal service funds are included as part of governmental activities	(146,899)
Change in Net Position of Governmental Activities	<u>\$ 4,845,803</u>

Lake Shore Public Schools

Proprietary Fund Statement of Net Position

June 30, 2022

Internal Service
Fund

Assets - Current assets - Cash and investments (Note 4)

\$ 437,547

Liabilities

Current liabilities:

Due to other funds (Note 7)

25,834

Provision for uninsured losses (Note 9)

8,730

Total liabilities

34,564

Net Position - Unrestricted

\$ 402,983

Lake Shore Public Schools

Proprietary Fund Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2022

	<u>Internal Service Fund</u>
Operating Revenue - Charges to other funds	\$ 32,135
Operating Expenses - Claims, reinsurance, premiums, and administrative fees	<u>179,938</u>
Operating Loss	(147,803)
Nonoperating Revenue - Interest and investment earnings	<u>904</u>
Change in Net Position	(146,899)
Net Position - Beginning of year	<u>549,882</u>
Net Position - End of year	<u><u>\$ 402,983</u></u>

Lake Shore Public Schools

**Proprietary Fund
Statement of Cash Flows**

Year Ended June 30, 2022

	<u>Internal Service Fund</u>
Cash Flows from Operating Activities	
Payments from other funds	\$ 32,135
Claims paid	<u>(157,320)</u>
Net cash and investments used for operating activities	(125,185)
Cash Flows Provided by Investing Activities - Interest received on investments	<u>904</u>
Net Decrease in Cash and Investments	(124,281)
Cash and Investments - Beginning of year	<u>561,828</u>
Cash and Investments - End of year	<u>\$ 437,547</u>
Reconciliation of Operating Loss to Net Cash and Investments used for Operating Activities	
Operating loss	\$ (147,803)
Adjustments to reconcile operating loss to net cash and investments used for operating activities - Changes in assets and liabilities:	
Due to other funds	18,418
Accrued liabilities and provision for uninsured losses	<u>4,200</u>
Net cash and investments used for operating activities	<u>\$ (125,185)</u>

Note 1 - Nature of Business

Lake Shore Public Schools (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 (GASB). 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 governmental accounting principles, there are no separate legal entities appropriate to be reported within these financial statements.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

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

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule occur when there are charges between the School District's business-type activities and various other functions of the School District. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Separate financial statements are provided for governmental funds and proprietary 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 two broad fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds include the General Fund, special revenue funds, debt service funds, and capital projects 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 2022 Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for the voter-approved capital projects associated with the 2022 bond issue. The fund operates until the purpose for which it was created is accomplished.

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

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The School District's special revenue funds are the Student Activities, Cafeteria, International Program, and Adult and Community Education funds. Revenue sources for the Student Activities Fund includes fundraising revenue and donations earned and received by student groups. Revenue sources for the Cafeteria Fund include sales to customers and dedicated grants from state and federal sources. The primary revenue source for the International Program Fund is fees charged to the participating families of the international program. Revenue sources for the Adult and Community Education Fund include dedicated grants from state and federal sources and tuition charges. Any operating deficit in these funds is the responsibility of the General Fund.
- Capital projects funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and technology upgrades and for remodeling and repairs. The funds operate until the purpose for which they were created is accomplished.
- Debt service funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

Proprietary Funds

Proprietary funds include the Internal Service Fund (which provides services to other funds of the School District).

The Internal Service Fund is used to account for risk management services provided to other funds of the School District on a cost-reimbursement basis. The net position of the fund has been set aside by management for the purpose of funding any future potential claims.

Note 2 - Significant Accounting Policies (Continued)

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 amounts due from/to other funds or 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.

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

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to 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. 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 recorded until they come due for payment. Debt service expenditures, claims, and judgments are recorded 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 deferred inflows of resources.

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

Specific Balances and Transactions

Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with maturities of three months or less when acquired. All of the School District's investments are stated at amortized cost, which include external investment pools.

Inventories and Prepaid Costs

Inventories are valued at cost on a first-in, first-out basis. Inventories are recorded as expenditures when purchased for all inventories of governmental funds other than USDA commodities recorded in the Cafeteria Fund, which are recorded as expenditures when consumed. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

Restricted Assets

The unspent bond proceeds and related interest in the capital projects funds require amounts to be set aside for construction. These amounts have been classified as restricted assets. The cash held in the debt service funds is recorded as restricted, as the amounts are required to be used to make the applicable bond principal and interest payments as they come due.

Note 2 - Significant Accounting Policies (Continued)

Capital Assets

Capital assets 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 initial individual costs of more than \$5,000, with the exception of computers, which are not subject to this threshold, and estimated useful lives 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 values at the date of donation.

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

	Depreciable Life - Years
Buildings and improvements	7-50
Furniture and equipment	5-20
Buses and other vehicles	8-10
Land improvements	20

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as other financing sources and bond discounts as other financing uses. The General Fund and debt service funds 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 reports deferred outflows of resources, which represent consumption of net position that applies to future periods and will be recognized as outflows of resources (expenses/expenditures) at that time.

The School District reports deferred outflows of resources related to deferred pension and OPEB plan costs and deferred charges on prior bond refundings.

In addition to liabilities, the statement of net position and/or balance sheet reports deferred inflows of resources, which represent acquisitions of net position or fund balance that apply to future periods and will be recognized as inflows of resources (revenue) at that time.

The School District reports deferred inflows on the statement of net position 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. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted.

Note 2 - Significant Accounting Policies (Continued)

Net Position Flow Assumption

The School District will sometimes fund outlays for particular purposes 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, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

The School District will sometimes fund outlays for particular purposes from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balances 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 balances to have been depleted before using any of the components of unrestricted fund balances. Furthermore, when the components of unrestricted fund balances can be used for the same purpose, committed fund balances are depleted first, followed by assigned fund balances. Unassigned fund balances are applied last.

Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Nonspendable fund balances represent amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balances represent amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for specific purposes. The School District can establish limitations on the use of resources through either commitments (committed fund balances) or assignments (assigned fund balances).

Committed fund balances include amounts that can be used only for the specific purposes determined by formal actions 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 resolutions prior to the end of the fiscal year, commit fund balances. Once passed, the limitations imposed by the resolutions remain in place until resolutions are passed to remove or revise the limitations.

Assigned fund balances are used by the School District for specific purposes but do not meet the criteria to be classified as committed. The School District has, by resolution, authorized the superintendent or chief financial officer to assign fund balances. The Board of Education may also assign fund balances as it does when appropriating fund balance to fund revenue shortfalls in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist only temporarily, so additional actions are not normally required for the removal of assignments.

The fund balance policy prescribes the minimum fund balance as 15 percent of expenditures in the General Fund. This is deemed to be the prudent amount to maintain the School District's ability to meet obligations as they come due throughout the year. If fund balance falls below 13 percent, the Board of Education may pass a motion by roll call vote to suspend the policy. If fund balance declines below 15 percent, it shall be recovered at a rate of 1 percent, minimally, each year.

Property Tax Revenue

Property taxes are assessed as of December 31, and the related property taxes become a lien on July 1 of the following year. Taxes are considered delinquent on February 15 of the following year. At that time, penalties and interest are assessed, and the total obligations are added to the county tax rolls. The School District considers all taxes receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Note 2 - Significant Accounting Policies (Continued)

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 acquisition purposes. Amounts that are unrestricted or that are restricted for specific operating purposes are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

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 (Vacation and Sick Leave)

It is the School District's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for these amounts has been calculated using the vesting method in which leave amounts for both employees who are currently eligible to receive termination payments at normal retirement age and other employees who are expected to become eligible in the future to receive such payments upon normal retirement are included. These amounts are reported in the government-wide financial statements. A liability for these amounts is reported in governmental funds for known employee terminations as of year end. Generally, the funds that report each employee's compensation are used to liquidate these obligations.

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds is charges to other governmental funds of the School District. Operating expenses for these funds include the cost of claims for self-insured benefits. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

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

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

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

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

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 with the following exceptions: (1) capital outlay is budgeted in other expenditures categories on a functional basis and (2) operating transfers in/out are budgeted for as revenue/expenditures as opposed to other financing sources/uses. The School District also adopted annual budgets for its nonmajor special revenue funds, debt service funds, capital projects funds, and the Internal Service Fund. 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.

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

Excess of Expenditures Over Appropriations in Budgeted Funds

The School District did not have significant expenditure budget variances.

Capital Projects Fund Compliance

The 2022 and 2019 Capital Projects funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

Beginning with the year of the 2019 bond issuance, the School District has reported the annual construction activity in the 2019 Capital Projects Fund. The projects for which this bond was issued were considered complete on June 30, 2022.

The 2017 Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For this capital project, the projects for which the bonds were issued were considered complete during a prior period, and the School District has completed the required reporting to the Michigan Department of Treasury.

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 and investments are in accordance with statutory authority.

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

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

The School District's cash and investments are subject to several types of risk, which are described 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 bank deposits totaling \$3,107,212 (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, 2022, the School District did not carry 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.

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 June 30, 2022, the credit quality ratings of the School District's investments are as follows:

Investment	S&P: AAAm
Primary Government	
MILAF investment pool - MAX Class	\$ 286,102
Morgan Stanley Institutional Liquidity Government investment pool	22,624,047

June 30, 2022

Note 4 - Deposits and Investments (Continued)

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 any investments subject to concentration of credit risk.

Foreign Currency Risk

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

Note 5 - Unearned Revenue

Governmental funds report unearned revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2022, the various components of unearned revenue were as follows:

Cafeteria Fund - Student food sales	\$	10,686
Cafeteria Fund - Restricted federal funding received prior to meeting all eligibility requirements		61,909
Adult and Community Education Fund - Tuition and fees		51,640
General Fund - Restricted state funding received prior to meeting all eligibility requirements		742,974
General Fund - Prepaid tuition and other		<u>57,448</u>
Total	\$	<u><u>924,657</u></u>

June 30, 2022

Note 6 - Capital Assets

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

Governmental Activities

	Balance July 1, 2021	Additions	Disposals and Adjustments	Balance June 30, 2022
Capital assets not being depreciated - Land	\$ 307,684	\$ -	\$ -	\$ 307,684
Capital assets being depreciated:				
Buildings and improvements	76,677,814	1,240,338	(6,972)	77,911,180
Furniture and equipment	8,161,072	2,051,803	(417,549)	9,795,326
Buses and other vehicles	1,260,439	-	-	1,260,439
Land improvements	8,014,158	176,620	-	8,190,778
Subtotal	94,113,483	3,468,761	(424,521)	97,157,723
Accumulated depreciation:				
Buildings and improvements	42,027,728	2,074,850	-	44,102,578
Furniture and equipment	4,662,850	702,814	(359,981)	5,005,683
Buses and other vehicles	824,275	79,942	-	904,217
Land improvements	4,935,068	217,324	-	5,152,392
Subtotal	52,449,921	3,074,930	(359,981)	55,164,870
Net capital assets being depreciated	41,663,562	393,831	(64,540)	41,992,853
Net governmental activities capital assets	<u>\$ 41,971,246</u>	<u>\$ 393,831</u>	<u>\$ (64,540)</u>	<u>\$ 42,300,537</u>

Depreciation expense was charged to programs as follows:

Governmental activities:	
Instruction	\$ 245,994
Support services	215,245
Food services	30,750
Unallocated	2,582,941
Total governmental activities	<u>\$ 3,074,930</u>

The School District had uncompleted contract commitments of approximately \$465,000 at June 30, 2022 related to the bond projects.

Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From			Total
	General Fund	Internal Service Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 25,834	\$ 112,978	\$ 138,812
Nonmajor governmental funds	973,354	-	16,962	990,316
Total	<u>\$ 973,354</u>	<u>\$ 25,834</u>	<u>\$ 129,940</u>	<u>\$ 1,129,128</u>

June 30, 2022

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

These balances result from time lags 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 General Fund transferred \$16,310 to the Cafeteria Fund for costs related to at-risk students.

The Cafeteria Fund transferred \$80,000 to the General Fund for related indirect costs paid by the General Fund.

The Adult and Community Education Fund transferred \$100,000 to the General Fund for related indirect costs paid by the General Fund.

Note 8 - Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
Other debt:					
General obligations	\$ 37,690,000	\$ 22,615,000	\$ (3,590,000)	\$ 56,715,000	\$ 8,485,000
Unamortized bond premiums	1,539,537	775,543	(196,381)	2,118,699	226,209
Total bonds payable	39,229,537	23,390,543	(3,786,381)	58,833,699	8,711,209
School Loan Revolving Fund -					
Direct borrowing	1,087,909	346,779	-	1,434,688	-
Compensated absences	1,379,141	-	(75,912)	1,303,229	323,636
Long-term insurance benefits	258,000	-	(19,992)	238,008	-
Total governmental activities long-term debt	<u>\$ 41,954,587</u>	<u>\$ 23,737,322</u>	<u>\$ (3,882,285)</u>	<u>\$ 61,809,624</u>	<u>\$ 9,034,845</u>

The School District had deferred outflows of \$80,214 related to deferred charges on bond refundings at June 30, 2022.

General Obligation Bonds and Contracts

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

Note 8 - Long-term Debt (Continued)

The School District's bonds outstanding at June 30, 2022 are as follows:

Obligation	Remaining Annual Installments	Interest Rates	Maturing	Outstanding
\$27,810,000 2016 Bonds	\$200,000 to \$2,150,000	3.00-3.25%	2046	\$ 23,780,000
\$3,345,000 2017 Bonds	\$2,345,000	2.00-5.00%	2023	2,345,000
\$8,160,000 2017 Refunding Bonds	\$5,545,000	2.00-5.00%	2023	5,545,000
\$2,430,000 2019 Bonds	\$175,000 to \$255,000	2.00-5.00%	2034	2,430,000
\$22,615,000 2022 Bonds	\$1,150,000 to \$2,055,000	4.00-5.00%	2048	22,615,000
Total governmental activities				<u>\$ 56,715,000</u>

Other Long-term Liabilities

Compensated absences and long-term insurance benefits attributable to the governmental activities will be liquidated primarily by the General Fund. The net pension liability and net OPEB liability will be liquidated from the funds from which the employees' salaries are paid, generally 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		
	Principal	Interest	Total
2023	\$ 8,485,000	\$ 1,809,791	\$ 10,294,791
2024	2,995,000	1,775,644	4,770,644
2025	1,885,000	1,674,044	3,559,044
2026	1,935,000	1,613,544	3,548,544
2027	1,985,000	1,551,344	3,536,344
2028-2032	10,805,000	6,774,669	17,579,669
2033-2037	9,230,000	5,050,419	14,280,419
2038-2042	8,445,000	3,214,388	11,659,388
2043-2047	9,690,000	1,336,666	11,026,666
2048	1,260,000	27,563	1,287,563
Total	<u>\$ 56,715,000</u>	<u>\$ 24,828,072</u>	<u>\$ 81,543,072</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 initiated after July 19, 2005. Interest during the year ended June 30, 2022 has been assessed at 1.19 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 - 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 general liability, property/casualty, medical, dental, vision, and errors and omissions claims. The School District is self-insured for workers' compensation and unemployment 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 School District estimates the liability for workers' compensation and unemployment claims that have been incurred through the end of the fiscal year, including claims that have been reported and those that have not yet been reported. These estimates are recorded in the government-wide financial statements and the Internal Service Fund. Changes in the estimated liability for the past two fiscal years were as follows:

	Workers' Compensation	
	2022	2021
Estimated liability - Beginning of year	\$ 4,530	\$ 9,307
Estimated claims incurred, including changes in estimates	178,805	95,132
Claim payments	(174,605)	(99,909)
Estimated liability - End of year	<u>\$ 8,730</u>	<u>\$ 4,530</u>

Note 10 - 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.

June 30, 2022

Note 10 - Michigan Public School Employees' Retirement System (Continued)

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

Benefits Provided

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

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

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

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.

Note 10 - Michigan Public School Employees' Retirement System (Continued)

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

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

The ranges of rates are as follows:

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

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

The School District's required and actual pension contributions to the plan for the year ended June 30, 2022 were \$9,074,797, which include the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual pension contributions include an allocation of \$4,004,152 in revenue received from the State of Michigan and remitted to the System to fund the MPERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2022.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2022 were \$2,133,236, which include the School District's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2022, the School District reported a liability of \$60,287,859 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020, which used update procedures to roll forward the estimated liability to September 30, 2021. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2021 and 2020, the School District's proportion was approximately 0.25 percent.

June 30, 2022

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Net OPEB Liability

At June 30, 2022, the School District reported a liability of \$3,881,118 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2022 was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020, which used update procedures to roll forward the estimated liability to September 30, 2021. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2021 and 2020, the School District's proportion was approximately 0.25 percent.

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

For 2022, the School District recognized pension expense of \$5,821,341, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 933,885	\$ (355,024)
Changes in assumptions	3,800,331	-
Net difference between projected and actual earnings on pension plan investments	-	(19,382,353)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	-	(1,690,873)
The School District's contributions to the plan subsequent to the measurement date	7,659,436	-
Total	\$ 12,393,652	\$ (21,428,250)

The \$4,004,152 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2023. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2023	\$ (2,490,904)
2024	(3,944,607)
2025	(4,958,449)
2026	(5,300,074)
Total	\$ (16,694,034)

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

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

For the year ended June 30, 2022, the School District recognized an OPEB recovery of \$2,392,210.

June 30, 2022

Note 10 - Michigan Public School Employees' Retirement System (Continued)

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (11,078,376)
Changes in assumptions	3,244,422	(485,487)
Net difference between projected and actual earnings on OPEB plan investments	-	(2,925,269)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	33,863	(619,172)
Employer contributions to the plan subsequent to the measurement date	1,477,711	-
Total	<u>\$ 4,755,996</u>	<u>\$ (15,108,304)</u>

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

Years Ending	Amount
2023	\$ (3,147,802)
2024	(2,872,744)
2025	(2,573,653)
2026	(2,322,179)
2027	(807,671)
Thereafter	(105,970)
Total	<u>\$ (11,830,019)</u>

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2021 are based on the results of an actuarial valuation as of September 30, 2020 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00% - 6.80%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.95%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75%
Health care cost trend rate - OPEB	5.25% - 7.75%	Year 1 graded to 3.5% in year 15, 3.0% in year 120
Mortality basis		RP-2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP-2017 from 2006
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 2012 to 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2018 valuation.

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Significant assumption changes since the prior measurement date, September 30, 2020, for the OPEB plan include an increase in the health care cost trend rate of 0.75 percentage points for members under 65 and a reduction from 7.0 percent to 5.25 percent for members over 65. There were no significant changes in assumptions for the pension actuarial valuation. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2020.

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

Discount Rate

The discount rate used to measure the total pension liability was 6.00 to 6.80 percent as of September 30, 2021 depending on the plan option. The discount rate used to measure the total OPEB liability was 6.95 percent as of September 30, 2021. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	25.00 %	5.40 %
Private equity pools	16.00	9.10
International equity pools	15.00	7.50
Fixed-income pools	10.50	(0.70)
Real estate and infrastructure pools	10.00	5.40
Absolute return pools	9.00	2.60
Short-term investment pools	2.00	(1.30)
Real return/opportunistic pools	12.50	6.10
Total	100.00 %	

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Long-term rates of return are net of administrative expense and inflation of 2.0 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	\$ 86,195,288	\$ 60,287,859	\$ 38,808,901

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	\$ 7,211,818	\$ 3,881,118	\$ 1,054,544

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	\$ 944,633	\$ 3,881,118	\$ 7,185,017

Pension Plan and OPEB Plan Fiduciary Net Position

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

Payable to the Pension Plan and OPEB Plan

At June 30, 2022, the School District reported a payable of \$1,175,827 and \$180,898 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2022.

June 30, 2022

Note 11 - Fund Balance Components

The details of the assigned component of fund balance in the General Fund are as follows:

Assigned:	
Subsequent year's budget	\$ 46,461
Employee compensated absences - Long term	979,593
Tax tribunal refunds	<u>50,000</u>
Total assigned fund balance	<u>\$ 1,076,054</u>

Note 12 - Subsequent Event

On August 22, 2022, the School District borrowed \$2,764,000 in state aid anticipation notes with an interest rate of approximately 2 percent. A total of \$2,000,000 of the notes will be repaid in three equal monthly principal and interest installments of \$678,633 commencing in May 2023, and the remaining \$764,000 is due in August 2023, plus accrued interest.

Required Supplemental Information

Lake Shore Public Schools

Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	\$ 4,582,603	\$ 2,890,059	\$ 2,844,214	\$ (45,845)
State sources	31,848,987	32,461,050	31,630,509	(830,541)
Federal sources	3,164,612	7,716,126	7,570,724	(145,402)
Interfund transfers	50,000	180,000	180,000	-
Interdistrict sources	261,775	1,817,595	1,781,386	(36,209)
Total revenue	39,907,977	45,064,830	44,006,833	(1,057,997)
Expenditures				
Current:				
Instruction:				
Basic programs	19,862,002	22,444,799	21,927,406	(517,393)
Added needs	4,523,799	5,203,001	4,950,554	(252,447)
Support services:				
Pupil	3,402,217	3,884,441	3,859,312	(25,129)
Instructional staff	707,837	1,192,040	1,165,640	(26,400)
General administration	1,077,072	1,038,705	1,032,621	(6,084)
School administration	2,499,263	2,570,664	2,572,216	1,552
Fiscal	764,701	853,626	850,304	(3,322)
Operations and maintenance	4,130,862	4,940,801	4,790,814	(149,987)
Transportation	862,467	939,422	897,165	(42,257)
Central	1,417,792	2,841,274	2,826,749	(14,525)
Athletics	667,194	787,747	776,180	(11,567)
Community services	293,675	333,415	331,680	(1,735)
Outgoing transfers and interdistrict payments	14,420	30,166	16,310	(13,856)
Total expenditures	40,223,301	47,060,101	45,996,951	(1,063,150)
Excess of Revenue Expenses Over Revenue	(315,324)	(1,995,271)	(1,990,118)	5,153
Fund Balance - Beginning of year	4,986,527	4,986,527	4,986,527	-
Fund Balance - End of year	<u>\$ 4,671,203</u>	<u>\$ 2,991,256</u>	<u>\$ 2,996,409</u>	<u>\$ 5,153</u>

Lake Shore Public Schools

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

	Last Eight Plan Years							
	Plan Years Ended September 30							
	2021	2020	2019	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	0.25464 %	0.25665 %	0.26045 %	0.26659 %	0.26881 %	0.27036 %	0.27320 %	0.26110 %
School District's proportionate share of the net pension liability	\$ 60,287,859	\$ 88,161,912	\$ 86,253,591	\$ 80,140,402	\$ 69,660,617	\$ 67,453,741	\$ 66,730,328	\$ 57,509,649
School District's covered payroll	\$ 22,943,595	\$ 22,640,755	\$ 22,472,482	\$ 22,574,235	\$ 22,494,654	\$ 23,434,185	\$ 22,710,905	\$ 21,535,853
School District's proportionate share of the net pension liability as a percentage of its covered payroll	262.77 %	389.39 %	383.82 %	355.01 %	309.68 %	287.84 %	293.83 %	267.04 %
Plan fiduciary net position as a percentage of total pension liability	72.32 %	59.49 %	60.08 %	62.12 %	63.96 %	63.01 %	62.92 %	66.15 %

Lake Shore Public Schools

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

	Last Eight Fiscal Years Years Ended June 30							
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 8,855,911	\$ 7,670,701	\$ 7,154,843	\$ 7,004,560	\$ 6,827,769	\$ 6,375,173	\$ 6,184,350	\$ 4,966,587
Contributions in relation to the statutorily required contribution	<u>8,855,911</u>	<u>7,670,701</u>	<u>7,154,843</u>	<u>7,004,560</u>	<u>6,827,769</u>	<u>6,375,173</u>	<u>6,184,350</u>	<u>4,966,587</u>
Contribution Deficiency	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
School District's Covered Payroll	\$ 24,432,451	\$ 22,298,838	\$ 22,770,352	\$ 22,616,846	\$ 22,468,021	\$ 22,742,194	\$ 21,938,942	\$ 22,097,050
Contributions as a Percentage of Covered Payroll	36.25 %	34.40 %	31.42 %	30.97 %	30.39 %	28.03 %	28.19 %	22.48 %

Lake Shore Public Schools

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

	Last Five Plan Years Plan Years Ended September 30				
	2021	2020	2019	2018	2017
School District's proportion of the net OPEB liability	0.25427 %	0.25573 %	0.25737 %	0.26468 %	0.26910 %
School District's proportionate share of the net OPEB liability	\$ 3,881,118	\$ 13,700,397	\$ 18,473,303	\$ 21,038,978	\$ 23,829,679
School District's covered payroll	\$ 22,943,595	\$ 22,640,755	\$ 22,472,482	\$ 22,574,235	\$ 22,494,654
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	16.92 %	60.51 %	82.20 %	93.20 %	105.93 %
Plan fiduciary net position as a percentage of total OPEB liability	88.87 %	59.76 %	48.67 %	43.10 %	36.53 %

Lake Shore Public Schools

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

	Last Five Fiscal Years Years Ended June 30				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 1,991,049	\$ 1,855,654	\$ 1,829,734	\$ 1,776,559	\$ 1,622,803
Contributions in relation to the statutorily required contribution	<u>1,991,049</u>	<u>1,855,654</u>	<u>1,829,734</u>	<u>1,776,559</u>	<u>1,622,803</u>
Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 24,432,451	\$ 22,298,838	\$ 22,770,352	\$ 22,616,846	\$ 22,468,021
Contributions as a Percentage of Covered Payroll	8.15 %	8.32 %	8.04 %	7.86 %	7.22 %

June 30, 2022

Pension Information

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

Benefit Changes

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

Changes in Assumptions

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

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

OPEB Information

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

Benefit Changes

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

Changes in Assumptions

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

- 2021 - The health care cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. This, in addition to actual per person health benefit costs being lower than projected, reduced the plan's total OPEB liability by an additional \$1.3 billion in 2021.
- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points. This, in addition to actual per person health benefit costs 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. This valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in a lower than projected per person health benefit cost to reduce the plan's total OPEB liability by \$1.4 billion in 2018.

Other Supplemental Information

Lake Shore Public Schools

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2022

	Special Revenue Funds				Debt Service Funds				Capital Projects Funds			Total
	Cafeteria Fund	Student Activities Fund	Adult and Community Education Fund	International Program Fund	2016 Bond Issue	2017 Bond Issue	2017 Refunding Bond	2019 Bond Issue	2019 Capital Projects Fund	2017 Capital Projects Fund	Building and Site Fund	
Assets												
Cash and investments	\$ 213,765	\$ 478,849	\$ 300,030	\$ 100,571	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 473,594	\$ 1,566,809
Due from other governments	107,410	-	273,301	-	-	-	-	-	-	-	-	380,711
Due from other funds	440,748	-	68,533	-	-	-	-	8,508	-	472,527	-	990,316
Inventories	43,081	-	-	-	-	-	-	-	-	-	-	43,081
Prepaid costs	4,413	300	443	-	-	-	-	6,972	-	-	-	12,128
Restricted assets	-	-	-	-	29,245	35,403	48,006	2,562	154,869	8,454	-	278,539
Total assets	\$ 809,417	\$ 479,149	\$ 642,307	\$ 100,571	\$ 29,245	\$ 35,403	\$ 48,006	\$ 2,562	\$ 170,349	\$ 8,454	\$ 946,121	\$ 3,271,584
Liabilities												
Accounts payable	\$ 29,501	\$ 5,861	\$ 637	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 161,896	\$ -	\$ 13,032	\$ 210,927
Due to other funds	95	7,871	-	1,861	-	-	-	8,453	8,454	103,206	-	129,940
Accrued liabilities	10,937	-	140,251	-	-	-	-	-	-	-	-	151,188
Unearned revenue	72,595	-	51,640	-	-	-	-	-	-	-	-	124,235
Total liabilities	113,128	13,732	192,528	1,861	-	-	-	-	170,349	8,454	116,238	616,290
Fund Balances												
Nonspendable:												
Inventories	43,081	-	-	-	-	-	-	-	-	-	-	43,081
Prepaid costs	4,413	300	443	-	-	-	-	-	-	-	-	5,156
Restricted:												
Debt service	-	-	-	-	29,245	35,403	48,006	2,562	-	-	-	115,216
Adult and community education	-	-	449,336	-	-	-	-	-	-	-	-	449,336
Food service	648,795	-	-	-	-	-	-	-	-	-	-	648,795
Committed:												
Technology plan	-	-	-	-	-	-	-	-	-	-	58,614	58,614
Vehicle replacement plan	-	-	-	-	-	-	-	-	-	-	180,000	180,000
International program operations	-	-	-	98,710	-	-	-	-	-	-	-	98,710
Capital projects	-	-	-	-	-	-	-	-	-	532,655	-	532,655
Student activities	-	465,117	-	-	-	-	-	-	-	-	-	465,117
Deferred maintenance plan	-	-	-	-	-	-	-	-	-	-	58,614	58,614
Total fund balances	696,289	465,417	449,779	98,710	29,245	35,403	48,006	2,562	-	-	829,883	2,655,294
Total liabilities and fund balances	\$ 809,417	\$ 479,149	\$ 642,307	\$ 100,571	\$ 29,245	\$ 35,403	\$ 48,006	\$ 2,562	\$ 170,349	\$ 8,454	\$ 946,121	\$ 3,271,584

Lake Shore Public Schools

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

Year Ended June 30, 2022

	Special Revenue Funds				Debt Service Funds				Capital Projects Funds			Total
	Cafeteria Fund	Student Activities Fund	Adult and Community Education Fund	International Program Fund	2016 Bond Issue	2017 Bond Issue	2017 Refunding Bond	2019 Bond Issue	2019 Capital Projects Fund	2017 Capital Projects Fund	Building and Site Fund	
Revenue												
Local sources	\$ 63,686	\$ 706,574	\$ 879,671	\$ 268	\$ 1,218,328	\$ 1,013,917	\$ 2,032,207	\$ 87,033	\$ 945	\$ -	\$ 522	\$ 6,003,151
State sources	66,769	-	1,134,134	-	-	-	44,896	-	-	-	-	1,245,799
Federal sources	1,700,568	-	2,113,256	-	-	-	-	-	-	-	-	3,813,824
Interdistrict sources	-	-	13,888	-	-	-	-	-	-	-	-	13,888
Total revenue	1,831,023	706,574	4,140,949	268	1,218,328	1,013,917	2,077,103	87,033	945	-	522	11,076,662
Expenditures												
Current:												
Instruction	-	-	2,412,516	-	-	-	-	-	-	-	-	2,412,516
Support services	-	776,099	883,242	29,360	-	-	500	-	2,268	-	-	1,691,469
Food services	1,437,087	-	-	-	-	-	-	-	-	-	-	1,437,087
Adult and community services	-	-	804,816	139	-	-	-	-	-	-	-	804,955
Debt service:												
Principal	-	-	-	-	590,000	1,000,000	2,000,000	-	-	-	-	3,590,000
Interest	-	-	-	-	726,375	96,901	201,900	91,650	-	-	-	1,116,826
Other debt costs	-	-	-	-	500	-	-	-	-	-	-	500
Capital outlay	15,477	-	-	-	-	-	-	-	2,043,625	8,453	352,556	2,420,111
Total expenditures	1,452,564	776,099	4,100,574	29,499	1,316,875	1,096,901	2,202,400	91,650	2,045,893	8,453	352,556	13,473,464
Excess of Revenue Over (Under) Expenditures	378,459	(69,525)	40,375	(29,231)	(98,547)	(82,984)	(125,297)	(4,617)	(2,044,948)	(8,453)	(352,034)	(2,396,802)
Other Financing Sources (Uses)												
School Bond Loan Revolving Fund proceeds	-	-	-	-	77,376	108,627	128,193	4,112	-	-	-	318,308
Transfers in	16,310	-	-	-	-	-	-	-	-	-	-	16,310
Transfers out	(80,000)	-	(100,000)	-	-	-	-	-	-	-	-	(180,000)
Total other financing (uses) sources	(63,690)	-	(100,000)	-	77,376	108,627	128,193	4,112	-	-	-	154,618
Net Change in Fund Balances	314,769	(69,525)	(59,625)	(29,231)	(21,171)	25,643	2,896	(505)	(2,044,948)	(8,453)	(352,034)	(2,242,184)
Fund Balances - Beginning of year	381,520	534,942	509,404	127,941	50,416	9,760	45,110	3,067	2,044,948	8,453	1,181,917	4,897,478
Fund Balances - End of year	\$ 696,289	\$ 465,417	\$ 449,779	\$ 98,710	\$ 29,245	\$ 35,403	\$ 48,006	\$ 2,562	\$ -	\$ -	\$ 829,883	\$ 2,655,294

Lake Shore Public Schools

Other Supplemental Information Schedule of Bonded Indebtedness

June 30, 2022

Years Ending June 30	2022 Bond Issue	2016 Bond Issue	2017 Bond Issue	2017 Refunding	2019 Bond Issue	Total
	Principal	Principal	Principal	Bond Principal	Principal	
2023	\$ -	\$ 595,000	\$ 2,345,000	\$ 5,545,000	\$ -	\$ 8,485,000
2024	1,150,000	1,670,000	-	-	175,000	2,995,000
2025	-	1,700,000	-	-	185,000	1,885,000
2026	-	1,740,000	-	-	195,000	1,935,000
2027	-	1,780,000	-	-	205,000	1,985,000
2028	-	1,825,000	-	-	215,000	2,040,000
2029	-	1,875,000	-	-	225,000	2,100,000
2030	-	1,925,000	-	-	235,000	2,160,000
2031	-	1,980,000	-	-	240,000	2,220,000
2032	-	2,040,000	-	-	245,000	2,285,000
2033	-	2,100,000	-	-	255,000	2,355,000
2034	-	2,150,000	-	-	255,000	2,405,000
2035	1,240,000	200,000	-	-	-	1,440,000
2036	1,290,000	200,000	-	-	-	1,490,000
2037	1,340,000	200,000	-	-	-	1,540,000
2038	1,395,000	200,000	-	-	-	1,595,000
2039	1,430,000	200,000	-	-	-	1,630,000
2040	1,490,000	200,000	-	-	-	1,690,000
2041	1,540,000	200,000	-	-	-	1,740,000
2042	1,590,000	200,000	-	-	-	1,790,000
2043	1,640,000	200,000	-	-	-	1,840,000
2044	1,690,000	200,000	-	-	-	1,890,000
2045	1,735,000	200,000	-	-	-	1,935,000
2046	1,770,000	200,000	-	-	-	1,970,000
2047	2,055,000	-	-	-	-	2,055,000
2048	1,260,000	-	-	-	-	1,260,000
Total remaining payments	\$ 22,615,000	\$ 23,780,000	\$ 2,345,000	\$ 5,545,000	\$ 2,430,000	\$ 56,715,000
Principal payments due	May and November 1	May and November 1	May 1	May and November 1	November 1	
Interest rates	4.00% to 5.00%	3.00% to 3.25%	2.00% to 5.00%	2.00% to 5.00%	2.00% to 5.00%	
Original issue	\$ 22,615,000	\$ 27,810,000	\$ 3,345,000	\$ 8,160,000	\$ 2,430,000	

Interest payments for the bond issues are due on May 1 and November 1 of each year.