
Jackson Public Schools

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

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Independent Auditor's Report

To the Board of Education
Jackson Public Schools

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson 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, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2022 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

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
Jackson 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' 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
Jackson Public Schools

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 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.

October 20, 2022

This section of Jackson 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 that the reader can understand Jackson 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, the 2018 Building and Site Capital Projects Fund, and the Donor Restricted Capital Projects Fund, with all other funds presented in one column as nonmajor funds. This report is composed of the following elements:

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information

Budgetary Comparison Schedule - General Fund

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

Schedule of Pension Contributions

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

Schedule of OPEB Contributions

Other Supplemental Information

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account, regardless of when cash is received or paid.

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

Jackson Public Schools

Management's Discussion and Analysis (Continued)

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

Reporting the School District's Fund Financial Statements

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

Governmental Funds

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

The School District as a Whole

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

	Governmental Activities	
	2022	2021
	(in millions)	
Assets		
Current and other assets	\$ 40.6	\$ 66.9
Capital assets	123.3	109.3
Total assets	163.9	176.2
Deferred Outflows of Resources	18.5	27.5
Liabilities		
Current liabilities	12.5	18.4
Noncurrent liabilities	107.7	112.3
Net pension liability	63.0	96.0
Net OPEB liability	3.9	14.8
Total liabilities	187.1	241.5
Deferred Inflows of Resources	46.1	18.8
Net Position (Deficit)		
Net investment in capital assets	25.8	30.0
Restricted	9.1	8.9
Unrestricted	(85.7)	(95.5)
Total net position (deficit)	\$ (50.8)	\$ (56.6)

Jackson Public Schools

Management's Discussion and Analysis (Continued)

The above analysis focuses on net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was \$(50.8) million at June 30, 2022. Net investment in capital assets totaling \$25.8 million compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position, \$(85.7) million, was unrestricted.

The \$(85.7) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations, net of the pension and OPEB liabilities. 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/OPEB liabilities will have significant impacts on the change in unrestricted net position from year to year.

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

	Governmental Activities	
	2022	2021
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 0.6	\$ 0.4
Operating grants	30.6	23.8
General revenue:		
Taxes	18.0	17.7
State aid not restricted to specific purposes	29.6	28.9
Other	(0.7)	11.6
Total revenue	78.1	82.4
Expenses		
Instruction	32.7	34.2
Support services	23.9	19.5
Athletics	0.8	0.8
Food services	4.0	3.1
Community services	1.0	1.5
Debt service	4.6	5.0
Depreciation expense (unallocated)	5.3	3.4
Total expenses	72.3	67.5
Change in Net Position	5.8	14.9
Net Position (Deficit) - Beginning of year	(56.6)	(71.5)
Net Position (Deficit) - End of year	\$ (50.8)	\$ (56.6)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$72.3 million. Certain activities were partially funded from those who benefited from the programs (\$0.6 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$30.6 million). We paid for the remaining public benefit portion of our governmental activities with \$18.0 million in taxes, \$29.6 million in state foundation allowance, and other revenue (i.e., interest and general entitlements). Included in other general revenue in the prior year is a one-time, nonrecurring \$10 million donation for the construction of a fieldhouse for Jackson High School.

The School District experienced an increase in net position of \$5.8 million. Key reasons for the change in net position were due to increased COVID-19-related federal funding, specifically related to the Education Stabilization Fund program.

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

The School District's Funds

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$28.6 million, which is a decrease of \$20.5 million from last year. The primary reasons for the decrease are as follows:

Combined, the fund balance of our capital project funds decreased \$22.4 million. This decrease is primarily due to continued construction related to the 2018 bond issue of \$14.0 million and continued construction related to the Donor Restricted Capital Projects Fund of \$8.4 million.

In the General Fund, our principal operating fund, the fund balance increased \$1.8 million to \$11.2 million. The change is mainly due to increased state and federal funding.

Combined, the fund balance of our special revenue funds increased by \$0.2 million.

Combined, the fund balance of our debt service funds decreased \$0.2 million. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt service fund balances are reserved, since they can only be used to pay debt service obligations.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2022. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

There were significant revisions made to the 2021-2022 General Fund original budget. Budgeted state-sourced revenue was increased by approximately \$4.4 million due to not having a state budget and higher than expected enrollment in the original budget. Budgeted federal-sourced revenue was increased by approximately \$4.2 million due to higher than expected federal CARES Act funding. Budgeted expenditures were increased by \$2.4 million due to vaccination stipends and signing bonuses provided to staff of the School District, increasing advertising costs to attract teachers and students, as well as adding additional staff.

There was one significant variance between the final budget and actual amounts related to pupil transportation services during the year due to increased costs in contract bussing services for students.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2022, the School District had \$123.3 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of approximately \$14.0 million, or 12.8 percent, from last year.

Jackson Public Schools

Management's Discussion and Analysis (Continued)

	2022	2021
Land	\$ 728,736	\$ 768,616
Construction in progress	17,555,477	48,913,269
Buildings and improvements	136,144,913	94,620,273
Sculpture	73,400	73,400
Furniture, equipment, buses, and other vehicles	18,030,381	15,223,615
Land improvements	9,165,955	8,800,084
Total capital assets	181,698,862	168,399,257
Less accumulated depreciation	58,402,116	59,064,308
Total capital assets - Net of accumulated depreciation	<u>\$ 123,296,746</u>	<u>\$ 109,334,949</u>

This year's additions of \$22.2 million included buses, furniture, equipment, and construction in progress at numerous schools, with the largest amount at Parkside Middle School and Jackson High School. Several major capital projects are planned for the 2022- 2023 fiscal year, as the School District spends down the proceeds from the 2018 Building and Site Bonds. We anticipate significant capital additions, similar to this year. 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 \$95.7 million in bonds outstanding versus \$99.5 million in the previous year, a decrease of \$3.8 million. Those bonds consisted of the following:

	2022	2021
General obligation bonds	\$ 95,660,000	\$ 99,525,000

The School District's general obligation bond rating is Baa1. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues qualified debt (i.e., debt backed by the State of Michigan), such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$95.7 million is significantly below the \$190.0 million statutorily imposed limit.

Other obligations include notes payable, employee compensated absences, and terminal pay. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2022-2023 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2022-2023 budget was adopted in June 2022 based on an estimate of students who will enroll in August 2022. Approximately 45 percent of total General Fund revenue is from the foundation allowance. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2022 school year, we anticipate that the fall student count will be close the estimates used in creating the 2022-2023 budget. Actual state foundation allowance increase is considerably higher than initially estimated when creating the 2022-2023 budget. Once the final student count and related pupil funding are validated, the School District will amend the budget to reflect those changes.

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 finance office at 522 Wildwood Avenue, Jackson, MI 49201.

June 30, 2022

	<u>Governmental Activities</u>
Assets	
Cash and investments (Note 4)	\$ 8,086,120
Receivables:	
Accrued interest receivable	220,836
Other receivables	295,756
Due from other governments	14,280,959
Inventories	172,091
Prepaid expenses and other assets	251,152
Restricted assets (Note 4)	17,240,643
Capital assets:	
Assets not subject to depreciation (Note 5)	18,357,613
Assets subject to depreciation - Net (Note 5)	<u>104,939,133</u>
Total assets	163,844,303
Deferred Outflows of Resources	
Deferred charges on bond refunding (Note 8)	1,270,470
Deferred pension costs (Note 12)	12,468,858
Deferred OPEB costs (Note 12)	<u>4,784,491</u>
Total deferred outflows of resources	18,523,819
Liabilities	
Accounts payable	4,107,832
Due to other governmental units	1,100,176
Accrued payroll and other liabilities	6,919,542
Unearned revenue (Note 7)	245,692
Noncurrent liabilities:	
Due within one year (Note 8)	4,789,388
Due in more than one year (Note 8)	102,926,873
Net pension liability (Note 12)	63,043,958
Net OPEB liability (Note 12)	<u>3,922,164</u>
Total liabilities	187,055,625
Deferred Inflows of Resources	
Revenue in support of pension contributions made subsequent to the report date (Note 12)	3,859,789
Deferred pension cost reductions (Note 12)	25,560,816
Deferred OPEB cost reductions (Note 12)	<u>16,699,666</u>
Total deferred inflows of resources	<u>46,120,271</u>
Net Position (Deficit)	
Net investment in capital assets	25,752,748
Restricted:	
Debt Service	610,768
Food Service	2,926,381
Capital projects	5,580,819
Unrestricted	<u>(85,678,490)</u>
Total net position (deficit)	<u>\$ (50,807,774)</u>

Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenue		Governmental
		Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Position
Primary government - Governmental activities:				
Instruction	\$ 32,659,291	\$ -	\$ 15,796,337	\$ (16,862,954)
Support services	23,942,905	307,561	10,678,115	(12,957,229)
Athletics	819,281	84,909	-	(734,372)
Food services	3,996,308	205,908	4,117,003	326,603
Community services	1,047,125	-	-	(1,047,125)
Interest	4,596,223	-	-	(4,596,223)
Other debt costs	2,324	-	-	(2,324)
Depreciation expense (unallocated) (Note 5)	5,313,402	-	-	(5,313,402)
Total primary government	\$ 72,376,859	\$ 598,378	\$ 30,591,455	(41,187,026)
General revenue (expense):				
Taxes:				
Property taxes levied for general purposes				9,725,897
Property taxes levied for debt service				8,301,744
State aid not restricted to specific purposes				29,591,953
Federal grants and contributions not restricted to specific purposes				956,831
Interest and investment earnings				107,426
Penalties, interest, and other taxes				51,995
Loss on sale of capital assets				(2,878,712)
Other				1,127,181
Total general revenue				<u>46,984,315</u>
Change in Net Position				5,797,289
Net Position (Deficit) - Beginning of year				<u>(56,605,063)</u>
Net Position (Deficit) - End of year				<u>\$ (50,807,774)</u>

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Governmental Funds Balance Sheet

June 30, 2022

	General Fund	2018 Building and Site Capital Projects Fund	Donor Restricted Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments (Note 4)	\$ 5,576,715	\$ -	\$ -	\$ 2,509,405	\$ 8,086,120
Receivables:					
Accrued interest receivable	-	-	-	220,836	220,836
Other receivables	226,224	21,667	-	47,865	295,756
Due from other governments	13,753,264	-	-	527,695	14,280,959
Due from other funds (Note 6)	85,467	-	-	127,881	213,348
Inventories	145,990	-	-	26,101	172,091
Prepaid expenses and other assets	66,339	-	-	184,813	251,152
Restricted assets (Note 4)	-	13,572,902	2,380,958	1,286,783	17,240,643
	\$ 19,853,999	\$ 13,594,569	\$ 2,380,958	\$ 4,931,379	\$ 40,760,905
Total assets					
Liabilities					
Accounts payable	\$ 938,241	\$ 1,515,626	\$ 1,250,595	\$ 403,370	\$ 4,107,832
Due to other governmental units	1,100,176	-	-	-	1,100,176
Due to other funds (Note 6)	127,881	-	-	85,467	213,348
Accrued payroll and other liabilities	6,239,727	-	-	2,669	6,242,396
Unearned revenue (Note 7)	245,692	-	-	-	245,692
	8,651,717	1,515,626	1,250,595	491,506	11,909,444
Total liabilities					
Deferred Inflows of Resources -					
Unavailable revenue (Note 7)	-	21,667	-	220,836	242,503
	8,651,717	1,537,293	1,250,595	712,342	12,151,947
Total liabilities and deferred inflows of resources					
Fund Balances					
Nonspendable:					
Inventories	145,990	-	-	26,101	172,091
Prepaid expenses and other assets	66,339	-	-	184,813	251,152
Restricted:					
Debt service	-	-	-	1,287,914	1,287,914
Capital projects - Unspent bond proceeds	-	12,057,276	-	-	12,057,276
Food service	-	-	-	2,075,694	2,075,694
Committed - Student activities	-	-	-	639,773	639,773
Assigned:					
Capital projects	-	-	1,130,363	4,742	1,135,105
Unassigned	10,989,953	-	-	-	10,989,953
	11,202,282	12,057,276	1,130,363	4,219,037	28,608,958
Total fund balances					
Total liabilities, deferred inflows of resources, and fund balances	\$ 19,853,999	\$ 13,594,569	\$ 2,380,958	\$ 4,931,379	\$ 40,760,905

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2022

Fund Balances Reported in Governmental Funds	\$ 28,608,958
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	181,698,862
Accumulated depreciation	<u>(58,402,116)</u>
Net capital assets used in governmental activities	123,296,746
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	242,503
Deferred inflows and outflows related to bond refundings are not reported in the funds	1,270,470
Bonds payable, loans payable, bond issuance premiums, and capital lease obligations are not due and payable in the current period and are not reported in the funds	(106,471,288)
Accrued interest is not due and payable in the current period and is not reported in the funds	(677,146)
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	(150,000)
Net pension liability and related deferred inflows and outflows	(76,135,916)
Net OPEB liability and related deferred inflows and outflows	<u>(15,837,339)</u>
Total employee fringe benefits not reported as fund liabilities	(92,123,255)
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	(3,859,789)
Terminal plan payment liability does not present a claim on current financial resources and is not reported as fund liabilities	<u>(1,094,973)</u>
Net Position (Deficit) of Governmental Activities	<u><u>\$ (50,807,774)</u></u>

Jackson Public Schools

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2022

	General Fund	2018 Building and Site Capital Projects Fund	Donor Restricted Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Revenue					
Local sources	\$ 10,684,600	\$ 79,344	\$ 16,635	\$ 9,110,375	\$ 19,890,954
State sources	40,199,075	-	-	271,005	40,470,080
Federal sources	12,510,098	191,787	-	4,413,901	17,115,786
Governmental - Intergovernmental	3,533,794	-	-	-	3,533,794
Total revenue	66,927,567	271,131	16,635	13,795,281	81,010,614
Expenditures					
Current:					
Instruction	38,631,378	-	-	-	38,631,378
Support services	23,528,858	-	-	547,246	24,076,104
Athletics	863,089	-	-	-	863,089
Food services	-	-	-	4,010,568	4,010,568
Community services	1,067,659	-	-	-	1,067,659
Debt service:					
Principal	33,149	-	-	3,865,000	3,898,149
Interest	993	-	-	5,019,623	5,020,616
Other debt costs	-	-	-	2,324	2,324
Capital outlay	996,010	14,331,920	8,419,698	245,116	23,992,744
Total expenditures	65,121,136	14,331,920	8,419,698	13,689,877	101,562,631
Excess of Revenue Over (Under) Expenditures	1,806,431	(14,060,789)	(8,403,063)	105,404	(20,552,017)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets (Note 5)	8,535	-	-	-	8,535
Transfers in (Note 6)	19,854	-	-	-	19,854
Transfers out (Note 6)	-	-	-	(19,854)	(19,854)
Total other financing sources (uses)	28,389	-	-	(19,854)	8,535
Net Change in Fund Balances	1,834,820	(14,060,789)	(8,403,063)	85,550	(20,543,482)
Fund Balances - Beginning of year	9,367,462	26,118,065	9,533,426	4,133,487	49,152,440
Fund Balances - End of year	\$ 11,202,282	\$ 12,057,276	\$ 1,130,363	\$ 4,219,037	\$ 28,608,958

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	\$ (20,543,482)
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	22,162,446
Depreciation expense	(5,313,402)
Net book value of assets disposed of	(2,887,247)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	242,503
Revenue in support of pension contributions made subsequent to the measurement date	(200,257)
Repayment of bond and bus loan principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt); amortization of premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds	4,294,599
Interest expense is recognized in the government-wide statements as it accrues	27,943
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	7,949,536
Terminal payment plan that does not use current financial resources is not reported as expenditures in the governmental funds	64,650
Change in Net Position of Governmental Activities	\$ 5,797,289

June 30, 2022

Note 1 - Nature of Business

Jackson 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. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. In accordance with government accounting principles, there are no separate legal entities appropriate to be reported within these financial statements.

Report Presentation

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

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

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

Basis of Accounting

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

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

Note 2 - Significant Accounting Policies (Continued)

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

Fund Accounting

The School District accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the School District to show the particular expenditures for which specific revenue is used. The various funds are aggregated into the following fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The School District reports the following funds as major governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The 2018 Building and Site Capital Projects Fund is used to record the 2018 bond proceeds and expenditures related to voter-approved capital improvements. The fund operates until the purpose for which it is created is accomplished.
- The Donor Restricted Capital Projects Fund is used to record a 2020 donation and expenditures related specifically to the construction of a multipurpose fieldhouse. The fund operates until the purpose for which it is 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 expenditures for specified purposes. The School District's special revenue funds are the Food Service and the Student Activities funds. Revenue sources for the Food Service Fund include sales to customers and dedicated grants from federal sources. Revenue sources for the Student Activities Fund include fundraising revenue and donations earned and received by student groups. Any operating deficit generated by these activities is the responsibility of the General Fund.
- The Capital Improvements Fund is used to record 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 fund operates until the purpose for which it was 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.

Interfund Activity

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

Note 2 - Significant Accounting Policies (Continued)

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

Specific Balances and Transactions

Cash and Investments

Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value except for investments in external investment pools, which are valued at amortized cost.

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture Commodities inventory received by the Food Service Fund is recorded as inventory until used. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both the government-wide and fund financial statements, when applicable.

Restricted Assets

The following amounts are reported as restricted assets:

- Unspent bond proceeds and related interest of the bonded capital projects funds required to be set aside for construction or other allowable bond purchases
- Unspent property taxes levied held in the debt service funds required to be set aside for future bond principal and interest payments
- Set-aside funds for payment of state aid note
- Unspent donor restricted funds for the construction of the high school fieldhouse.

Capital Assets

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

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

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

Note 2 - Significant Accounting Policies (Continued)**Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities 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 will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

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

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

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

Net Position

Net position of the School District is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

The School District will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements (as applicable), a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

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

Note 2 - Significant Accounting Policies (Continued)

Fund Balance Policies

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

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The School District has, by resolution, authorized the finance director to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist only temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The fund balance policy prescribes the minimum fund balance as 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. Annually, the board shall place, at a minimum, the equivalent of 0.4 percent of the General Fund budget or half of the unencumbered fund balance, whichever is greater, into an assigned account until such a time that borrowing for payroll is eliminated. This amount is considered assigned by the School District.

Property Tax Revenue

Properties are assessed as of December 31, and the related property taxes become a lien on December 1 of the following year. Tax collections are forwarded to the School District, as collected by the assessing municipalities through March 1, at which time they are considered delinquent and added to the county tax rolls. Any delinquent taxes collected by the county are remitted to the School District by June 30. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Grants and Contributions

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

Note 2 - Significant Accounting Policies (Continued)**Pension and Other Postemployment Benefit (OPEB) Plans**

For the purpose of measuring the net pension and 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. Sick pay is accrued for the estimated amount that the School District will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee's compensation are used to liquidate the obligations.

Terminal Pay

Liabilities for terminal pay benefits are reported in the government-wide financial statements in the period obligated and for future periods if the employee is required to provide services. The terminal pay benefits consist of cash payments provided to 54 employees over a five-year period subsequent to retirement. More details regarding the terminal payment plan are provided in Note 9.

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 2 - Significant Accounting Policies (Continued)

Adoption of New Accounting Pronouncement

As of July 1, 2021, the School District adopted GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The adoption of the new lease standard did not have a significant impact on the School District.

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, Food Service Fund, debt service funds, and Capital Improvements Fund, except that capital outlay expenditures are reported in other expenditure categories. All annual appropriations lapse at fiscal year end. The budget document presents information by fund, function, and object. 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 object level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. There were no significant amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders 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

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

	Budget	Actual
Pupil transportation services	\$ 2,665,319	\$ 3,003,253

Capital Projects Fund Compliance

The 2018 Building and Site Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For this capital projects fund, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

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 six banks for the deposit of its funds.

Note 4 - Deposits and Investments (Continued)

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost except for a 1-day minimum investment period for the cash management fund and that investments may not be redeemed for at least 14 days, with the exception of direct investments of funds distributed by the State of Michigan for the MAX class funds. Redemptions made prior to the applicable 14-day period are subject to a penalty equal to 15 days' interest on the amount redeemed.

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level be used for the School District's deposits. At year end, the School District had bank deposits of \$12,376,213 (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.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment policy states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. At June 30, 2022, the School District does not have investments with custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. At June 30, 2022, the School District does not have investments with custodial credit risk. The School District's policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirement.

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 debt securities (other than the U.S. government) are as follows:

Investment	Carrying Value	Rating	Rating Organization
Comerica J Fund - Bank Investment Pool	\$ 91,595	N/A	S&P
Michigan Liquid Asset Fund (MILAF) - Cash Management Class	10,332,597	AAAm	S&P
MILAF Plus Max Class Funds	144,545	AAAm	S&P
Credit Suisse New York Commercial Paper	529,106	A-1	S&P
Total	<u>\$ 11,097,843</u>		

Note 4 - Deposits and Investments (Continued)

Concentration of Credit Risk

The School District's investment policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. At June 30, 2022, more than 5 percent of the School District's investments are invested in U.S. Treasury notes and, therefore, are 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.

Fair Value Measurements

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

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

The School District has the following recurring fair value measurements as of June 30, 2022:

Assets Measured at Carrying Value on a Recurring Basis at June 30, 2022				
	Quoted Prices in			
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2022
Assets				
Investments by fair value - Debt securities:				
U.S. Treasury securities	\$ -	\$ 2,244,298	\$ -	\$ 2,244,298
Commercial paper	-	529,106	-	529,106
Total investments by fair value - debt securities	\$ -	\$ 2,773,404	\$ -	\$ 2,773,404

The fair value of commercial paper and U.S. Treasury securities at June 30, 2022 was determined primarily based on Level 2 inputs. The School District estimates the fair value of these investments using other inputs such, as interest rates and yield curves, that are observable at commonly quoted intervals.

Note 5 - Capital Assets

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

Governmental Activities

	Balance July 1, 2021	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2022
Capital assets not being depreciated:					
Land	\$ 768,616	\$ -	\$ -	\$ (39,880)	\$ 728,736
Construction in progress	48,913,269	(43,022,841)	11,665,049	-	17,555,477
Other nondepreciable assets	73,400	-	-	-	73,400
Subtotal	49,755,285	(43,022,841)	11,665,049	(39,880)	18,357,613
Capital assets being depreciated:					
Buildings and improvements	94,620,273	40,198,170	8,834,627	(7,508,157)	136,144,913
Furniture, equipment, buses, and other vehicles	15,223,615	2,824,671	911,028	(928,933)	18,030,381
Land improvements	8,800,084	-	751,742	(385,871)	9,165,955
Subtotal	118,643,972	43,022,841	10,497,397	(8,822,961)	163,341,249
Accumulated depreciation:					
Buildings and improvements	45,773,992	-	3,856,703	(4,941,142)	44,689,553
Furniture and equipment	5,286,345	-	782,084	(698,777)	5,369,652
Buses, and other vehicles	2,470,249	-	323,051	(10,760)	2,782,540
Land improvements	5,533,722	-	351,564	(324,915)	5,560,371
Subtotal	59,064,308	-	5,313,402	(5,975,594)	58,402,116
Net capital assets being depreciated	59,579,664	43,022,841	5,183,995	(2,847,367)	104,939,133
Net governmental activities capital assets	<u>\$ 109,334,949</u>	<u>\$ -</u>	<u>\$ 16,849,044</u>	<u>\$ (2,887,247)</u>	<u>\$ 123,296,746</u>

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

Construction Commitments

The School District has active construction projects at year end. The projects include the 2018 Building and Site Bonds and the Donor Restricted Capital Projects Fund. At year end, the School District's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Parkside Middle School	\$ 8,032,027	\$ 325,412
Jackson athletic facility, pool, and renovations	24,498,707	4,821,414
Sharp Park Academy	191,428	5,597,230
Total	<u>\$ 32,722,162</u>	<u>\$ 10,744,056</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Funds Due To	Funds Due From		
	General Fund	Food Service Fund	Total
Food Service Fund	\$ 127,881	\$ -	\$ 127,881
General Fund	-	85,467	85,467
Total	\$ 127,881	\$ 85,467	\$ 213,348

Interfund balances owed to the Food Service Fund and 2018 Building and Site Capital Projects Fund represent reimbursements for allocated expenditures. Interfund balance owed to the General Fund represents reimbursements for payments made on behalf of the Food Service Fund.

Interfund transfers reported in the fund financial statements is made up of reimbursement of costs from nonmajor funds to the General Fund.

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
Nonmajor funds	General Fund	\$ 19,854

Note 7 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2022, the School District had approximately \$242,500 of unavailable revenue related to a federal interest subsidy receivable and a donation receivable not received within 60 days of year end and approximately \$246,000 of unearned revenue, primarily related to At-Risk and Early Literacy payments received prior to meeting all eligibility requirements.

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	\$ 99,525,000	\$ -	\$ (3,865,000)	\$ 95,660,000	\$ 4,125,000
Unamortized bond premiums	11,283,546	-	(505,348)	10,778,198	505,348
Total bonds payable - Other debt	110,808,546	-	(4,370,348)	106,438,198	4,630,348
Bus loans payable	66,239	-	(33,149)	33,090	33,090
Compensated absences	244,000	1,000	(95,000)	150,000	55,000
Terminal pay (Note 9)	1,159,623	91,000	(155,650)	1,094,973	70,950
Total governmental activities long-term debt	\$ 112,278,408	\$ 92,000	\$ (4,654,147)	\$ 107,716,261	\$ 4,789,388

The School District had deferred outflows of \$1,270,470 related to deferred charges on bond refundings at June 30, 2022.

Note 8 - Long-term Debt (Continued)

General Obligation Bonds and Contracts

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The primary source of any required repayment is from the School District's property tax levy; however, the State of Michigan may withhold the School District's state aid funding in order to recover amounts it has paid on behalf of the School District. General obligations outstanding at June 30, 2022 are as follows:

Purpose	Remaining Annual Installments	Interest Rates	Maturing on May 1	Outstanding
\$16,640,000 School Building and Site Bonds Series A (Recovery Zone Economic Development Bonds) and Series B (Qualified School Construction Bonds)	\$2,055,000 - \$2,195,000	5.15% - 6.50%	2027	\$ 10,730,000
\$76,655,000 Building and Site Bonds (2018)	\$1,110,000 - \$4,670,000	4.00% - 5.00%	2048	74,705,000
\$18,160,000 Refunding Bonds (2020)	\$580,000 - \$1,090,000	4.00% - 5.00%	2034	10,225,000
Total governmental activities				<u>\$ 95,660,000</u>

Other Long-term Liabilities

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

Debt Service Requirements to Maturity

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

Years Ending June 30	Governmental Activities - Other Debt			
	Principal	Interest	Interest Subsidy	Total
2023	\$ 4,125,000	\$ 4,852,372	\$ (597,661)	\$ 8,379,711
2024	4,375,000	4,640,182	(478,184)	8,536,998
2025	4,640,000	4,405,912	(357,872)	8,688,040
2026	4,910,000	4,153,275	(236,725)	8,826,550
2027	5,180,000	3,886,797	(114,463)	8,952,334
2028-2032	9,985,000	17,168,350	-	27,153,350
2033-2037	15,020,000	14,227,000	-	29,247,000
2038-2042	19,600,000	9,986,250	-	29,586,250
2043-2047	23,155,000	4,659,500	-	27,814,500
2048	4,670,000	233,500	-	4,903,500
Total	<u>\$ 95,660,000</u>	<u>\$ 68,213,138</u>	<u>\$ (1,784,905)</u>	<u>\$ 162,088,233</u>

Bus Loans Payable

The School District's bus loans payable at June 30, 2022 consist of the following:

	Original Amount	Due Date	Interest Rate	Remaining to Maturity - Interest	Remaining to Maturity - Principal
2017 school bus	\$ 193,620	12/1/2022	2.50	\$ 423	\$ 33,090

Note 9 - Terminal Payment Plan

Plan Description

The Terminal Payment Plan (the "Plan") is a single-employer defined benefit pension plan that is administered by Jackson Public Schools; the Plan covers Jackson Education Association (JEA) employees, Jackson Public Schools Administrators Association (JPSAA) employees, and various nonunit support and nonunit administrators. The terminal pay benefits consist of cash payments provided to approximately 44 employees over a five-year period commencing on January 15 of the calendar year after retirement for employees who have elected to participate in the Plan. To be eligible, an employee must retire from the School District, have completed 12 continuous years of service at the School District, and retire under the Michigan Public School Employees' Retirement System. The assumptions listed above are used to estimate the cost of these obligations, which is reported in long-term debt.

This single-employer defined benefit plan administered by Jackson Public Schools provides benefits under collective bargaining agreements. The Plan does not issue a separate stand-alone financial statement.

Funding Policy

The School District has no obligation to make contributions in advance of when payments are due (in other words, this may be financed on a pay-as-you-go basis).

Terminal Plan Cost

For the year ended June 30, 2022, the School District paid \$155,650 under the Plan. At June 30, 2022, the School District has recorded a liability of \$219,973 for amounts payable to employees who are currently retired and receiving benefits under the Plan. At June 30, 2022, the School District has recorded a liability of \$875,000 for the future estimated liability for vested and nonvested employees who are expected to retire in the future and receive benefits under the Plan. The total liability of \$1,094,973 is included in long-term debt on the government-wide financial statements.

Note 10 - Conditional Asset Retirement Obligations

The School District is a potentially responsible party concerning the removal of asbestos within the School District's buildings upon reconstruction, demolition, or abandonment of the School District. The School District currently has no plans or expectation of plans to undertake a major renovation that would require the removal of the asbestos or demolition of the School District's buildings. The value of this legally enforceable liability is not currently estimable and, therefore, is not recorded in the financial statements.

Note 11 - Risk Management

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

The SET SEG shared risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 12 - Michigan Public School Employees' Retirement System

Plan Description

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

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

Benefits Provided

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

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

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

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.

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

Contributions

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

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to the retiree health care and keeping the premium subsidy benefit described above or choosing not to pay the 3 percent contribution and, instead, opting out of the subsidy benefit and becoming participants in the Personal Healthcare Fund (PHF), a portable tax-deferred fund that can be used to pay health care expenses in retirement. Participants in the PHF are automatically enrolled in a 2 percent employee contribution into their 457 accounts as of their transition date, earning them a 2 percent employer match into 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 \$8,898,232, which includes the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual pension contributions include an allocation of \$3,859,789 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS 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 \$2,133,013, which includes the School District's contributions required for those members with a defined contribution benefit.

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

Net Pension Liability

At June 30, 2022, the School District reported a liability of \$63,043,958 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020, which used update procedures to roll forward the estimated liability to September 30, 2021. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2021 and 2020, the School District's proportion was 0.27 and 0.28 percent, respectively, representing a change of (4.69) percent.

Net OPEB Liability

At June 30, 2022, the School District reported a liability of \$3,922,164 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2022 was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020, which used update procedures to roll forward the estimated liability to September 30, 2021. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2021 and 2020, the School District's proportion was 0.26 and 0.28 percent, respectively, representing a change of (7.27) 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 \$5,062,990, 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	\$ 976,578	\$ (371,254)
Changes in assumptions	3,974,066	-
Net difference between projected and actual earnings on pension plan investments	-	(20,268,430)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	-	(4,921,132)
The School District's contributions to the plan subsequent to the measurement date	7,518,214	-
Total	\$ 12,468,858	\$ (25,560,816)

The \$3,859,789 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	\$ (3,704,902)
2024	(5,042,745)
2025	(5,976,175)
2026	(5,886,350)
Total	\$ (20,610,172)

June 30, 2022

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

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

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

For the year ended June 30, 2022, the School District recognized OPEB recovery of \$2,752,080.

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	\$ -	\$ (11,195,536)
Changes in assumptions	3,278,734	(490,621)
Net difference between projected and actual earnings on OPEB plan investments	-	(2,956,205)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	26,776	(2,057,304)
Employer contributions to the plan subsequent to the measurement date	1,478,981	-
Total	<u>\$ 4,784,491</u>	<u>\$ (16,699,666)</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	\$ (3,522,553)
2024	(3,216,943)
2025	(2,859,694)
2026	(2,596,101)
2027	(1,059,816)
Thereafter	(139,049)
Total	<u>\$ (13,394,156)</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

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

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.

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

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

Discount Rate

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

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

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

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

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

Long-term rates of return are net of administrative expense and inflation of 2.0 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	\$ 90,135,763	\$ 63,043,958	\$ 40,583,075

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	\$ 7,288,088	\$ 3,922,164	\$ 1,065,696

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

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

	1 Percentage Point Decrease	Current Rate	1 Percentage Point Increase
Net OPEB liability of the School District	\$ 954,623	\$ 3,922,164	\$ 7,261,003

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 \$2,014,120 and \$530,408 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2022.

Note 13 - Tax Abatements

The School District receives reduced property tax revenue as a result of industrial facilities tax exemptions (PA 198 of 1974) and brownfield redevelopment agreements granted by cities, villages, and townships within the boundaries of the School District. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities; brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

June 30, 2022

Note 13 - Tax Abatements (Continued)

For the fiscal year ended June 30, 2022, the School District's property tax revenue was reduced by approximately \$52,000 under these programs.

The School District is reimbursed for lost revenue caused by tax abatements on the operating millage of nonhomestead properties from the State of Michigan under the school aid formula. The School District received approximately \$38,000 in reimbursements from the State of Michigan. The School District is not reimbursed for lost revenue from the capital projects or debt service millages. There are no abatements made by the School District.

Required Supplemental Information

Jackson Public Schools

Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 10,470,492	\$ 10,607,750	\$ 10,684,600	\$ 76,850
State sources	36,200,430	40,615,843	40,199,075	(416,768)
Federal sources	8,675,310	12,856,819	12,510,098	(346,721)
Governmental - Intergovernmental	3,358,619	3,554,117	3,533,794	(20,323)
Total revenue	58,704,851	67,634,529	66,927,567	(706,962)
Expenditures				
Current:				
Instruction:				
Basic programs	26,173,135	29,844,625	30,022,264	177,639
Added needs	8,269,981	8,912,609	8,655,750	(256,859)
Total instruction	34,443,116	38,757,234	38,678,014	(79,220)
Support services:				
Pupil	1,421,421	1,995,232	2,004,726	9,494
Instructional staff	1,304,800	1,795,965	1,877,506	81,541
General administration	762,204	1,106,493	680,398	(426,095)
School administration	4,416,915	4,519,962	4,519,530	(432)
Business	1,141,795	1,133,227	1,134,138	911
Operations and maintenance	5,760,260	6,787,222	7,017,691	230,469
Pupil transportation services	2,285,448	2,665,319	3,003,253	337,934
Central	2,241,431	4,467,754	3,999,779	(467,975)
Other	188,149	201,751	193,724	(8,027)
Athletics	889,769	925,591	910,576	(15,015)
Community services	1,302,683	1,045,389	1,067,659	22,270
Debt service	34,142	33,721	34,142	421
Total expenditures	56,192,133	65,434,860	65,121,136	(313,724)
Excess of Revenue Over (Under)				
Expenditures	2,512,718	2,199,669	1,806,431	(393,238)
Other Financing Sources				
Proceeds from sale of capital assets	10,000	10,000	8,535	(1,465)
Transfers in	37,310	24,401	19,854	(4,547)
Total other financing sources	47,310	34,401	28,389	(6,012)
Net Change in Fund Balance	2,560,028	2,234,070	1,834,820	(399,250)
Fund Balance - Beginning of year	9,367,462	9,367,462	9,367,462	-
Fund Balance - End of year	<u>\$ 11,927,490</u>	<u>\$ 11,601,532</u>	<u>\$ 11,202,282</u>	<u>\$ (399,250)</u>

Jackson Public Schools

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

	Last Eight Plan Years							
	Plan Years Ended September 30							
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's proportion of the net pension liability	0.26628 %	0.27938 %	0.28343 %	0.29416 %	0.29856 %	0.29639 %	0.31633 %	0.32573 %
School District's proportionate share of the net pension liability	\$ 63,043,958	\$ 95,970,268	\$ 93,861,265	\$ 88,428,432	\$ 77,370,547	\$ 73,945,655	\$ 77,263,172	\$ 71,744,868
School District's covered payroll	\$ 23,189,440	\$ 24,542,938	\$ 24,383,968	\$ 24,446,981	\$ 25,317,914	\$ 24,269,128	\$ 26,321,541	\$ 28,193,120
School District's proportionate share of the net pension liability as a percentage of its covered payroll	271.86 %	391.03 %	384.93 %	361.72 %	305.60 %	304.69 %	293.54 %	254.48 %
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 %

Jackson 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	\$ 8,715,718	\$ 8,094,554	\$ 7,768,511	\$ 7,578,034	\$ 7,580,619	\$ 6,958,488	\$ 6,866,214	\$ 5,970,369
Contributions in relation to the statutorily required contribution	<u>8,715,718</u>	<u>8,094,554</u>	<u>7,768,511</u>	<u>7,578,034</u>	<u>7,580,619</u>	<u>6,958,488</u>	<u>6,866,214</u>	<u>5,970,369</u>
Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 24,453,445	\$ 23,045,852	\$ 24,780,842	\$ 24,451,139	\$ 24,748,223	\$ 25,136,160	\$ 24,029,404	\$ 27,779,818
Contributions as a Percentage of Covered Payroll	35.64 %	35.12 %	31.35 %	30.99 %	30.63 %	27.68 %	28.57 %	21.49 %

Jackson Public Schools

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

	Last Five Plan Years				
	Plan Years Ended September 30				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's proportion of the net OPEB liability	0.25696 %	0.27709 %	0.27913 %	0.28730 %	0.29701 %
School District's proportionate share of the net OPEB liability	\$ 3,922,164	\$ 14,844,474	\$ 20,034,902	\$ 22,837,598	\$ 26,301,409
School District's covered payroll	\$ 23,189,440	\$ 24,542,938	\$ 24,383,968	\$ 24,446,981	\$ 25,317,914
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	16.91 %	60.48 %	82.16 %	93.42 %	103.88 %
Plan fiduciary net position as a percentage of total OPEB liability	88.87 %	59.76 %	48.67 %	43.10 %	36.53 %

Jackson 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	\$ 1,992,760	\$ 1,917,818	\$ 1,991,289	\$ 1,920,643	\$ 1,787,496
Contributions in relation to the statutorily required contribution	<u>1,992,760</u>	<u>1,917,818</u>	<u>1,991,289</u>	<u>1,920,643</u>	<u>1,787,496</u>
Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 24,453,445	\$ 23,045,852	\$ 24,780,842	\$ 24,451,139	\$ 24,748,223
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 in for each of the reported plan years ended September 30.

Changes in Assumptions

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

- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.
- 2019 - 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.
- 2018 - 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 in for each of the reported plan years ended September 30.

Changes in Assumptions

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

- 2021 - The health care cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.3 billion in 2021.
- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points, and actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$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 lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.4 billion in 2019.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by \$1.4 billion in 2018.

Other Supplemental Information

Jackson Public Schools

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2022

	Special Revenue Fund - Food Service Fund	Special Revenue Fund - Student Activities Fund	Total Debt Service Funds	Capital Improvements Fund	Total
Assets					
Cash and investments	\$ 1,864,890	\$ 639,773	\$ -	\$ 4,742	\$ 2,509,405
Receivables	574,419	-	221,977	-	796,396
Due from other funds	127,881	-	-	-	127,881
Inventories	26,101	-	-	-	26,101
Prepaid expenses and other assets	184,813	-	-	-	184,813
Restricted assets	-	-	1,286,783	-	1,286,783
	<u>\$ 2,778,104</u>	<u>\$ 639,773</u>	<u>\$ 1,508,760</u>	<u>\$ 4,742</u>	<u>\$ 4,931,379</u>
Total assets					
Liabilities					
Accounts payable	\$ 403,360	\$ -	\$ 10	\$ -	\$ 403,370
Due to other funds	85,467	-	-	-	85,467
Accrued payroll and other liabilities	2,669	-	-	-	2,669
	<u>491,496</u>	<u>-</u>	<u>10</u>	<u>-</u>	<u>491,506</u>
Total liabilities					
Deferred Inflows of Resources - Unavailable revenue	-	-	220,836	-	220,836
	<u>-</u>	<u>-</u>	<u>220,836</u>	<u>-</u>	<u>220,836</u>
Total liabilities and deferred inflows of resources					
	<u>491,496</u>	<u>-</u>	<u>220,846</u>	<u>-</u>	<u>712,342</u>
Fund Balances					
Nonspendable:					
Inventories	26,101	-	-	-	26,101
Prepaid expenses and other assets	184,813	-	-	-	184,813
Restricted:					
Debt service	-	-	1,287,914	-	1,287,914
Food service	2,075,694	-	-	-	2,075,694
Committed	-	639,773	-	-	639,773
Assigned	-	-	-	4,742	4,742
	<u>2,286,608</u>	<u>639,773</u>	<u>1,287,914</u>	<u>4,742</u>	<u>4,219,037</u>
Total fund balances					
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,778,104</u>	<u>\$ 639,773</u>	<u>\$ 1,508,760</u>	<u>\$ 4,742</u>	<u>\$ 4,931,379</u>

Jackson 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 Fund - Food Service Fund	Special Revenue Fund - Student Activities Fund	Total Debt Service Funds	Capital Improvements Fund	Total
Revenue					
Local sources	\$ 237,102	\$ 557,646	\$ 8,315,622	\$ 5	\$ 9,110,375
State sources	133,949	-	137,056	-	271,005
Federal sources	4,117,003	-	296,898	-	4,413,901
Total revenue	4,488,054	557,646	8,749,576	5	13,795,281
Expenditures					
Current:					
Support services	-	528,418	18,828	-	547,246
Food services	4,010,568	-	-	-	4,010,568
Debt service	-	-	8,886,947	-	8,886,947
Capital outlay	245,116	-	-	-	245,116
Total expenditures	4,255,684	528,418	8,905,775	-	13,689,877
Excess of Revenue Over (Under) Expenditures	232,370	29,228	(156,199)	5	105,404
Other Financing Uses - Transfers out	(19,854)	-	-	-	(19,854)
Net Change in Fund Balances	212,516	29,228	(156,199)	5	85,550
Fund Balances - Beginning of year	2,074,092	610,545	1,444,113	4,737	4,133,487
Fund Balances - End of year	<u>\$ 2,286,608</u>	<u>\$ 639,773</u>	<u>\$ 1,287,914</u>	<u>\$ 4,742</u>	<u>\$ 4,219,037</u>

**Other Supplemental Information
Schedule of Bonded Indebtedness**

June 30, 2022

<u>Years Ending June 30</u>	<u>2010 Building and Site Bonds Principal</u>	<u>2018 Building and Site Bonds Principal</u>	<u>2020 Refunding Bonds Principal</u>	<u>Total</u>
2023	\$ 2,145,000	\$ 1,150,000	\$ 830,000	\$ 4,125,000
2024	2,160,000	1,175,000	1,040,000	4,375,000
2025	2,175,000	1,375,000	1,090,000	4,640,000
2026	2,195,000	1,630,000	1,085,000	4,910,000
2027	2,055,000	2,035,000	1,090,000	5,180,000
2028	-	1,110,000	580,000	1,690,000
2029	-	1,155,000	680,000	1,835,000
2030	-	1,220,000	770,000	1,990,000
2031	-	1,525,000	625,000	2,150,000
2032	-	1,610,000	710,000	2,320,000
2033	-	1,695,000	820,000	2,515,000
2034	-	1,805,000	905,000	2,710,000
2035	-	3,115,000	-	3,115,000
2036	-	3,265,000	-	3,265,000
2037	-	3,415,000	-	3,415,000
2038	-	3,565,000	-	3,565,000
2039	-	3,740,000	-	3,740,000
2040	-	3,915,000	-	3,915,000
2041	-	4,090,000	-	4,090,000
2042	-	4,290,000	-	4,290,000
2043	-	4,490,000	-	4,490,000
2044	-	4,655,000	-	4,655,000
2045	-	4,670,000	-	4,670,000
2046	-	4,670,000	-	4,670,000
2047	-	4,670,000	-	4,670,000
2048	-	4,670,000	-	4,670,000
Total remaining payments	<u>\$ 10,730,000</u>	<u>\$ 74,705,000</u>	<u>\$ 10,225,000</u>	<u>\$ 95,660,000</u>
Interest rate	5.15% to 6.50%	4.00% - 5.00%	4.00% - 5.00%	
Original issue	<u>\$ 16,640,000</u>	<u>\$ 76,655,000</u>	<u>\$ 18,160,000</u>	<u>\$ 111,455,000</u>

Principal payments for the bond issues are due on May 1 of each year.

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