

EVART PUBLIC SCHOOLS

EVART, MICHIGAN

JUNE 30, 2021



Baird, Cotter & Bishop, P.C.
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS
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EVART PUBLIC SCHOOLS
EVART, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2021

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August 18, 2021

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Ewart Public Schools
Ewart, 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 Ewart Public Schools, Ewart, 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 Evert Public Schools, Evert, 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 4 to the financial statements, Evert Public Schools implemented Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. Our opinion is not modified with respect to this matter.

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, as identified in the table of contents, on pages iv through xi and 40-45 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 Evert Public Schools' basic financial statements. The Combining Nonmajor Fund Financial Statements and Other Information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Other Information section 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2021, on our consideration of Evert 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 Evert 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 Evert Public Schools' internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

This section of Evart 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. Evart Public Schools' financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

A. 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 \$8,529,024 creating a deficit net position amount. Of this amount net capital assets net of related debt was a positive \$5,770,201.
- The government's total net deficit increased by \$421,107.

Fund Level

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$4,088,615, an increase of \$113,531 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,061,049.

B. 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.

EVART PUBLIC SCHOOLS
EVART, 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, including regular and special education, transportation, administration, food services, athletic activities, and community services, are primarily financed with state and federal aids 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.

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 be 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 provide additional information that is essential to a full understanding of the data provided in the Government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-39 of this report.

EVART PUBLIC SCHOOLS
EVART, 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.

C. Summary of Net Position

The following schedule summarizes the net position at fiscal years ended June 30. The prior year has not been restated to include the new GASB No. 84 Standards—*Fiduciary Activities*:

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets	\$ 5,531,373	\$ 5,081,095
Non Current Assets		
Capital Assets	21,179,007	21,036,308
Less Accumulated Depreciation	<u>(8,219,186)</u>	<u>(7,825,712)</u>
Total Non Current Assets	<u>12,959,821</u>	<u>13,210,596</u>
Total Assets	<u>18,491,194</u>	<u>18,291,691</u>
Deferred Outflows of Resources	<u>5,468,838</u>	<u>5,897,796</u>
Liabilities		
Current Liabilities	1,726,858	1,535,779
Non Current Liabilities	<u>27,675,732</u>	<u>27,940,420</u>
Total Liabilities	<u>29,402,590</u>	<u>29,476,199</u>
Deferred Inflows of Resources	<u>3,086,466</u>	<u>2,975,340</u>
Net Position		
Net Investment in Capital Assets	5,770,201	5,795,818
Restricted for Debt Service	489,205	427,518
Unrestricted - (Deficit)	<u>(14,788,430)</u>	<u>(14,485,388)</u>
Total Net Position - (Deficit)	<u><u>\$ (8,529,024)</u></u>	<u><u>\$ (8,262,052)</u></u>

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

D. Analysis of Financial Position

During the fiscal year ended June 30, 2021, the District's net position decreased by \$421,107. Some of the more significant factors affecting net position during the year is 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, \$464,328 was recorded for depreciation expense.

2. *Capital Outlay Acquisitions*

For the fiscal year ended June 30, 2021, \$213,553 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets, the current year's depreciation and current year disposal of capital assets is a decrease to capital assets in the amount of \$250,775 for the fiscal year ended June 30, 2021.

3. *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 and OPEB liabilities and related deferred inflows and outflows of resources increases or decreases in any given year. For the year ended June 30, 2021, the District reported a decrease of \$571,153 in net position related to GASB 68 and 75.

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

E. Results of Operations

The following schedule summarizes the results of operations, on a district-wide basis, for the fiscal year ended June 30. The prior year has not been restated to include the new GASB No. 84 Standards—*Fiduciary Activities*:

	<u>2021</u>	<u>2020</u>
General Revenues		
Property Taxes	\$ 2,582,438	\$ 2,535,504
Investment Earnings	1,859	12,776
State Sources	5,171,987	4,965,641
Other	19,534	75,035
Total General Revenues	<u>7,775,818</u>	<u>7,588,956</u>
Program Revenues		
Charges for Services	55,003	128,242
Operating Grants and Contributions	3,610,452	3,390,156
Total Program Revenues	<u>3,665,455</u>	<u>3,518,398</u>
Total Revenues	<u>11,441,273</u>	<u>11,107,354</u>
Expenses		
Instruction	6,126,956	5,759,392
Supporting Services	4,257,761	3,744,735
Food Service Activities	762,308	790,259
Community Services	7,039	4,627
Facilities, Acquisition, Construction, and Improvements	676	0
Interest on Long-Term Debt	242,024	250,729
Other Transactions	1,288	1,264
Unallocated Depreciation	464,328	435,534
Total Expenses	<u>11,862,380</u>	<u>10,986,540</u>
Change in Net Position	(421,107)	120,814
<u>Net Position</u> (Deficit) - Beginning of Year - As Restated	<u>(8,107,917)</u>	<u>(8,382,866)</u>
<u>Net Position</u> (Deficit) - End of Year	<u><u>\$ (8,529,024)</u></u>	<u><u>\$ (8,262,052)</u></u>

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

F. 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>As Restated 2020</u>	<u>Increase (Decrease)</u>
Major Fund			
General Fund	\$ 3,008,220	\$ 2,850,642	\$ 157,578
2016 Capital Projects Fund	0	35,085	(35,085)
Nonmajor Funds			
Food Service Fund	367,222	465,019	(97,797)
Student Activities Fund	179,868	151,187	28,681
2016 Debt Retirement Fund	533,305	473,151	60,154
	<u>\$ 4,088,615</u>	<u>\$ 3,975,084</u>	<u>\$ 113,531</u>

In 2020-2021, the General Fund balance increased due to keeping most expenditures under the budgeted amounts as well as increases to federal funding, as a direct result of the pandemic.

The 2016 Capital Projects Fund decreased due to spending the remaining bond proceeds.

The Food Service Fund balance decreased primarily due to the District remodeling the kitchen and purchasing equipment in an effort to reduce fund balance below the maximum threshold.

The Student Activities Fund was created as a result of GASB Statement No. 84. The fund balance increased by \$28,681 which is mainly due to various clubs and organizations having lower costs due to the pandemic not allowing them to expend resources as they normally would have.

The 2016 Debt Retirement Fund increased its fund balance due to local revenues exceeding the debt payment made to meet the ongoing debt obligations of the fund.

G. 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. The Board prior to the close of the fiscal year must approve any amendments made to the operating budget on or before June 30.

EVART PUBLIC SCHOOLS
EVART, 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 as needed during the year. 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>
<u>TOTAL REVENUES</u>	\$ 8,360,338	\$ 10,615,407	\$ 10,047,663
<u>EXPENDITURES</u>			
Instruction	\$ 5,850,445	\$ 6,340,400	\$ 5,967,103
Supporting Services	3,712,723	4,453,182	3,970,943
Community Services	5,600	8,103	7,039
Total Expenditures	<u>\$ 9,568,768</u>	<u>\$ 10,801,685</u>	<u>\$ 9,945,085</u>

The revenue budget was amended as it became clearer on the amounts the District would receive for State and Federal funding, as well as funding from the Intermediate School District. The expenditures were amended because many of the expenditures are revenue driven and once the revenue picture became clearer, the District was able to allocate additional funds for expenditures it hadn't allocated for in its original budget.

The total revenues variance between final budget and actual was \$567,744. The revenue variance was caused mostly by the District budgeting for federal funding that was not made available until the 21-22 fiscal year. The total expenditures variance was \$856,600. The expenditure variance was caused by the District budgeting with caution to avoid exceeding the budget and budgeting for expenditures that would have been tied to the federal funding expected to be available prior to the end of the fiscal year.

H. Capital Asset and Debt Administration

1. Capital Assets

At June 30, 2021, the District has \$21,179,007 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 \$464,328 bringing the accumulated depreciation to \$8,219,186 as of June 30, 2021.

Major capital asset additions to the current fiscal year include:

- Building improvements in the amount of \$17,280.
- Delivery truck for food service in the amount of \$34,796.
- Land improvements in the amount of \$76,466.
- Kitchen remodel for food service in the amount of \$79,718.
- Rack tower in the amount of \$5,293.

EVART PUBLIC SCHOOLS
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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

In addition to purchasing the above assets, the District has committed to spend roughly \$50,000 for various building and site improvements within the District that will be added to capital assets in the 2021-2022 fiscal year.

Major capital asset deletions to the current fiscal year include:

- Buses in the amount of \$56,782 that were fully depreciated.
- Equipment in the amount of \$14,072 that was fully depreciated.

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 \$6,615,000 in bonded debt outstanding. This represents a decrease of \$230,000 from the amount outstanding at the close of the prior fiscal year. Additionally, the estimated liability for compensated absences, the net OPEB liability and the net pension liability are \$133,087, \$2,814,795, and \$17,778,230, respectively. More information on the long-term obligations of the District can be found in the footnotes of 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:

- The District continues to work hard to keep expenditures down and to maintain revenue levels that are within their control. The District will be receiving ESSER II and ESSER III funds that will benefit the District for the next 2-3 years. The District is committed to spending those funds on things that will benefit staff and students while at the same time not creating ongoing future expenses that the District won't be able to sustain once those funds are no longer available.
- The District will continue to monitor COVID-19 and collaborate with the local and state health department on mitigation strategies. The District continues to deal with many unknowns as they prepare for the 2021-2022 school year. Future mitigation strategies may include supplies, training, staffing and technology.
- As with other employers, the District continues to face increases in rates paid for employee benefits, particularly health insurance and retirement.

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 Evart Public Schools, 321 North Hemlock, P.O. Box 917, Evart, Michigan 49631.

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EVART PUBLIC SCHOOLS
EVART, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2021

ASSETS

CURRENT ASSETS

Cash	\$ 3,943,402
Accounts Receivable	396
Due from External Parties	2,948
Due from Other Governmental Units	1,573,805
Prepaid Expenses	3,600
Inventory	7,222

5,531,373

NON CURRENT ASSETS

Capital Assets	21,179,007
Less Accumulated Depreciation	<u>(8,219,186)</u>

12,959,821

TOTAL ASSETS 18,491,194

DEFERRED OUTFLOWS OF RESOURCES

Related to Pensions	4,044,772
Related to Other Postemployment Benefits	<u>1,424,066</u>

TOTAL DEFERRED OUTFLOWS OF RESOURCES 5,468,838

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	33,733
Accrued Expenses	302,882
Accrued Interest Payable	44,100
Salaries Payable	513,440
Due to Other Governmental Units	338,350
Unearned Revenue	254,353
Bond Payable - Due within One Year	<u>240,000</u>

Total Current Liabilities 1,726,858

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

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2021

<u>NON CURRENT LIABILITIES</u>	
Bonds Payable (Net of Current Portion)	6,949,620
Net Pension Liability	17,778,230
Other Postemployment Benefits Liability	2,814,795
Compensated Absences	<u>133,087</u>
 Total Non Current Liabilities	 <u>27,675,732</u>
 TOTAL LIABILITIES	 <u>29,402,590</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to Pensions	914,720
Related to Other Postemployment Benefits	<u>2,171,746</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>3,086,466</u>
 <u>NET POSITION</u>	
Net Investment in Capital Assets	5,770,201
Restricted for Debt Service	489,205
Unrestricted (Deficit)	<u>(14,788,430)</u>
 TOTAL NET POSITION (DEFICIT)	 <u>\$ (8,529,024)</u>

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

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			GOVERNMENTAL ACTIVITIES
		CHARGES FOR SERVICES	OPERATING GRANTS	CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSES) REVENUES AND CHANGE IN NET POSITION
<u>GOVERNMENTAL ACTIVITIES</u>					
Instruction	\$ 6,126,956	\$ 6,950	\$ 1,767,422	\$ 0	\$ (4,352,584)
Supporting Services	4,257,761	37,298	1,001,100	0	(3,219,363)
Food Service Activities	762,308	10,755	835,190	0	83,637
Community Services	7,039	0	6,740	0	(299)
Facilities, Acquisition, Construction, and Improvements	676	0	0	0	(676)
Interest on Long Term Debt	242,024	0	0	0	(242,024)
Other Transactions	1,288	0	0	0	(1,288)
Unallocated Depreciation	464,328	0	0	0	(464,328)
Total Governmental Activities	<u>\$11,862,380</u>	<u>\$ 55,003</u>	<u>\$ 3,610,452</u>	<u>\$ 0</u>	<u>(8,196,925)</u>
<u>GENERAL REVENUES</u>					
Property Taxes - General Purposes					2,040,838
Property Taxes - Debt Service					541,600
Investment Earnings					1,859
State Sources					5,171,987
Other					19,534
Total General Revenues					<u>7,775,818</u>
Change in Net Position					(421,107)
<u>NET POSITION</u> - Beginning of Year - Deficit - As Restated					<u>(8,107,917)</u>
<u>NET POSITION</u> - End of Year - Deficit					<u>\$ (8,529,024)</u>

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

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2021

	GENERAL FUND	2016 CAPITAL PROJECTS FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 2,933,568	\$ 0	\$ 1,009,834	\$ 3,943,402
Accounts Receivable	396	0	0	396
Due from Other Funds	31,998	0	8,630	40,628
Due from Other Governmental Units	1,481,246	0	92,559	1,573,805
Prepaid Expenditures	0	0	3,600	3,600
Inventory	0	0	7,222	7,222
TOTAL ASSETS	\$ 4,447,208	\$ 0	\$ 1,121,845	\$ 5,569,053
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 29,985	\$ 0	\$ 3,748	\$ 33,733
Accrued Expenditures	294,230	0	8,652	302,882
Salaries Payable	513,440	0	0	513,440
Due to Other Funds	8,630	0	29,050	37,680
Due to Other Governmental Units	338,350	0	0	338,350
Unearned Revenue	254,353	0	0	254,353
Total Liabilities	1,438,988	0	41,450	1,480,438
<u>FUND BALANCE</u>				
Nonspendable for:				
Prepaid Expenditures	0	0	3,600	3,600
Inventory	0	0	7,222	7,222
Restricted for:				
Food Service	0	0	360,000	360,000
Debt Service	0	0	533,305	533,305
Assigned for:				
Student Activities	0	0	176,268	176,268
Subsequent Year Budget Shortfall	1,947,171	0	0	1,947,171
Unassigned	1,061,049	0	0	1,061,049
Total Fund Balance	3,008,220	0	1,080,395	4,088,615
TOTAL LIABILITIES AND FUND BALANCE	\$ 4,447,208	\$ 0	\$ 1,121,845	\$ 5,569,053

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

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

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

JUNE 30, 2021

Total Governmental Fund Balances	\$	4,088,615
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	\$	21,179,007
Accumulated depreciation is		<u>(8,219,186)</u>
		12,959,821
The issuance of long-term debt provides current financial resources to funds, while the repayment of the principle of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report 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 over the life of the bond issue.		
Bond Discount (Premium)		(735,644)
Accumulated Amortization		<u>161,024</u>
		(574,620)
Long-term liabilities are not due and payable in the current period and are not reported in the funds.		
Bonds Payable		(6,615,000)
Compensated Absences		(133,087)
Accrued interest is not included as a liability in government funds, it is recorded when paid.		
		(44,100)
Some liabilities, including net pension obligations, are not due and payable and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability		(17,778,230)
Other Postemployment Benefit Liability		(2,814,795)
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 Outflow of Resources		5,468,838
Deferred Inflow of Resources		<u>(3,086,466)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>(8,529,024)</u></u>

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

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

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

YEAR ENDED JUNE 30, 2021

	GENERAL FUND	2016 CAPITAL PROJECTS FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Local Sources	\$ 2,167,302	\$ 2	\$ 675,345	\$ 2,842,649
State Sources	6,659,850	0	57,813	6,717,663
Federal Sources	1,014,400	0	781,311	1,795,711
Other Transactions	206,111	0	0	206,111
Total Revenues	10,047,663	2	1,514,469	11,562,134
<u>EXPENDITURES</u>				
Instruction				
Basic Programs	5,024,613	0	0	5,024,613
Added Needs	939,220	0	0	939,220
Adult/Continuing Education	13,270	0	0	13,270
Supporting Services				
Pupil	716,380	0	0	716,380
Instructional Staff	191,232	0	0	191,232
General Administration	84,689	0	0	84,689
School Administration	549,893	0	0	549,893
Business	258,980	0	0	258,980
Operation and Maintenance	1,128,309	0	0	1,128,309
Pupil Transportation Services	513,362	0	0	513,362
Central Services	261,335	0	0	261,335
Other Support Services	256,089	0	93,017	349,106
Food Service Activities	0	0	870,326	870,326
Community Services				
Community Activities	2,023	0	0	2,023
Non-Public Schools	5,016	0	0	5,016
Facilities Acquisition, Construction and Improvements				
Building Improvements Services	674	35,087	0	35,761
Debt Service				
Principal	0	0	230,000	230,000
Interest	0	0	273,800	273,800
Other	0	0	1,288	1,288
Total Expenditures	9,945,085	35,087	1,468,431	11,448,603
Excess (Deficiency) of Revenues Over Expenditures	102,578	(35,085)	46,038	113,531

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

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

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

YEAR ENDED JUNE 30, 2021

	GENERAL FUND	2016 CAPITAL PROJECTS FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	55,000	0	0	55,000
Transfers Out	0	0	(55,000)	(55,000)
Total Other Financing Sources (Uses)	55,000	0	(55,000)	0
Net Change in Fund Balance	157,578	(35,085)	(8,962)	113,531
<u>FUND BALANCE -</u>				
Beginning of Year - As Restated	2,850,642	35,085	1,089,357	3,975,084
<u>FUND BALANCE -</u>				
End of Year	\$ 3,008,220	\$ 0	\$ 1,080,395	\$ 4,088,615

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

EVART PUBLIC SCHOOLS
EVART, 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	\$ 113,531
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Amounts reported for governmental activities are different because:

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

Depreciation Expense	(464,328)
Capital Outlay	213,553

Governmental funds report 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 over the life of the bond issue.

Amortization of Bond Premium	30,243
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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	45,633
Accrued Interest Payable - End of Year	(44,100)

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	230,000
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Employees Compensated Absences and Early Retirement Incentives are reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Compensated Absences - Beginning of Year	158,601
Compensated Absences - End of Year	(133,087)

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

EVART PUBLIC SCHOOLS
EVART, 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 other postemployment benefits contributions as expenditures. However, in the Statement of Activities, the cost of pension and other postemployment benefits earned net of employee contributions is reported as an expense:

Items related to Pensions	(941,965)
Items related to Other Postemployment Benefits	491,673

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

Change in State Aid Funding for Pension	<u>(120,861)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (421,107)</u></u>
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The notes to the financial statements are an integral part of this statement.

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2021

	<u>CUSTODIAL FUND</u>
<u>ASSETS</u>	
Cash	\$ 12,447
<u>LIABILITIES</u>	
Due to General Fund	<u>2,948</u>
<u>NET POSITION</u>	
Restricted for Student Organizations	<u><u>\$ 9,499</u></u>

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

EVART PUBLIC SCHOOLS

EVART MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUND

YEAR ENDED JUNE 30, 2021

	<u>CUSTODIAL FUND</u>
<u>ADDITIONS</u>	
Student Activity Income	\$ 16,324
<u>DEDUCTIONS</u>	
Payments Made on Behalf of Student Organizations	<u>23,122</u>
Change in Net Position	(6,798)
<u>NET POSITION</u> - Beginning of Year- As Restated	<u>16,297</u>
<u>NET POSITION</u> - End of Year	<u>\$ 9,499</u>

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

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Evart 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 Osceola, Mecosta, and Clare Counties with its administrative offices located in Evart, Michigan. The District operates under an elected 7-member board of education and provides services to its 888 students in elementary, middle school, high school, special education and adult 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.

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

The District reports the following major governmental fund:

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

Other non-major funds:

The *special revenue (School Food Service) fund* accounts for revenue sources that are legally restricted for expenditures for specific purposes. The District accounts for its food service activities in a special revenue fund.

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

The *debt retirement fund* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of government funds.

Additionally, the District reports Fiduciary Funds. Fiduciary funds account for assets held by the District in a trustee capacity as an agent or on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in 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 a custodial 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*

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

resources or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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.

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 July 1, 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 school 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 25, 2020, or as amended by the School Board of Education throughout the year.

2. *Excess of Expenditures Over Appropriations*

Excess of expenditures over appropriations occurred in the following funds:

General Fund:

Supporting Services – Central Services expenditures of \$261,335 exceeded appropriations of \$245,216 by \$16,119.

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 with original maturities of three months or less from the date of acquisition.

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

2. *Investments*

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

The Board policy on investment of funds authorizes the District to invest as follows:

- a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States.
- b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d) Securities issued or guaranteed by agencies or instrumentalities of the United States.

The District's deposits and investments are held separately by several of the District's funds. Some investments authorized by state law are shown as cash on the financial statements.

3. *Inventory and Prepaid Items*

Inventory is valued at cost on a 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.

The nonspendable fund balance at the governmental fund level is equal to the amount of inventories and prepaid items at year end to indicate the portion of the governmental fund balances that are nonspendable.

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.

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

Land Improvements	20 years
Buildings and Additions	50 years
Machinery and Equipment	5-20 years
Transportation Equipment	8 years

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

5. *Defined Benefit Plans*

For purposes of measuring the net pension and other postemployment benefits 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.

6. *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 two items that qualify for reporting in this category. They are pension and other postemployment benefits related items reported in the government-wide *Statement of Net Position*. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expenses in the plan year for which they apply. Details can be found in footnote 3-E and 3-F.

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.

7. *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

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

8. *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.

9. *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 a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

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

10. *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 unearned revenue that is related to state and local grants/donations, with restrictions on how they can be spent, being received but as of the year end have not been spent.

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

11. 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 a one time “super blend” to determine pupil membership based on counts taken in October 2020, February 2020, February of 2019 and October of 2019. For fiscal year ended June 30, 2021, the per pupil foundation allowance was \$8,111 for Evart 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*.

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

3. *Property Taxes*

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are billed as of December 1. The due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

The various counties in which the District is located have tax revolving funds which allow the counties to pay off the various taxing units for their share of the current year real property taxes returned delinquent. Taxes receivable are uncollected delinquent personal property taxes.

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-Homestead Real	18.00
General Fund - Commercial PPT	6.00
Debt Service Fund - Homestead and Non-Homestead	2.22

4. *Compensated Absences*

District policy permits certain employees to accumulate earned but unused sick pay benefits which are paid when the employee separates from service with the District. A liability is recorded in the statement of net position for such amounts. No liability is recorded for accumulated vacation since hours earned do not vest.

5. *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.

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 budgetary violations that occurred for the year ended June 30, 2021.

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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 \$4,107,528 and \$3,857,528 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 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.

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

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to, repurchase agreements, U.S. government agency securities, corporate securities, and commercial paper.

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 the fair value measurement.

The carrying amount of deposits and investments is as follows:

	<u>Total</u>
Deposits – including Fiduciary Funds of \$12,447	\$ 3,955,754
Petty Cash	95
	<u>\$ 3,955,849</u>

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

	<u>Total</u>
Cash - Fiduciary Funds	\$ 12,447
Cash and Cash Equivalents - District-Wide	3,943,402
	<u>\$ 3,955,849</u>

B. Receivables

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

	GENERAL	FOOD SERVICE	TOTAL
Accounts Receivable	\$ 396	\$ 0	\$ 396
Due from Other Governmental Units	1,481,246	92,559	1,573,805
Total Receivables	<u>\$ 1,481,642</u>	<u>\$ 92,559</u>	<u>\$ 1,574,201</u>

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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.

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
Capital Assets not Being Depreciated:				
Land	\$ 1,267,071	\$ 0	\$ 0	\$ 1,267,071
Capital Assets Being Depreciated:				
Land Improvements	454,379	76,466	0	530,845
Buildings and Additions	14,665,376	17,280	0	14,682,656
Machinery and Equipment	3,492,202	85,011	14,072	3,563,141
Transportation Equipment	1,157,280	34,796	56,782	1,135,294
Subtotal	19,769,237	213,553	70,854	19,911,936
Less Accumulated Depreciation for:				
Land Improvements	17,735	25,025	0	42,760
Buildings and Additions	4,129,903	251,103	0	4,381,006
Machinery and Equipment	3,166,265	61,860	14,072	3,214,053
Transportation Equipment	511,809	126,340	56,782	581,367
Total Accumulated Depreciation	7,825,712	464,328	70,854	8,219,186
Total Capital Assets Being Depreciated, Net	11,943,525	(250,775)	0	11,692,750
Capital Assets, Net	\$ 13,210,596	\$ (250,775)	\$ 0	\$ 12,959,821

Depreciation for the fiscal year ended June 30, 2021 amounted to \$464,328. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

D. Defined Benefit Plan and Post-Employment 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

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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. The board consists of twelve members – eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www://Michigan.gov/mspers-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.

Benefit 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 Member Investment Plan (MIP). Basic plan member's contributions range from 0% to 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% to 7.0%.

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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 (MPERS) who became a member of MPERS 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.

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 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 their after 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

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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 accounts. 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 the Defined Contribution Plan 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.

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid 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 new hybrid plan is 6%. Further, the law provides that, under certain conditions, the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law includes 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. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, 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 healthcare 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.

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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.

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 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 members and retiree other post-employment benefits (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 portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

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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%

The District's pension contributions for the year ended June 30, 2021, were equal to the required contribution total. Pension contributions were approximately \$1,698,000, with \$1,638,000 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. OPEB benefits were approximately \$427,000, with \$396,000 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 \$17,778,230 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 0.05175449% and 0.05102676%.

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MPERS (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
Plan Fiduciary Net Position	50,939,496,006	50,325,869,388
Net Pension Liability	<u>\$ 34,351,087,793</u>	<u>\$ 33,116,637,824</u>
Plan 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 \$2,579,973.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 271,637	\$ 37,945
Changes of assumptions	1,969,999	0
Net difference between projected and actual earnings on pension plan investments	74,696	0
Changes in proportion and differences between District contributions and proportionate share of contributions	171,358	193,423
District section 147c revenue related to District Pension contributions subsequent to the measurement date	0	683,352
District contributions subsequent to the measurement date	1,557,082	0
Total	<u>\$ 4,044,772</u>	<u>\$ 914,720</u>

\$1,557,082 reported as deferred outflows of resources and \$683,352 reported as deferred inflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a net reduction of the net pension liability in the subsequent fiscal year.

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

<u>Year Ended September 30,</u>	<u>Amount</u>
2021	\$ 1,010,645
2022	701,749
2023	402,449
2024	141,479
	\$ 2,256,322

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 \$2,814,795 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 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 0.05254163% and 0.05104120%

MPERS (Plan) Non-University Employers Net OPEB Liability

	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Total OPEB Liability	\$ 13,206,903,534	\$ 13,925,860,688
Plan Fiduciary Net Position	7,849,636,555	6,748,112,668
OPEB Liability	\$ 5,357,266,979	\$ 7,177,748,020
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	59.44%	48.46%
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 negative expense of \$95,933.

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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	\$ 2,097,286
Changes of assumptions	928,094	0
Net difference between projected and actual earnings on OPEB plan investments	23,493	0
Changes in proportion and differences between District contributions and proportionate share of contributions	109,382	74,460
District contributions subsequent to the measurement date	363,097	0
Total	\$ 1,424,066	\$ 2,171,746

\$363,097 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:

Year Ended September 30,	Amount
2021	\$ (314,974)
2022	(282,223)
2023	(223,667)
2024	(164,449)
2025	(125,464)
	\$ (1,110,777)

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.

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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.

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.

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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	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.

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

EVART PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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	
\$	23,010,903	\$	17,778,230	\$
				13,441,511

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 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	
\$	3,615,925	\$	2,814,795	\$
				2,140,312

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				
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase	
\$	2,114,487	\$	2,814,795	\$
				3,611,310

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.

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NOTES TO FINANCIAL STATEMENTS
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I. Payables to the Pension 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 \$265,194 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) Stabilization Rate.

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 Schools participate 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 pool. 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.

K. 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 School District for the year ended June 30, 2021:

	General Obligation Bonds	Compensate Absences	Net Pension Liability	Net OPEB Liability	Total
Long-Term Obligations at July 1, 2020	\$6,845,000	\$ 158,601	\$16,898,347	\$3,663,609	\$27,565,557
Increase in Obligations	0	1,078	2,302,164	371,220	2,674,462
Obligations Retired	(230,000)	(26,592)	(1,422,281)	(1,220,034)	(2,898,907)
Long-Term Obligations at June 30, 2021	6,615,000	133,087	17,778,230	2,814,795	27,341,112
Less Current Portion	(240,000)	unknown	unknown	unknown	(240,000)
Total Due After One Year	<u>\$6,375,000</u>	<u>\$ 133,087</u>	<u>\$17,778,230</u>	<u>\$2,814,795</u>	<u>\$27,101,112</u>

EVART PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

The District's long-term obligations at June 30, 2021, are comprised of the following:

2016 Building and Site Bonds due is annual installments of \$240,000 to \$475,000 through May 1, 2040, with interest of 4.00%	\$ 6,615,000
Compensated Absences of Employee Vested Sick Pay Accumulations	133,087
Net Other Postemployment Liability	2,814,795
Net Pension Liability	<u>17,778,230</u>
TOTAL LONG-TERM OBLIGATIONS	<u><u>\$ 27,341,112</u></u>

The annual requirements to amortize all long-term debt outstanding as of June 30, 2021, including interest payments of \$2,947,000 are as follows:

<u>YEAR ENDING</u> <u>JUNE 30,</u>	<u>GENERAL OBLIGATION BONDS</u>		
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2022	\$ 240,000	\$ 264,600	\$ 504,600
2023	250,000	255,000	505,000
2024	260,000	245,000	505,000
2025	270,000	234,600	504,600
2026	280,000	223,800	503,800
2027-2031	1,580,000	941,600	2,521,600
2032-2037	1,925,000	599,000	2,524,000
2037-2041	<u>1,810,000</u>	<u>184,000</u>	<u>1,994,000</u>
	<u>\$ 6,615,000</u>	<u>\$ 2,947,600</u>	<u>\$ 9,562,600</u>

The annual requirements to amortize the accumulated compensated absences, the net pension liability and the net OPEB liability are not included above because it is unknown when they will actually be paid.

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

L. Interfund Receivables and Payables

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service Fund	\$ 29,050
General Fund	Custodial Fund	2,948
Debt Retirement Fund	General Fund	<u>8,630</u>
		<u>\$ 40,628</u>

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

The outstanding balances between funds result mainly from the time lag between the dates that (1) recorded in the accounting system, and (3) payments between funds are made. All Interfund balances outstanding at June 30, 2021 are expected to be repaid within one year.

M. Interfund Transfers

<u>Fund Transferred To</u>	<u>Funds Transferred From</u>	<u>Amount</u>
General Fund	Food Service Fund	<u>\$ 55,000</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 revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

N. 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.

Prior to June 30, 2021, the District has committed to spend approximately \$10,617 to replace four doors in the District’s building and \$39,673 for kitchen improvements at the elementary school, middle school, and high school.

2. Single Audit

Current federal guidelines require entities with federal expenditures exceeding \$750,000 to have a “single audit” of federally funded programs. This audit is being performed and the reports based thereon will be issued under a separate cover.

O. Tax Abatements

The District receives reduced property tax revenues as a result of an Industrial Facilities Tax Exemption Agreement granted by the City of Evart. Industrial Facilities Tax 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 \$4,541 under these programs.

EVART PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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 \$2,138 from the State of Michigan’s determination.

P. Subsequent Events

Subsequent to the end of the fiscal year, the District approved to purchase/replace the following:

- Middle school water heaters in the amount of \$11,500.
- Elementary school furniture in the amount of \$35,467.
- Elementary, middle and high school chairs in the amount of \$128,503.
- Vape detection device with software in the amount of \$41,615.
- Sixty-two air filtration systems in the amount of \$48,561.

No adjustments were made to the financial statements as a result of the subsequent events.

NOTE 4 – NEW ACCOUNTING STANDARD

For the year ended June 30, 2021, the District implemented the following new pronouncement: GASB Statement No. 84, Fiduciary Activities.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and is effective for the District’s 2021 year-end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

The restatement of the beginning of the year fund balances and net position is as follows:

	Fund Balance		
	General Fund	Student Activities Fund	Food Service Fund
Fund Balances as of July 1, 2020, as previously stated	\$ 2,851,592	\$ 0	\$ 461,121
Adjustment Related to Adoption of GASB Statement 84	2,948	151,187	0
Adjustment to 2019-2020 Indirect Cost Transfer	(3,898)	0	3,898
Fund Balance as of July 1, 2020, as restated	\$ 2,850,642	\$ 151,187	\$ 465,019

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

	Governmental Activities	Custodial Funds
Net position as of July 1, 2020, as previously stated	\$ (8,262,052)	\$ 0
Adoption of GASB Statement 84		
Activities previously reported as fiduciary liabilities become fiduciary net position	0	170,432
Activities previously reported as fiduciary become governmental	154,135	(154,135)
Net position as of July 1, 2020, as restated	\$ (8,107,917)	\$ 16,297

NOTE 5 – UPCOMING ACCOUNTING PRONOUNCEMENTS

The District is currently evaluating the impact these standards will have on the financial statements when adopted.

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 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 2022-23 fiscal year.

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2021

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
Local Sources	\$ 2,081,281	\$ 2,207,681	\$ 2,167,302
State Sources	5,694,659	6,784,906	6,659,850
Federal Sources	402,005	1,437,440	1,014,400
Other Transactions	182,393	185,380	206,111
Total Revenues	8,360,338	10,615,407	10,047,663
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	4,871,830	5,335,069	5,024,613
Added Needs	959,693	992,047	939,220
Adult/Continuing Education	18,922	13,284	13,270
Supporting Services			
Pupil	553,329	848,938	716,380
Instructional Staff	98,441	206,753	191,232
General Administration	104,403	107,028	84,689
School Administration	563,623	574,429	549,893
Business	268,214	278,637	258,980
Operation and Maintenance	1,043,309	1,182,959	1,128,309
Pupil Transportation Services	581,285	563,831	513,362
Central Services	215,869	245,216	261,335
Other Support Services	284,250	264,131	256,089
Community Services			
Community Activities	2,128	3,087	2,023
Non-Public Schools	3,472	5,016	5,016
Facilities Acquisition, Construction and Improvements			
Building Improvements Services	0	181,260	674
Total Expenditures	9,568,768	10,801,685	9,945,085
Excess (Deficiency) of Revenues Over Expenditures	(1,208,430)	(186,278)	102,578
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfer In	25,950	25,950	55,000
Net Change in Fund Balance	(1,182,480)	(160,328)	157,578
<u>FUND BALANCE</u> - Beginning of Year - As Restated	1,827,446	2,851,592	2,850,642
<u>FUND BALANCE</u> - End of Year	\$ 644,966	\$ 2,691,264	\$ 3,008,220

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

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 (%)				0.05176%	0.05103%	0.05197%	0.05257%	0.05203%	0.05243%	0.05423%
District's proportionate share of net pension liability				\$ 17,778,230	\$ 16,898,347	\$ 15,622,408	\$ 13,622,562	\$ 12,980,860	\$ 12,805,734	\$ 11,945,288
District's covered payroll				4,666,449	4,463,503	4,373,115	4,438,437	4,382,250	4,363,808	4,602,567
District's proportionate share of net pension liability as a percentage of its covered payroll				380.98%	378.59%	357.24%	306.92%	296.21%	293.45%	259.54%
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%

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

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				\$ 1,638,008	\$ 1,417,434	\$ 1,360,669	\$ 1,323,194	\$ 1,258,730	\$ 1,213,043	\$ 1,021,749
Contributions in relation to statutorily required contributions *				1,638,008	1,417,434	1,360,669	1,323,194	1,258,730	1,213,043	1,021,749
Contribution deficiency (excess)				\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll				\$ 5,073,875	\$ 4,608,600	\$ 4,440,466	\$ 4,363,510	\$ 4,576,930	\$ 4,381,052	\$ 4,390,142
Contributions as a percentage of covered payroll				32.28%	30.76%	30.64%	30.32%	27.50%	27.69%	23.27%

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

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

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 (%)							0.05254%	0.05104%	0.05141%	0.05257%
District's proportionate share of net OPEB liability							\$ 2,814,795	\$ 3,663,609	\$ 4,086,440	\$ 4,656,572
District's covered payroll							4,666,449	4,463,503	4,373,115	4,438,437
District's proportionate share of net OPEB liability as a percentage of its covered payroll							60.32%	82.08%	93.44%	104.91%
Plan fiduciary net position as a percentage of total OPEB liability							59.44%	48.46%	42.95%	36.39%

EVART PUBLIC SCHOOLS
EVART, 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							\$ 395,740	\$ 353,185	\$ 338,501	\$ 315,198
Contributions in relation to statutorily required contributions *							395,740	353,185	338,501	315,198
Contribution deficiency (excess)							\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll							\$ 5,073,875	\$ 4,608,600	\$ 4,440,466	\$ 4,363,510
Contributions as a percentage of covered payroll							7.80%	7.66%	7.62%	7.22%

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

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

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.

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2021

	Special Revenue Funds		2016	TOTAL
	FOOD	STUDENT	DEBT	NONMAJOR
	SERVICE	ACTIVITIES	RETIREMENT	GOVERNMENTAL
	FUND	FUND	FUND	FUNDS
<u>ASSETS</u>				
Cash	\$ 308,891	\$ 176,268	\$ 524,675	\$ 1,009,834
Due from Other Funds	0	0	8,630	8,630
Due from Other Governments	92,559	0	0	92,559
Prepaid Expenditures	0	3,600	0	3,600
Inventory	7,222	0	0	7,222
TOTAL ASSETS	\$ 408,672	\$ 179,868	\$ 533,305	\$ 1,121,845
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 3,748	\$ 0	\$ 0	\$ 3,748
Accrued Expenditures	8,652	0	0	8,652
Due to Other Funds	29,050	0	0	29,050
Total Liabilities	41,450	0	0	41,450
<u>FUND BALANCE</u>				
Nonspendable for:				
Prepaid Expenditures	0	3,600	0	3,600
Inventory	7,222	0	0	7,222
Restricted for:				
Food Service	360,000	0	0	360,000
Debt Service	0	0	533,305	533,305
Assigned for Student Activities	0	176,268	0	176,268
Total Fund Balance	367,222	179,868	533,305	1,080,395
TOTAL LIABILITIES AND FUND BALANCE	\$ 408,672	\$ 179,868	\$ 533,305	\$ 1,121,845

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2021

	<u>Special Revenue Funds</u>		2016	TOTAL
	FOOD	STUDENT	DEBT	NONMAJOR
	SERVICE	ACTIVITIES	RETIREMENT	GOVERNMENTAL
	FUND	FUND	FUND	FUNDS
<u>REVENUES</u>				
Local Sources	\$ 10,757	\$ 121,698	\$ 542,890	\$ 675,345
State Sources	35,461	0	22,352	57,813
Federal Sources	781,311	0	0	781,311
	<hr/>			
Total Revenues	827,529	121,698	565,242	1,514,469
<hr/>				
<u>EXPENDITURES</u>				
Supporting Services	0	93,017	0	93,017
Food Service Activities	870,326	0	0	870,326
Debt Service	0	0	505,088	505,088
	<hr/>			
Total Expenditures	870,326	93,017	505,088	1,468,431
<hr/>				
Excess (Deficiency) of Revenues Over Expenditures	(42,797)	28,681	60,154	46,038
<hr/>				
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer In/(Out)	(55,000)	0	0	(55,000)
	<hr/>			
Net Change in Fund Balance	(97,797)	28,681	60,154	(8,962)
<hr/>				
<u>FUND BALANCE</u> - Beginning of Year (As Restated)	465,019	151,187	473,151	1,089,357
<hr/>				
<u>FUND BALANCE</u> - End of Year	\$ 367,222	\$ 179,868	\$ 533,305	\$ 1,080,395
<hr/>				

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

2016 SCHOOL BUILDING AND SITE BONDS
JUNE 30, 2021

<u>TITLE OF ISSUE</u>	2016 School Building and Site Bonds		
<u>DATE OF ISSUE</u>	February 23, 2016		
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year		
<u>AMOUNT OF ISSUE</u>		\$	7,660,000
<u>AMOUNT REDEEMED</u>			
Prior to Current Year	\$	815,000	
During Current Year		230,000	1,045,000
<u>BALANCE OUTSTANDING - June 30, 2021</u>		\$	6,615,000

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2021		\$ 132,300	\$ 132,300	
May 1, 2022	4.000 %	372,300	132,300	\$ 240,000
November 1, 2022		127,500	127,500	
May 1, 2023	4.000 %	377,500	127,500	250,000
November 1, 2023		122,500	122,500	
May 1, 2024	4.000 %	382,500	122,500	260,000
November 1, 2024		117,300	117,300	
May 1, 2025	4.000 %	387,300	117,300	270,000
November 1, 2025		111,900	111,900	
May 1, 2026	4.000 %	391,900	111,900	280,000
November 1, 2026		106,300	106,300	
May 1, 2027	4.000 %	396,300	106,300	290,000
November 1, 2027		100,500	100,500	
May 1, 2028	4.000 %	405,500	100,500	305,000
November 1, 2028		94,400	94,400	
May 1, 2029	4.000 %	409,400	94,400	315,000
November 1, 2029		88,100	88,100	
May 1, 2030	4.000 %	418,100	88,100	330,000
November 1, 2030		81,500	81,500	
May 1, 2031	4.000 %	421,500	81,500	340,000
November 1, 2031		74,700	74,700	
May 1, 2032	4.000 %	429,700	74,700	355,000
November 1, 2032		67,600	67,600	

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

2016 SCHOOL BUILDING AND SITE BONDS
JUNE 30, 2021

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
May 1, 2033	4.000 %	437,600	67,600	370,000
November 1, 2033		60,200	60,200	
May 1, 2034	4.000 %	445,200	60,200	385,000
November 1, 2034		52,500	52,500	
May 1, 2035	4.000 %	452,500	52,500	400,000
November 1, 2035		44,500	44,500	
May 1, 2036	4.000 %	459,500	44,500	415,000
November 1, 2036		36,200	36,200	
May 1, 2037	4.000 %	466,200	36,200	430,000
November 1, 2037		27,600	27,600	
May 1, 2038	4.000 %	472,600	27,600	445,000
November 1, 2038		18,700	18,700	
May 1, 2039	4.000 %	478,700	18,700	460,000
November 1, 2029		9,500	9,500	
May 1, 2040	4.000 %	484,500	9,500	475,000
		<u>\$ 9,562,600</u>	<u>\$ 2,947,600</u>	<u>\$ 6,615,000</u>

