

NEWAYGO PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
JUNE 30, 2021



Baird, Cotter & Bishop, P.C.
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CERTIFIED PUBLIC ACCOUNTANTS
134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749
www.bcbcpa.com

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2021

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September 7, 2021

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Newaygo Public Schools
Newaygo, Michigan

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, identified in the table of contents, on pages iii-x and 40-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Newaygo Public Schools' basic financial statements. The other supplementary information on pages 47-49 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2021, on our consideration of Newaygo Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 Newaygo Public Schools' 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 Newaygo Public Schools' internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

This section of Newaygo Public Schools’ (“the District”) annual report presents our discussion and analysis of the District’s financial performance during the year ended June 30, 2021. Please read it in conjunction with the District’s financial statements, which immediately follow this section.

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The basic financial statements consist of the following three components: the government-wide financial statements, fund financial statements, and the notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Financial Highlights Section

Government-Wide

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$17,481,208, creating a deficit net position. Of this amount net investment in capital assets was \$11,188,142.
- The government’s total net deficit increased by \$372,814.

Fund Level

- As of the close of the current fiscal year, the District’s governmental funds reported combined ending fund balances of \$5,318,041, an increase of \$498,153 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,269,861.

Overview of the Financial Statements

Government-Wide Financial Statements

The government-wide statements provide short-term and long-term financial information about the District’s overall financial status. These statements are required by generally accepted accounting principles (GAAP) as described in the Government Accounting Standards Board (GASB) Statement No. 34. The district-wide financial statements are compiled using full accrual basis of accounting and more closely represent financial statements presented by business and industry. The Statement of Net Position includes all of the District’s assets and liabilities. All of the year’s revenue and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District’s net position and how they have changed. Net position – the difference between the District’s assets and liabilities – is one way to measure the District’s financial health or position.

Over time, increases and decreases in the District’s net position are indicators of whether its financial position is improving or deteriorating, respectively.

To assess the overall health of the District requires consideration of additional non-financial factors, such as changes in the District’s property tax base and the condition of school buildings and other facilities.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

In the government-wide financial statements, the District’s activities are all shown in one category titled “Governmental Activities”. These activities include instruction, supporting services, food services, community services, payments to other districts, facilities acquisition, construction and improvements, student activities, interest on long-term debt, and unallocated depreciation, which are primarily financed with state and federal aid and property taxes.

Fund Financial Statements

The fund financial statements provide more detailed information about the District’s funds, focusing on its most significant or “major” funds, rather than the District as a whole. Funds that do not meet the threshold to be classified as major funds are called “non-major” funds. Detailed financial information for non-major funds can be found in the combining and individual fund statements section, if applicable.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District may establish other funds to control and manage money for particular purposes.

The District maintains the following kinds of funds:

Governmental Funds – The District’s basic services are included in governmental funds, which generally focus on 1) how cash and other financial assets that can be readily converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

Fiduciary Funds – Fiduciary funds are for assets that belong to others, such as certain student activities funds where the District is the trustee or fiduciary. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District’s fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

The District maintains one type of fiduciary fund. The Custodial fund reports resources held by the District in a custodial capacity for individuals, private organizations, and other governments.

Notes to Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements. The notes to the financial statements can be found on pages 12-39 of this report.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Summary of Net Position

The following schedule summarizes the net position at fiscal years ended June 30:

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets	\$ 7,194,844	\$ 6,362,323
Non Current Assets		
Capital Assets	55,604,769	55,521,742
Less Accumulated Depreciation	<u>(15,630,451)</u>	<u>(14,495,423)</u>
Total Non Current Assets	<u>39,974,318</u>	<u>41,026,319</u>
Total Assets	<u>47,169,162</u>	<u>47,388,642</u>
Deferred Outflows of Resources	<u>9,390,871</u>	<u>11,215,953</u>
Liabilities		
Current Liabilities	3,364,712	2,988,594
Non Current Liabilities	<u>65,123,808</u>	<u>67,549,338</u>
Total Liabilities	<u>68,488,520</u>	<u>70,537,932</u>
Deferred Inflows of Resources	<u>5,552,721</u>	<u>5,175,057</u>
Net Position		
Net Investment in Capital Assets	11,188,142	11,270,428
Restricted for Debt Service	981,113	996,208
Unrestricted	<u>(29,650,463)</u>	<u>(29,375,030)</u>
Total Net Position	<u>\$ (17,481,208)</u>	<u>\$ (17,108,394)</u>

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

Analysis of Financial Position

During the fiscal year ended June 30, 2021, the District's net position decreased by \$372,814. A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2021, \$1,243,874 was recorded for depreciation expense.

2. Pension and Other Postemployment Benefits Expense

GASB 68 and 75 now requires the District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the District's change in net position. Based on various factors, the District may report an increase or decrease in net position depending on whether the District's proportionate share of the net pension liability and OPEB liabilities increases or decreases in any given year. For the year ended June 30, 2021, the District reported a decrease in net position related to GASB 68 and 75, which indicates that the District's proportionate share of the net pension and other postemployment benefits liability has increased by that amount.

3. Capital Outlay Acquisitions and Dispositions

For the fiscal year ended June 30, 2021, \$191,873 of expenditures for buildings and improvements and furniture and equipment were capitalized and recorded as assets of the District. These additional to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets, disposal of capital assets, and the current year's depreciation is a decrease in capital assets in the amount of \$1,052,001 for the year ended June 30, 2021.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

Change in Net Position

The following schedule summarizes the results of operations, on a district-wide basis, for the fiscal year ended June 30:

	<u>2021</u>	<u>2020</u>
General Revenues		
Property Taxes	\$ 5,396,902	\$ 5,356,331
Investment Earnings	5,715	69,477
State Sources	9,373,077	9,293,145
Other	159,928	148,292
Total General Revenues	<u>14,935,622</u>	<u>14,867,245</u>
Program Revenues		
Charges for Services	121,730	143,992
Operating Grants	5,232,339	5,009,380
Total Program Revenues	<u>5,354,069</u>	<u>5,153,372</u>
Total Revenues	<u>20,289,691</u>	<u>20,020,617</u>
Expenses		
Instruction	12,952,619	12,536,830
Supporting Services	3,866,465	4,924,193
Community Services	6,473	119,184
Payments to Other Districts	5,217	2,042
Facilities Acquisition, Construction and Improvements	346,307	143,413
Food Service	1,321,763	974,628
Student Activities	56,498	64,774
Interest on Long-Term Debt	863,289	917,430
Unallocated Depreciation	1,243,874	1,197,686
Total Expenses	<u>20,662,505</u>	<u>20,880,180</u>
Change in Net Position	(372,814)	(859,563)
<u>Net Position</u> (Deficit) - Beginning of Year	<u>(17,108,394)</u>	<u>(16,248,831)</u>
<u>Net Position</u> (Deficit) - End of Year	<u>\$ (17,481,208)</u>	<u>\$ (17,108,394)</u>

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

Financial Analysis of the District's Funds

The financial performance of the District as a whole is also reflected in its governmental funds. The following table shows the change in total fund balances of each of the District's governmental funds:

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
Major Funds			
General Fund	\$ 3,632,623	\$ 2,577,202	\$ 1,055,421
Food Service Fund	455,088	518,243	(63,155)
Student Activities Fund	91,486	94,974	(3,488)
2016 Capital Projects Fund	0	466,846	(466,846)
2015 Debt Refunding Retirement Fund	541,898	704,707	(162,809)
2016 Debt Retirement Fund	197,341	254,079	(56,738)
2017 Debt Retirement Fund	399,605	203,837	195,768
	<u>\$ 5,318,041</u>	<u>\$ 4,819,888</u>	<u>\$ 498,153</u>

In 2020-2021 fiscal year, the General Fund balance increased primarily due to the increase in state and federal sources.

The Food Service Fund balance decreased due to an increase in capital outlay as well as additional supplies being purchased during the year, this was expected and part of the District's spend down plan.

In 2019-2020, the Student Activities Fund balance decrease was minimal.

The 2016 Capital Projects fund balance decreased due to spending the remainder of the debt proceeds issued in a prior fiscal year on various bond projects.

The 2015 and 2016 Debt Retirement Funds decreased its fund balance due to debt payments exceeding tax revenue in the current year.

The 2017 Debt Retirement Fund increased its fund balance due to tax revenue exceeding debt payments in the current year.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

For the 2020-2021 fiscal year, the District amended the general fund budget throughout the year, with the Board adopting the final changes in June 2021. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget, and actual totals from operations:

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Total Revenues	<u>\$ 14,931,325</u>	<u>\$ 17,183,640</u>	<u>\$ 17,217,574</u>
<u>EXPENDITURES</u>			
Instruction	\$ 10,865,270	\$ 11,593,020	\$ 11,536,681
Supporting Services	4,866,922	4,692,013	4,549,245
Community Services	100,700	58,162	56,210
Payments to Other Districts	14,900	7,200	5,217
Debt Service	75,855	75,870	75,808
Total Expenditures	<u>\$ 15,923,647</u>	<u>\$ 16,426,265</u>	<u>\$ 16,223,161</u>

The difference between the original and final budgeted revenue amounts is mainly due to amending the budget for additional state revenue and federal revenue. The differences between the original and final budgeted expenditures amounts is spread amongst the District's activities but is mainly attributable to an increase in anticipated expenditures for instruction. The variance between the final budgeted revenues and expenditures compared to actual is minimal.

Capital Asset and Debt Administration

1. Capital Assets

At June 30, 2021, the District has \$39,974,318 net of accumulated depreciation, in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. Depreciation expense for the year amounted to \$1,243,874 bringing the accumulated depreciation to \$15,630,451 as of June 30, 2021.

For the year ended June 30, 2021, the following expenditures were capitalized:

- ❖ Kitchen flooring in the amount of \$52,837
- ❖ Convection steamer in the amount of \$18,185
- ❖ Heat & AC controller units in the amount of \$103,011
- ❖ Roof maintenance in the amount of \$9,010
- ❖ A security system in the amount of \$8,830

The District disposed of two buses during the 2020-2021 fiscal year.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

The District approved the purchase of kitchen equipment in the amount of \$19,398, a Ford F-350 truck in the amount of \$45,459, and a bus in the amount of \$92,326. The District also approved a project to update wireless switches in the amount of \$31,735, all of which to be purchased in the 2021-2021 fiscal year.

Additional information on the District's capital assets can be found in the notes to this report.

2. *Long-Term Obligations*

At June 30, 2021, the District had \$27,630,000 in bonded debt outstanding. This represents a decrease of \$1,210,000 over the amount outstanding at the close of the prior fiscal year. Additional long-term liabilities include \$418,910 in compensated absences, \$216,782 installment purchase agreement, a net pension liability in the amount of \$32,269,185, and a net other postemployment benefit liability of \$4,979,715.

Additional information on the District's long-term obligations can be found in the notes to this report.

Factors Bearing on the District's Future

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future:

- COVID-19, and the uncertainties that relate to the virus are still lingering and playing a part in the District's financials.
- The District in 2021-2022 will experience a headlee roll back on its tax collections for the general fund.
- At the time of the budget creation for 2021-2022, the state budget office still had not approved a state school aid budget for the fiscal year.
- Health insurance costs, along with retirement costs, continue to increase year after year.
- The District has added staffing needs as we move into 2021-2022 due to cuts that were made in the 2020-2021 year.
- The District budgeted for flat enrollment. Throughout the past two years, the District has seen a steady decline in pupil membership.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the Business Department, Newaygo Public Schools, 360 S. Mill Street, Newaygo, Michigan 49337.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN
STATEMENT OF NET POSITION

JUNE 30, 2021

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$ 4,562,710
Due from Other Governmental Units	2,594,271
Prepaid Expenses	7,939
Inventory	29,924
	7,194,844
Total Current Assets	7,194,844
<u>NON CURRENT ASSETS</u>	
Capital Assets	55,604,769
Less Accumulated Depreciation	(15,630,451)
	39,974,318
Total Non Current Assets	39,974,318
TOTAL ASSETS	47,169,162
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension Related Items	6,916,565
Other Postemployment Benefits Related Items	2,323,427
Deferred Charge on Refunding	150,879
	9,390,871
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,390,871
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	9,197
Salaries Payable	851,277
Accrued Expenses	653,055
Unearned Revenue	363,274
Accrued Interest Payable	157,731
Current Portion of Non Current Liabilities	1,330,178
	3,364,712
Total Current Liabilities	3,364,712

The notes to the financial statements are an integral part of this statement.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN
STATEMENT OF NET POSITION

JUNE 30, 2021

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>NON CURRENT LIABILITIES</u>	
Bonds Payable (Net)	28,569,394
Installment Purchase Agreements	216,782
Compensated Absences	418,910
Net Pension Liability	32,269,185
Other Postemployment Benefits Liability	4,979,715
Less Current Portion of Non Current Liabilities	<u>(1,330,178)</u>
 Total Non Current Liabilities	 <u>65,123,808</u>
 TOTAL LIABILITIES	 <u>68,488,520</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension Related Items	1,647,266
Other Postemployment Benefits Related Items	<u>3,905,455</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>5,552,721</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	11,188,142
Restricted for Debt Service	981,113
Unrestricted (Deficit)	<u>(29,650,463)</u>
 TOTAL NET POSITION (DEFICIT)	 <u>\$ (17,481,208)</u>

The notes to the financial statements are an integral part of this statement.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		GOVERNMENTAL ACTIVITIES
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSES) REVENUES AND CHANGE IN NET POSITION
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction	\$ 12,952,619	\$ 0	\$ 3,492,210	\$ (9,460,409)
Supporting Services	3,866,465	85,348	722,810	(3,058,307)
Community Services	6,473	0	13,598	7,125
Payments to Other Districts	5,217	0	5,217	0
Facilities Acquisition, Construction and Improvements	346,307	0	0	(346,307)
Food Service	1,321,763	36,382	998,504	(286,877)
Student Activities	56,498	0	0	(56,498)
Interest on Long Term Debt	863,289	0	0	(863,289)
Unallocated Depreciation	1,243,874	0	0	(1,243,874)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 20,662,505	\$ 121,730	\$ 5,232,339	(15,308,436)
<u>GENERAL REVENUES</u>				
Property Taxes - General Purposes				3,262,668
Property Taxes - Debt Service				2,134,234
Investment Earnings				5,715
State Sources				9,373,077
Other				159,928
Total General Revenues				14,935,622
Change in Net Position				(372,814)
<u>NET POSITION</u> - Beginning of Year (Deficit)				(17,108,394)
<u>NET POSITION</u> - End of Year (Deficit)				\$ (17,481,208)

The notes to the financial statements are an integral part of this statement.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	GENERAL FUND	FOOD SERVICE FUND	STUDENT ACTIVITIES FUND	2016 CAPITAL PROJECTS FUND	2015 DEBT REFUNDING RETIREMENT FUND	2016 DEBT RETIREMENT FUND	2017 DEBT RETIREMENT FUND	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>								
Cash and Cash Equivalents	\$ 2,866,062	\$ 466,318	\$ 91,486	\$ 0	\$ 541,898	\$ 197,341	\$ 399,605	\$ 4,562,710
Due from Other Funds	61,048	0	0	0	0	0	0	61,048
Due from Other Governmental Units	2,544,407	49,864	0	0	0	0	0	2,594,271
Prepaid Expenditures	7,939	0	0	0	0	0	0	7,939
Inventory	9,340	20,584	0	0	0	0	0	29,924
TOTAL ASSETS	\$ 5,488,796	\$ 536,766	\$ 91,486	\$ 0	\$ 541,898	\$ 197,341	\$ 399,605	\$ 7,255,892
<u>LIABILITIES AND FUND BALANCES</u>								
<u>LIABILITIES</u>								
Accounts Payable	\$ 7,198	\$ 1,999	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,197
Due to Other Funds	0	61,048	0	0	0	0	0	61,048
Salaries Payable	841,803	9,474	0	0	0	0	0	851,277
Accrued Expenses	649,698	3,357	0	0	0	0	0	653,055
Unearned Revenue	357,474	5,800	0	0	0	0	0	363,274
Total Liabilities	1,856,173	81,678	0	0	0	0	0	1,937,851
<u>FUND BALANCES</u>								
Nonspendable:								
Inventory	9,340	20,584	0	0	0	0	0	29,924
Prepaid Expenditures	7,939	0	0	0	0	0	0	7,939
Restricted for:								
Debt Service	0	0	0	0	541,898	197,341	399,605	1,138,844
Food Service	0	434,504	0	0	0	0	0	434,504
Assigned for:								
Subsequent Year Budget Shortfall	345,483	0	0	0	0	0	0	345,483
Student Activities	0	0	91,486	0	0	0	0	91,486
Unassigned	3,269,861	0	0	0	0	0	0	3,269,861
Total Fund Balances	3,632,623	455,088	91,486	0	541,898	197,341	399,605	5,318,041
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,488,796	\$ 536,766	\$ 91,486	\$ 0	\$ 541,898	\$ 197,341	\$ 399,605	\$ 7,255,892

The notes to the financial statements are an integral part of this statement.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

JUNE 30, 2021

Total Governmental Fund Balances	\$ 5,318,041
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.	
The cost of the capital assets is	\$ 55,604,769
Accumulated depreciation is	<u>(15,630,451)</u>
	39,974,318
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	
Bonds Payable	(27,630,000)
Installment Purchase Agreements	(216,782)
Compensated Absences	(418,910)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid.	
	(157,731)
Governmental funds expense the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Bond Premium Net of Amortization	(939,394)
Deferred Charges Net of Amortization	150,879
Some liabilities, including net pension and OPEB obligations, are not due and payable in the current period and, therefore, are not reported in the funds.	
Net Pension liability	(32,269,185)
Other Post Employment Benefit Liability	(4,979,715)
Deferred outflows and (inflows) of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.	
Deferred Inflows of Resources Related to Pensions	(1,647,266)
Deferred Outflows of Resources Related to Pensions	6,916,565
Deferred Inflows of Resources Related to Other Postemployment Benefits	(3,905,455)
Deferred Outflows of Resources Related to Other Postemployment Benefits	<u>2,323,427</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (17,481,208)</u>

The notes to the financial statements are an integral part of this statement.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2021

	GENERAL FUND	FOOD SERVICE FUND	STUDENT ACTIVITIES FUND	2016 CAPITAL PROJECTS FUND	2015 DEBT REFUNDING RETIREMENT FUND	2016 DEBT RETIREMENT FUND	2017 DEBT RETIREMENT FUND	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>								
Local Sources	\$ 3,566,386	\$ 36,963	\$ 53,010	\$ 312	\$ 1,157,984	\$ 425,505	\$ 553,261	\$ 5,793,421
State Sources	12,030,159	35,413	0	0	14,007	14,007	14,007	12,107,593
Federal Sources	1,488,496	945,429	0	0	0	0	0	2,433,925
Other Transactions	132,533	0	0	0	0	0	0	132,533
Total Revenues	17,217,574	1,017,805	53,010	312	1,171,991	439,512	567,268	20,467,472
<u>EXPENDITURES</u>								
Instruction								
Basic Programs	9,332,669	0	0	0	0	0	0	9,332,669
Added Needs	2,204,012	0	0	0	0	0	0	2,204,012
Supporting Services								
Pupil	314,652	0	0	0	0	0	0	314,652
Instructional Staff	122,546	0	0	0	0	0	0	122,546
General Administration	298,346	0	0	0	0	0	0	298,346
School Administration	879,984	0	0	0	0	0	0	879,984
Business	303,093	0	0	0	0	0	0	303,093
Operation and Maintenance of Plant	1,214,941	0	0	0	0	0	0	1,214,941
Pupil Transportation Services	802,686	0	0	0	0	0	0	802,686
Other Central Support Services	279,214	0	0	0	0	0	0	279,214
Athletic Activities	333,783	0	0	0	0	0	0	333,783
Community Services								
Custody and Care of Children	56,210	0	0	0	0	0	0	56,210
Payments to Other Districts	5,217	0	0	0	0	0	0	5,217
Facilities Acquisition, Construction and Improvements								
	0	0	0	467,158	0	0	0	467,158
Food Service	0	1,019,952	0	0	0	0	0	1,019,952
Student Activities	0	0	56,498	0	0	0	0	56,498

The notes to the financial statements are an integral part of this statement.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2021

	GENERAL FUND	FOOD SERVICE FUND	STUDENT ACTIVITIES FUND	2016 CAPITAL PROJECTS FUND	2015 DEBT REFUNDING RETIREMENT FUND	2016 DEBT RETIREMENT FUND	2017 DEBT RETIREMENT FUND	TOTAL GOVERNMENTAL FUNDS
Debt Service								
Principal	69,744	0	0	0	1,045,000	90,000	75,000	1,279,744
Interest and Other	6,064	0	0	0	289,800	406,250	296,500	998,614
 Total Expenditures	 16,223,161	 1,019,952	 56,498	 467,158	 1,334,800	 496,250	 371,500	 19,969,319
 Excess (Deficiency) of Revenues Over Expenditures	 994,413	 (2,147)	 (3,488)	 (466,846)	 (162,809)	 (56,738)	 195,768	 498,153
<u>OTHER FINANCING SOURCES (USES)</u>								
Transfer In (Out)	61,008	(61,008)	0	0	0	0	0	0
 Net Change in Fund Balance	 1,055,421	 (63,155)	 (3,488)	 (466,846)	 (162,809)	 (56,738)	 195,768	 498,153
<u>FUND BALANCE - Beginning of Year</u>	<u>2,577,202</u>	<u>518,243</u>	<u>94,974</u>	<u>466,846</u>	<u>704,707</u>	<u>254,079</u>	<u>203,837</u>	<u>4,819,888</u>
<u>FUND BALANCE - End of Year</u>	<u>\$ 3,632,623</u>	<u>\$ 455,088</u>	<u>\$ 91,486</u>	<u>\$ 0</u>	<u>\$ 541,898</u>	<u>\$ 197,341</u>	<u>\$ 399,605</u>	<u>\$ 5,318,041</u>

The notes to the financial statements are an integral part of this statement.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

Net Change in Fund Balances Total Governmental Funds \$ 498,153

Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures. In the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.

Capital Outlay	191,873
Depreciation Expense	(1,243,874)

Accrued interest on bonds is recorded in the Statement of Activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	166,415
Accrued Interest Payable - End of Year	(157,731)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses, and liabilities are reported regardless of when financial resources are available.

Repayment of Bond Principal	1,279,744
Amortization of Deferred Charges	(30,176)
Amortization of Bond Premiums	156,817

Accumulated Sick Pay is reported on the accrual method in the Statement of Activities, and recorded as expenditures when financial resources are used in the governmental funds:

Accumulated Sick Pay - Beginning of Year	454,865
Accumulated Sick Pay - End of Year	(418,910)

The notes to the financial statements are an integral part of this statement.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

Governmental funds report district pension and OPEB contributions as expenditures. However, in the Statement of Activities, the cost of benefits earned net of employee contributions is reported as expenses:

Change in Pension Related Items	(1,959,863)
Change in Other Postemployment Benefits	867,654

Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to Section 147c pension contributions subsequent to the measurement date:

Change in State Aid Funding for Pension	<u>(177,781)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (372,814)</u></u>
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The notes to the financial statements are an integral part of this statement.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2021

	<u>CUSTODIAL FUNDS</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$ 288,403</u>
<u>LIABILITIES</u>	<u>0</u>
<u>NET POSITION</u>	
Restricted for Scholarships	184,681
Restricted for Student Activities	<u>103,722</u>
 TOTAL NET POSITION	 <u><u>\$ 288,403</u></u>

The notes to the financial statements are an integral part of this statement.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2021

	<u>CUSTODIAL FUNDS</u>
<u>ADDITIONS</u>	
Earnings on Investments and Deposits	\$ 1,447
Donations	7,215
Student Activity Income	<u>97,169</u>
Total Additions	<u>105,831</u>
 <u>DEDUCTIONS</u>	
Scholarships Awarded	9,150
Payments Made on Behalf of Student Organizations	<u>74,837</u>
Total Deductions	<u>83,987</u>
Change in Net Position	21,844
 <u>NET POSITION</u> - Beginning of Year	<u>266,559</u>
 <u>NET POSITION</u> - End of Year	<u><u>\$ 288,403</u></u>

The notes to the financial statements are an integral part of this statement.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Newaygo Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The School District ("the District") is located in Newaygo County with its administrative offices located in Newaygo, Michigan. The District operates under an elected 7-member board of education and provides services to its 1,580 students in (blended count) in elementary, middle school, high school, special education instruction, guidance, health, transportation, food service, athletics and recreation. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

B. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The District does not have any business-type activities or component units.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Food Service Fund* accounts for revenue sources that are legally restricted to expenditures for Food Service.

The *Student Activities Fund* accounts for revenue sources that are assigned for specific purposes. The District accounts for its student activities in a special revenue fund.

The *2016 Capital Projects Fund* accounts for the acquisition of capital assets or construction of major capital projects.

The *Debt Retirement Funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, the District reports Fiduciary Funds. Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not included in the government-wide statements

The *Custodial Fund* consists of assets for the benefit of individuals and the District does not have administrative involvement with the assets or direct financial involvement with the assets. In addition, the assets are not derived from the District's provision of goods or services to those individuals. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

During the course of operations the government 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 are eliminated so that only the net amount is included as internal balances in the governmental activities column.

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

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues 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 governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, except for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources.

F. Budgetary Information

1. Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- (a) In June, the superintendent submits to the school board a proposed operating budget for the fiscal year commencing on July 1.
- (b) A public hearing is conducted during June to obtain taxpayer comments.
- (c) Prior to June 30, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.
- (d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
- (e) For purposes of meeting emergency needs of the District, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- (f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
- (g) Budgeted amounts are as originally adopted on June 29, 2020, or as amended by the School Board of Education throughout the year.
- (h) Appropriations lapse at year-end and therefore cancel all encumbrances. These appropriations are re-established at the beginning of the following year.

2. *Excess of Expenditures Over Appropriations*

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
Supporting Services		
Athletic Activities	\$ 333,178	\$ 333,783

This overage was covered by available fund balance and greater than anticipated revenues.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. *Cash and Cash Equivalents*

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments (including certificates of deposit), with original maturities of three months or less from the date of acquisition.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

2. *Investments*

Investments – Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term and duration the rate of return is fixed, and the District intends to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings, and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, banker’s acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Investments in the U.S. Treasury securities and those other securities completely guaranteed by the Treasury as to payment of principal and interest may be purchased in any dollar amount or up to 100 percent of the available reserves.

All investments must mature or be redeemable within two years of the date of purchase. The District’s deposits and investments are held separately by several of the District’s funds.

3. *Inventory and Prepaid Items*

Inventory is valued at cost using the first-in/first-out method. Inventory consists of expendable supplies held for consumption, which are recorded as expenditures when consumed rather than when purchased.

Certain payments made to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. *Capital Assets*

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their acquisition value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and Improvements	10-50 years
Buses and Other Vehicles	8 years
Furniture and Equipment	5-20 years

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

5. *Unearned Revenue*

Unearned revenue arises when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The District has \$363,274 of unearned revenue in the General Fund, related to at-risk funds and other unspent grant proceeds, and in the Food Service Fund, related to student balances.

6. *Long-Term Obligations*

In the government-wide financial statements, 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 life of the bonds using the straight-line method which approximates the effective interest method over the term of the related obligation.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. *Defined Benefit Plans*

For purposes of measuring the net pension and other postemployment liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and other postemployment benefits, and pension and other postemployment benefits expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

8. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. They are the deferred charge on refunding, pension and other postemployment benefits related items reported in the government-wide *Statement of Net Position*. A deferred charge on refunding results from the difference in the carrying value of refunded obligation and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding obligation. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expenses in the plan year in which they apply. Details can be found in footnotes 3.E. and 3.F.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. They are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. Details can be found in footnote 3.E. and 3.F.

9. *Net Position Flow Assumption*

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

10. *Fund Balance Flow Assumption*

Sometimes the District will 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 District’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, 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.

11. *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 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 District’s highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of an resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations

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in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

12. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

H. Revenues and Expenditures/Expenses

1. State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2021, the foundation allowance was based on an on-time "super blend" on pupil membership counts taken in February 2019, October 2019, February 2020, and October 2020. This one year "super blend" was blended with the pupil counts for February 2018 and October 2018 and February 2019 and October 2019 to arrive at a three-year blended count. For fiscal year ended June 30, 2021, the per pupil foundation allowance was \$8,111 for Newaygo Public Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2020 to August 2021. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

2. Program Revenues

Amounts reported as program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, state foundation aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenue but instead as *general revenues*.

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3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically submitted to the District. Properties are assessed as of January 1. The District has elected to have a portion of the taxes billed and due July 1st, and the remaining portion billed and due December 1st. The summer levy becomes delinquent as of September 14th, and the winter levy becomes delinquent as of February 14th for taxpayers. After these dates, unpaid taxes are subject to penalties and interest.

For the year ended June 30, 2021, the District levied the following amounts per \$1,000 of taxable valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-Principal Residence Exemption (PRE)	18.0000
General Fund - Commercial Personal Property	6.0000
2015 Issue Debt Service Fund - PRE and Non-PRE	2.7000
2016 Issue Debt Service Fund - PRE and Non-PRE	1.0000
2017 Issue Debt Service Fund - PRE and Non-PRE	1.3000

4. Compensated Absences

The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which sick leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note 1.F.2, on the Excess of Expenditures Over Appropriations, describes a budgetary violation that occurred for the year ended June 30, 2021.

NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of June 30, 2021, the District’s bank balance was \$5,068,530 and \$362,349 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. The risk is spread amongst the District’s funds. Although the District’s investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, 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

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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 District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSOs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the investments.

The District voluntarily invests certain excess funds in external pooled investment funds which include money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund Plus (MILAF+). MILAF+ is a local government investment pool of "qualified" investments for Michigan school districts. MILAF+ is not regulated nor is it registered with the SEC. MILAF+ reports as of June 30, 2021, the fair value of the District's investments is the same as the value of the pooled shares. MILAF, as defined by GASB, is recorded at amortized cost which approximates fair value. The MILAF+ portfolio offers three share classes which are: Cash Management Class, MAX Class, and GovMIC Class. The only class that has limitations or restrictions on withdrawals is MAX Class, which requires notification of redemptions prior to 14 days to avoid penalties. The MILAF+ portfolio is not subject to fair value disclosures. The District also has investments in Federated Government Obligations Fund which allows for investments in securities which are subject to the fair value disclosure requirements.

Fair Market Value Disclosure - The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices from similar activities, interest rates, prepayment speeds, credit risk, and others. Debt securities are valued in accordance with evaluated bid price supplied by the pricing service and generally categorized as Level 2 in the hierarchy. Securities that are categorized as Level 2 in the hierarchy include, but are not limited to, repurchase agreements, U.S. government agency securities, corporate securities, and commercial paper.

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Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There are two types of valuation techniques most commonly used and vary depending on the level of investment. These two techniques are the market approach and income approach. The market approach uses prices and other relevant information generated by the market transactions involving identical or similar assets and liabilities. The income approach discounts future amounts to a single current amount and the discount rate used in the process should reflect current market expectations about risks associated with those future cash flows.

The District does not have any investments subject to fair value measurement.

At June 30, 2021, the carrying amount of deposits is as follows:

	<u>Total</u>
Deposits – including Fiduciary Funds of \$288,403	<u>\$ 4,851,113</u>

The above amounts are reported in the financial statements as follows:

	<u>Total</u>
Cash and Cash Equivalents - Fiduciary Funds	\$ 288,403
District-Wide:	
Cash and Equivalents	<u>4,562,710</u>
	<u>\$ 4,851,113</u>

B. Receivables

Receivables as of year-end for the government's individual major funds are as follows:

	<u>General</u>	<u>Food Service</u>	<u>Total</u>
Receivables			
Due from Other Governments	\$ 2,544,407	\$ 49,864	<u>\$ 2,594,271</u>

Amounts due from other governments include amounts due from federal, state, and local sources for various projects and programs. Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

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C. Capital Assets

Capital assets activity for the year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Assets Not Being Depreciated:				
Land	\$ 514,975	\$ 0	\$ 0	\$ 514,975
Other Capital Assets:				
Buildings and Improvements	50,820,453	164,858	0	50,985,311
Buses and Other Vehicles	2,014,643	0	108,846	1,905,797
Furniture and Equipment	2,171,671	27,015	0	2,198,686
Subtotal	55,006,767	191,873	108,846	55,089,794
Accumulated Depreciation				
Buildings and Improvements	11,508,699	1,094,758	0	12,603,457
Buses and Other Vehicles	1,395,088	106,934	108,846	1,393,176
Furniture and Equipment	1,591,636	42,182	0	1,633,818
Total Accumulated Depreciation	14,495,423	1,243,874	108,846	15,630,451
Net Other Capital Assets	40,511,344	(1,052,001)	0	39,459,343
Net Capital Assets	\$ 41,026,319	\$ (1,052,001)	\$ 0	\$ 39,974,318

Depreciation for the fiscal year ended June 30, 2021, amounted to \$1,243,874. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

D. Retirement and Postemployment Benefits

Plan Description – The Michigan Public School Employees’ Retirement System (System or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board’s authority to promulgate or amend the provisions of the System. MPERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www://michigan.gov/mpsers-cafr.

The System’s pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System’s health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees’ Retirement Act.

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State of Michigan Investments Board serves as the investment fiduciary and custodian of the System.

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Benefits Provided- Overall

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the plans offered by MPSERS is as follows:

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided – Pension

Benefit provisions of the defined benefit pension 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 (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

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Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

An amount determined by the member's election of Option 1, 2, 3, or 4 described below:

Option 1 - Members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 - Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3 - Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 - Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k)-account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) - Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

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Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided – Other postemployment benefit (OPEB)

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Retiree Healthcare Reform of 2012

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

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

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Regular Retirement (no reduction factor for age)

Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount - The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Member Contributions

Depending on the plan selected, member contributions range from 0% to 7% for pension and 0% to 3% for other postemployment benefits. Plan members electing the defined contribution plan are not required to make additional contributions.

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of pension benefits and OPEB. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2020 were determined as of the September 30, 2017 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2017 are amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	<u>Pension</u>	<u>Other Postemployment Benefit</u>
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.45%

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The District's pension contributions for the year ended June 30, 2021 were equal to the required contribution total. Total pension contributions were approximately \$2,874,000, with \$2,836,000 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2021 were equal to the required contribution total. Total OPEB benefits were approximately \$714,000 with \$674,000 specifically for the Defined Benefit Plan.

These amounts, for both pension and OPEB, include contributions funded from state revenue Section 147c restricted to fund MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

E. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities

At June 30, 2021, the District reported a liability of \$32,269,185 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2019 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2020 and 2019, the District's proportion was 0.09393934% and 0.09492292%.

MPSERS (Plan) Non-University Employers Net Pension Liability

	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Total Pension Liability	\$ 85,290,583,799	\$ 83,442,507,212
Fiduciary Net Position	<u>50,939,496,006</u>	<u>50,325,869,388</u>
Net Pension Liability	<u>\$ 34,351,087,793</u>	<u>\$ 33,116,637,824</u>
Fiduciary Net Position as a Percentage of Total Pension Liability	59.72%	60.31%
Net Pension Liability as a Percentage of Covered Payroll	387.25%	378.65%

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

For the year ended June 30, 2021, the District recognized total pension expense of \$4,795,399.

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At June 30, 2021, the 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
Differences between expected and actual experience	\$ 493,047	\$ 68,874
Section 147c revenue related to District Pension contributions subsequent to measurement date	0	1,208,150
Changes of assumptions	3,575,737	0
Net difference between projected and actual earnings on pension plan investments	135,581	0
Changes in proportion and differences between District contributions and proportionate share of contributions	52,507	370,242
District contributions subsequent to the measurement date	2,659,693	0
Total	\$ 6,916,565	\$ 1,647,266

\$2,659,693 reported as deferred outflows of resources and \$1,208,150 reported as deferred inflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	Amount
2021	\$ 1,804,021
2022	1,213,169
2023	613,112
2024	187,454
	\$ 3,817,756

F. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB Liabilities

At June 30, 2021, the District reported a liability of \$4,979,715 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2019 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB

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liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2020 and 2019, the District's proportion was 0.09295252% and 0.09356974%.

MPSERS (Plan) Non-University Employers Net OPEB Liability

	September 30, 2020	September 30, 2019
Total OPEB Liability	\$ 13,206,903,534	\$ 13,925,860,688
Fiduciary Net Position	7,849,636,555	6,748,112,668
Net OPEB Liability	\$ 5,357,266,979	\$ 7,177,748,020
Fiduciary Net Position as a Percentage of Total OPEB Liability	59.44%	48.46%
Net OPEB Liability as a Percentage of Covered Payroll	60.39%	82.07%

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

For the year ended June 30, 2021, the District recognized total OPEB expense of (\$193,237).

At June 30, 2021, the 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
Differences between expected and actual experience	\$ 0	\$ 3,710,353
Changes of assumptions	1,641,911	0
Net difference between projected and actual earnings on OPEB plan investments	41,561	0
Changes in proportion and differences between District contributions and proportionate share of contributions	36,735	195,102
District contributions subsequent to the measurement date	603,220	0
Total	\$ 2,323,427	\$ 3,905,455

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\$603,220 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2021	\$ (588,611)
2022	(530,931)
2023	(443,483)
2024	(355,176)
2025	(267,047)
	\$ (2,185,248)
	\$ (2,185,248)

G. Actuarial Assumptions

Investment rate of return for Pension – 6.80% a year, compounded annually net of investment and administrative expenses for the MIP, Basic, and Pension Plus groups and 6.00% a year, compounded annually net of investment and administrative expenses for the Pension Plus 2 Plan.

Investment rate of return for OPEB – 6.95% a year, compounded annually net of investment and administrative expenses.

Salary increases - The rate of pay increase used for individual members is 2.75% - 11.55%, including inflation at 2.75%.

Inflation – 3.0%

Mortality assumptions –

Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Active: RP-2014 Male and Female Employee Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Disabled Retirees: RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2019. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 Comprehensive Annual Financial Report.

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The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 6.80% (MIP, Basic, and Pension Plus Plan) and 6.00% for Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and OPEB 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.

Cost of Living Pension Adjustments – 3.0% annual non-compounded for MIP members.

Healthcare cost trend rate for other postemployment benefit – 7.0% for year one and graded to 3.5% to year fifteen.

Additional assumptions for other postemployment benefit only – Applies to individuals hired before September 4, 2012:

Opt Out Assumption – 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage – 80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree’s death.

Coverage Election at Retirement – 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

The target asset allocation at September 30, 2020 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
Domestic Equity Pools	25.00%	5.60%
Private Equity Pools	16.00%	9.30%
International Equity Pools	15.00%	7.40%
Fixed Income Pools	10.50%	0.50%
Real Estate & Infrastructure Pools	10.00%	4.90%
Absolute Return Pools	9.00%	3.20%
Real Return/Opportunistic Pools	12.50%	6.60%
Short-Term Investment Pools	2.00%	-0.10%
	<u>100%</u>	

*Long-term rate of return are net of administrative expenses and 2.1% inflation.

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JUNE 30, 2021

Rate of return

For fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.37% and 5.24% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount Rate

A single discount rate of 6.80% was used to measure the total pension liability (6.00% for the Pension Plus 2 Plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

OPEB Discount Rate

A single discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.80% (6.00% for the Pension Plus 2 Plan), as well as what the Reporting Unit's proportionate share of the 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:

Pension					
1% Decrease		Discount Rate		1% Increase	
\$	41,766,986	\$	32,269,185	\$	24,397,625

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 6.95%, as well as what the Reporting Unit's proportionate share of the net OPEB

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JUNE 30, 2021

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:

OPEB				
	1% Decrease		Discount Rate	1% Increase
\$	6,397,009	\$	4,979,715	\$ 3,786,471

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Reporting Unit’s proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.0% (decreasing to 3.5%), as well as what the Reporting Unit’s proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

OPEB				
	Current Healthcare Cost			
1% Decrease		Trend Rates		1% Increase
\$	3,740,784	\$	4,979,715	\$ 6,388,845

H. Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB plan’s fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2020 Comprehensive Annual Financial Report.

I. Payables to the Pension and OPEB Plan

As of June 30, 2021, the District is current on all required pension and OPEB plan payments. As of June 30, 2021, the District reported payables in the amount of \$456,685 to the pension and OPEB plan. These amounts represent current payments for June wages paid in July, accruals for summer pay primarily for teachers and also the contributions due and funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

J. Risk Management

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers’ compensation) as well as medical benefits provided to employees.

The District participates in a distinct pool of educational institutions within the State of Michigan for various risks of loss, including general liability, property and casualty, employee health and accident insurance, and workers' disability compensation. The pool is considered a public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

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JUNE 30, 2021

K. Lease Information

The rental expense for the year ended June 30, 2021 and 2020, totaled \$28,716 and \$11,965, respectively.

The rental expense consists of a lease agreement on a copier. The future minimum lease payments are as follows:

YEAR ENDING	PAYABLES
2022	\$ 28,716
2023	28,716
2024	28,716
2025	16,751
	\$ 102,899

L. Long-Term Obligations

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of the governmental long-term obligation transactions for the District for the year ended June 30, 2021:

	NOTES FROM						TOTAL
	GENERAL OBLIGATION BONDS	DIRECT BORROWINGS AND DIRECT PLACEMENTS	COMPENSATED ABSENCES	NET PENSION LIABILITY	NET OPEB LIABILITY		
Balance, July 1, 2020	\$ 28,840,000	\$ 286,526	\$ 454,865	\$ 31,435,280	\$ 6,716,200	\$ 67,732,871	
Additions	0	0	49,390	3,415,480	867,654	4,332,524	
Deletions	1,210,000	69,744	85,345	2,581,575	2,604,139	6,550,803	
Balance, June 30, 2021	\$ 27,630,000	\$ 216,782	\$ 418,910	\$ 32,269,185	\$ 4,979,715	\$ 65,514,592	
Total due within one year	\$ 1,260,000	\$ 70,178	Unknown	Unknown	Unknown	\$ 1,330,178	

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JUNE 30, 2021

The District's debt obligations at June 30, 2021, are comprised of the following issues:

General Obligation Bonds

\$11,465,000 2015 general obligations refunding bonds due in annual installments of \$945,000 to \$1,030,000 through May 1, 2026; interest at 4%	\$ 4,960,000
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\$13,600,000 2016 school building and site bonds due in annual installments of \$105,000 to \$855,000 through May 1, 2041; interest at 3%	13,435,000
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\$9,360,000 2017 school building and site bonds due in annual installments of \$125,000 to \$560,000 through May 1, 2041; interest at 3%	9,235,000
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Notes From Direct Borrowings and Direct Placements

Installment Purchase Agreement annual installments of \$35,182 to \$37,655 through December 21, 2024; interest at 2.29%	145,638
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Installment Purchase Agreement annual installments of \$34,996 to \$36,148 through May 9, 2023; interest at 3.29%	71,144
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Compensated Absences, Net Pension Liability, and Net OPEB Liability

Accrued Compensated Absences	418,910
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Net Pension Liability	32,269,185
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Net Other Postemployment Benefit Liability	<u>4,979,715</u>
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Total Obligations	<u><u>\$ 65,514,592</u></u>
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The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$216,782 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

The annual requirements to amortize all long-term obligations outstanding as of June 30, 2021, including interest payments of \$9,385,362 are as follows:

<u>Year Ending June 30,</u>	<u>Notes from Direct Borrowings and Direct Placement</u>		<u>General Obligation Bonds</u>		<u>Amounts Payable</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2022	\$ 70,178	\$ 5,676	\$ 1,260,000	\$ 933,850	\$ 2,269,704
2023	72,138	3,719	1,285,000	875,450	2,236,307
2024	36,812	1,705	1,310,000	816,600	2,165,117
2025	37,654	862	1,320,000	768,250	2,126,766
2026	0	0	1,360,000	709,250	2,069,250
2027-2031	0	0	7,025,000	2,826,250	9,851,250
2032-2036	0	0	7,025,000	1,768,338	8,793,338
2037-2041	0	0	7,045,000	675,412	7,720,412
	<u>\$ 216,782</u>	<u>\$ 11,962</u>	<u>\$27,630,000</u>	<u>\$ 9,373,400</u>	<u>\$ 37,232,144</u>

The annual requirements to amortize the compensated absences, the net pension liability and net OPEB liability are uncertain because it is unknown when the repayments will be made.

Compensated absences and net pension and OPEB liabilities will be paid by the fund in which the employee worked, including the general fund and other governmental funds.

M. Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at June 30, 2021, were:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service Fund	<u>\$ 61,048</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

N. Interfund Transfers

Individual fund transfers at June 30, 2021, were:

<u>Fund Transferred To</u>	<u>Funds Transferred From</u>	<u>Amount</u>
General Fund	Food Service Fund	<u>\$ 61,008</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted

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NOTES TO FINANCIAL STATEMENTS
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revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

O. Capital Projects Fund

The 2016 Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Revised School Code.

Beginning with the year of bond issuance, the District has reported the annual construction activity in the 2016 Capital Projects Fund. The project for which the 2016 General Obligation Bonds were issued was considered complete on June 30, 2019, however a small residual balance was spent in the 2020-2021 fiscal year bringing the cumulative expenditures recognized for the construction period to \$23,253,951.

P. Other Information

1. Commitments and Contingencies

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required, and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District.

Commitments – The District approved the purchase of kitchen equipment in the amount of \$19,398, a Ford F-350 truck in the amount of \$45,459, and a bus in the amount of \$92,326. The District also approved a project to update wireless switches in the amount of \$31,735.

2. GASB Statement No. 77 (Tax Abatements)

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by the City of Newaygo within the District. Industrial Facilities Exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities:

For the fiscal year ended June 30, 2021, (tax year 2020) the District's property tax revenues were reduced by \$146,879 under these programs.

The District is considered to be an “in-formula” district. The taxes abated for the General Fund operating millage are considered by the State of Michigan when determining the District’s section 22 funding of the State School Aid Act. The District received \$128,928 from the State of Michigan’s determination.

There are no significant abatements made by the District.

NOTE 4 – UPCOMING ACCOUNTING PRONOUCEMENTS

Governmental Account Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the District’s 2022 year end. The objective of this Statement is to increase the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for

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NEWAYGO, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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 the 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, thereby enhancing the relevance and consistency of information about governments' leasing activities.

In May 2020, the GASB issued Statement No. 96, Subscription-based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

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REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
MAJOR FUNDS

YEAR ENDED JUNE 30, 2021

	GENERAL FUND			FOOD SERVICE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>						
Local Sources	\$ 3,223,903	\$ 3,565,729	\$ 3,566,386	\$ 40,000	\$ 33,000	\$ 36,963
State Sources	10,829,319	11,987,120	12,030,159	34,000	34,000	35,413
Federal Sources	734,882	1,498,258	1,488,496	750,000	960,000	945,429
Other Transactions	143,221	132,533	132,533	0	0	0
Total Revenues	14,931,325	17,183,640	17,217,574	824,000	1,027,000	1,017,805
<u>EXPENDITURES</u>						
Instruction						
Basic Programs	8,492,561	9,360,580	9,332,669	0	0	0
Added Needs	2,372,709	2,232,440	2,204,012	0	0	0
Supporting Services						
Pupil	305,776	316,013	314,652	0	0	0
Instructional Staff	93,151	122,581	122,546	0	0	0
General Administration	291,336	304,231	298,346	0	0	0
School Administration	1,021,263	887,494	879,984	0	0	0
Business	312,146	309,475	303,093	0	0	0
Operation and Maintenance of Plant	1,316,766	1,298,184	1,214,941	0	0	0
Pupil Transportation Services	914,309	827,464	802,686	0	0	0
Other Central Support Services	272,573	293,393	279,214	0	0	0
Athletic Activities	339,602	333,178	333,783	0	0	0
Community Services						
Custody and Care of Children	100,700	58,162	56,210	0	0	0
Payments to Other Districts	14,900	7,200	5,217	0	0	0
Debt Service	75,855	75,870	75,808	0	0	0
Food Service	0	0	0	929,174	1,059,800	1,019,952
Student Activities	0	0	0	0	0	0
Total Expenditures	15,923,647	16,426,265	16,223,161	929,174	1,059,800	1,019,952
Excess (Deficiency) of Revenues Over Expenditures	(992,322)	757,375	994,413	(105,174)	(32,800)	(2,147)
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfer In (Out)	45,000	55,000	61,008	(45,000)	(55,000)	(61,008)
Net Change in Fund Balance	(947,322)	812,375	1,055,421	(150,174)	(87,800)	(63,155)
<u>FUND BALANCE - Beginning of Year</u>	2,925,690	2,577,202	2,577,202	366,925	518,243	518,243
<u>FUND BALANCE - End of Year</u>	\$ 1,978,368	\$ 3,389,577	\$ 3,632,623	\$ 216,751	\$ 430,443	\$ 455,088

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REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
MAJOR FUNDS

YEAR ENDED JUNE 30, 2021

	<u>STUDENT ACTIVITIES FUND</u>		
	<u>ORIGINAL</u>	<u>FINAL</u>	
	<u>BUDGET</u>	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources	\$ 75,000	\$ 60,000	\$ 53,010
State Sources	0	0	0
Federal Sources	0	0	0
Other Transactions	0	0	0
	<hr/>	<hr/>	<hr/>
Total Revenues	75,000	60,000	53,010
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	0	0	0
Added Needs	0	0	0
Supporting Services			
Pupil	0	0	0
Instructional Staff	0	0	0
General Administration	0	0	0
School Administration	0	0	0
Business	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation Services	0	0	0
Other Central Support Services	0	0	0
Athletic Activities	0	0	0
Community Services			
Custody and Care of Children	0	0	0
Payments to Other Districts	0	0	0
Debt Service	0	0	0
Food Service	0	0	0
Student Activities	80,000	65,000	56,498
	<hr/>	<hr/>	<hr/>
Total Expenditures	80,000	65,000	56,498
Excess (Deficiency) of Revenues Over Expenditures	(5,000)	(5,000)	(3,488)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfer In (Out)	0	0	0
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	(5,000)	(5,000)	(3,488)
<u>FUND BALANCE</u> - Beginning of Year	94,933	94,974	94,974
	<hr/>	<hr/>	<hr/>
<u>FUND BALANCE</u> - End of Year	\$ 89,933	\$ 89,974	\$ 91,486
	<hr/>	<hr/>	<hr/>

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)
JUNE 30, 2021

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)				0.09393934%	0.09492292%	0.09571503%	0.09542310%	0.09437970%	0.09011000%	0.09122000%
District's proportionate share of net pension liability				\$ 32,269,185	\$ 31,435,280	\$ 28,773,666	\$ 24,728,171	\$ 23,546,963	\$ 22,010,430	\$ 20,093,534
District's covered payroll				8,231,257	8,176,233	8,160,178	7,917,217	8,085,003	7,774,989	7,735,689
District's proportionate share of net pension liability as a percentage of its covered payroll				392.03%	384.47%	352.61%	312.33%	291.24%	283.09%	259.75%
Plan fiduciary net position as a percentage of total pension liability				59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2021

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions				\$ 2,581,575	\$ 2,598,287	\$ 2,520,495	\$ 2,238,177	\$ 2,239,708	\$ 2,104,847	\$ 1,709,447
Contributions in relation to statutorily required contributions *				2,581,575	2,598,287	2,520,495	2,238,177	2,239,708	2,104,847	1,709,447
Contribution deficiency (excess)				\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered payroll				\$ 8,456,003	\$ 8,328,635	\$ 8,155,504	\$ 8,162,424	\$ 7,937,427	\$ 7,664,928	\$ 7,472,905
Contributions as a percentage of covered payroll				30.53%	31.20%	30.91%	27.42%	28.22%	27.46%	22.88%

* Contributions in relation to statutorily contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OTHER POSTEMPLOYMENT BENEFIT LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)
JUNE 30, 2021

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of net OPEB liability (%)							0.09295252%	0.09356974%	0.09588165%	0.09524150%
District's proportionate share of net OPEB liability							\$ 4,979,715	\$ 6,716,200	\$ 7,621,586	\$ 8,434,087
District's covered payroll							8,231,257	8,176,233	8,160,178	7,917,217
District's proportionate share of net OPEB liability as a percentage of its covered payroll							60.50%	82.14%	93.40%	106.53%
Plan fiduciary net position as a percentage of total OPEB liability							59.44%	48.46%	42.95%	36.39%

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2021

	2027	2026	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contributions							\$ 656,733	\$ 648,440	\$ 623,913	\$ 741,495
Contributions in relation to statutorily required contributions *							656,733	648,440	623,913	741,495
Contribution deficiency (excess)							\$ 0	\$ 0	\$ 0	\$ 0
Covered payroll							\$ 8,456,003	\$ 8,328,635	\$ 8,155,504	\$ 8,162,424
Contributions as a percentage of covered payroll							7.77%	7.79%	7.65%	9.08%

* Contributions in relation to statutorily contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

NEWAYGO PUBLIC SCHOOLS
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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2021

Pension Information

Changes of Benefit Terms - There were no changes of benefit terms for the plan year ended September 30, 2020.

Changes of Assumptions – There were no changes of assumptions for the plan year ended September 30, 2020.

OPEB Information

Changes of Benefit Terms - There were no changes of benefit terms for the plan year ended September 30, 2020.

Changes of Assumptions – The assumption changes for the plan year ended September 30, 2020 were:

Healthcare cost trend rate decreased to 7.00% Year 1 graded to 3.50% Year 15 from 7.50% Year 1 graded to 3.50% Year 12.

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2021

2015 GENERAL OBLIGATION REFUNDING BONDS

<u>TITLE OF ISSUE</u>	2015 Refunding Bonds		
<u>PURPOSE</u>	Advance refunding of the 2005 School Building and Site Bonds		
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year		
<u>AMOUNT OF ISSUE</u>			<u>\$ 11,465,000</u>

<u>FISCAL YEAR</u> <u>DUE DATES</u>	<u>INTEREST</u> <u>RATES</u>	<u>REQUIREMENTS</u>			
		<u>TOTAL</u> <u>FISCAL YEAR</u>	<u>SEMI-ANNUAL</u> <u>INTEREST PAYMENTS</u>		<u>PRINCIPAL</u> <u>MAY 1</u>
			<u>NOV 1</u>	<u>MAY 1</u>	
2022	4.00 %	\$ 1,267,050	\$ 118,525	\$ 118,525	\$ 1,030,000
2023	4.00 %	1,200,550	92,775	92,775	1,015,000
2024	4.00 %	1,134,800	67,400	67,400	1,000,000
2025	4.00 %	1,065,750	47,875	47,875	970,000
2026	4.00 %	992,250	23,625	23,625	945,000
		<u>\$ 5,660,400</u>	<u>\$ 350,200</u>	<u>\$ 350,200</u>	<u>\$ 4,960,000</u>

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2021

2016 GENERAL OBLIGATION BONDS

<u>TITLE OF ISSUE</u>	2016 School Building and Site Bonds, Series I
<u>PURPOSE</u>	Building and Renovating Elementary Schools
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year
<u>AMOUNT OF ISSUE</u>	<u>\$ 13,600,000</u>

<u>FISCAL YEAR</u> <u>DUE DATES</u>	<u>INTEREST</u> <u>RATES</u>	<u>REQUIREMENTS</u>			
		<u>TOTAL</u> <u>FISCAL YEAR</u>	<u>SEMI-ANNUAL</u> <u>INTEREST PAYMENTS</u>		<u>PRINCIPAL</u> <u>MAY 1</u>
			<u>NOV 1</u>	<u>MAY 1</u>	
2022	3.00 %	\$ 508,050	\$ 201,525	\$ 201,525	\$ 105,000
2023	3.00 %	519,900	199,950	199,950	120,000
2024	3.00 %	531,300	198,150	198,150	135,000
2025	3.00 %	542,250	196,125	196,125	150,000
2026	3.00 %	552,750	193,875	193,875	165,000
2027	3.00 %	1,232,800	191,400	191,400	850,000
2028	3.00 %	1,207,300	178,650	178,650	850,000
2029	3.00 %	1,181,800	165,900	165,900	850,000
2030	3.00 %	1,156,300	153,150	153,150	850,000
2031	3.00 %	1,130,800	140,400	140,400	850,000
2032	3.00 %	1,105,300	127,650	127,650	850,000
2033	3.00 %	1,079,800	114,900	114,900	850,000
2034	3.00 %	1,054,300	102,150	102,150	850,000
2035	3.00 %	1,028,800	89,400	89,400	850,000
2036	3.00 %	1,003,300	76,650	76,650	850,000
2037	3.00 %	977,800	63,900	63,900	850,000
2038	3.00 %	952,300	51,150	51,150	850,000
2039	3.00 %	926,800	38,400	38,400	850,000
2040	3.00 %	906,300	25,650	25,650	855,000
2041	3.00 %	880,650	12,825	12,825	855,000
		<u>\$ 18,478,600</u>	<u>\$ 2,521,800</u>	<u>\$ 2,521,800</u>	<u>\$ 13,435,000</u>

NEWAYGO PUBLIC SCHOOLS
NEWAYGO, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2021

2017 GENERAL OBLIGATION BONDS

<u>TITLE OF ISSUE</u>	2017 School Building and Site Bonds, Series II
<u>PURPOSE</u>	Building and Renovating Elementary Schools
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year
<u>AMOUNT OF ISSUE</u>	<u>\$ 9,360,000</u>

<u>FISCAL YEAR</u> <u>DUE DATES</u>	<u>INTEREST</u> <u>RATES</u>	<u>REQUIREMENTS</u>			
		<u>TOTAL</u> <u>FISCAL YEAR</u>	<u>SEMI-ANNUAL</u> <u>INTEREST PAYMENTS</u>		<u>PRINCIPAL</u> <u>MAY 1</u>
			<u>NOV 1</u>	<u>MAY 1</u>	
2022	3.00 %	\$ 418,750	\$ 146,875	\$ 146,875	\$ 125,000
2023	3.00 %	440,000	145,000	145,000	150,000
2024	3.00 %	460,500	142,750	142,750	175,000
2025	3.00 %	480,250	140,125	140,125	200,000
2026	3.00 %	524,250	137,125	137,125	250,000
2027	3.00 %	821,750	133,375	133,375	555,000
2028	3.00 %	805,100	125,050	125,050	555,000
2029	3.00 %	788,450	116,725	116,725	555,000
2030	3.00 %	771,800	108,400	108,400	555,000
2031	3.00 %	755,150	100,075	100,075	555,000
2032	3.00 %	738,500	91,750	91,750	555,000
2033	3.00 %	721,850	83,425	83,425	555,000
2034	3.00 %	705,200	75,100	75,100	555,000
2035	3.00 %	687,162	66,081	66,081	555,000
2036	3.00 %	669,126	57,063	57,063	555,000
2037	3.00 %	651,088	48,044	48,044	555,000
2038	3.00 %	633,050	39,025	39,025	555,000
2039	3.00 %	613,626	29,313	29,313	555,000
2040	3.00 %	599,200	19,600	19,600	560,000
2041	3.00 %	579,598	9,799	9,799	560,000
		<u>\$ 12,864,400</u>	<u>\$ 1,814,700</u>	<u>\$ 1,814,700</u>	<u>\$ 9,235,000</u>

