NORTHPORT PUBLIC SCHOOL

REPORT ON FINANCIAL STATEMENTS

JUNE 30, 2020

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

CERTIFIED PUBLIC ACCOUNTANTS
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NORTHPORT PUBLIC SCHOOL
NORTHPORT, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2020

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August 13, 2020

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Northport Public School
Northport, 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 Northport Public School, Northport, Michigan as of and for the year ended June 30, 2020, 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 Northport Public School, Northport, Michigan as of June 30, 2020, 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 2.Q to the financial statements, Northport Public School 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 iii-ix and 34-39 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2020, on our consideration of Northport Public School's 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 Northport Public School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northport Public School's internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

NORTHPORT PUBLIC SCHOOL
NORTHPORT, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2020

This section of Northport Public School's ("the District") annual report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's 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. Government-Wide Financial Statements

The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets, deferred inflows and outflows of resources and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents the information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future periods.

Both of the government-wide statements distinguish functions of the District that are principally supported by state aid and property taxes (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). The governmental activities of the District include instruction, supporting services, payments to other governmental agencies, food service activities, and other transactions.

B. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Northport Public School, like other state and local governments, uses fund accounting to ensure compliance with finance-related legal requirements. All of the funds of the District are considered governmental funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By

doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

C. Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in both the government-wide and the fund financial statements.

D. 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.

E. Summary of Net Position

The following schedule summarizes the net position at June 30, 2020 and 2019. The information for the year ended June 30, 2019 has not been restated for the implementation of GASB Statement No. 84.

	2020	2019
Assets		
Current Assets	$ 4,283,706	$ 4,456,821
Non Current Assets		
Capital Assets	11,934,981	10,722,437
Less Accumulated Depreciation	(4,962,189)	(4,710,897)
Total Non Current Assets	6,972,792	6,011,540
Total Assets	11,256,498	10,468,361
Deferred Outflows of Resources	2,349,798	2,215,361
Liabilities		
Current Liabilities	453,800	643,508
Non Current Liabilities	8,136,762	7,649,007
Total Liabilities	8,590,562	8,292,515
Deferred Inflows of Resources	1,408,419	1,591,502
Net Position		
Net Investment in Capital Assets	6,972,792	6,011,540
Restricted for Specific Purposes	314,982	528,615
Unrestricted (Deficit)	(3,680,459)	(3,740,450)
Total Net Position	$ 3,607,315	$ 2,799,705

F. Analysis of Financial Position

During the fiscal year ended June 30, 2020, the District's net position increased by $773,716. A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense and Capital Outlay

Districts are required 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, 2020, $323,012 was recorded for depreciation expense.

Capital expenditures, which reduce fund balance at the fund level, do not reduce net position. Expenses that were capitalized during the year amounted to $1,284,264. These expenses will be depreciated over their estimated useful lives.

2. Pension and Other Postemployment Benefits (OPEB) Expense

GASB 68 and GASB 75 require 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 increase or decrease in any given year. For the year ended June 30, 2020, the District reported a decrease in net position related to GASB 68 and GASB 75.

G. Results of Operations

The following schedule summarizes the results of operations on a district-wide basis for the years ended June 30, 2020 and 2019.

	2020	2019
General Revenues		
Property Taxes	$ 4,265,917	$ 4,123,950
Investment Earnings	71,061	106,659
State Sources	15,937	16,969
Other	7,729	12,134
Total General Revenues	4,360,644	4,259,712

	2020	2019
Program Revenues		
Charges for Services	12,577	18,841
Operating Grants	958,361	898,727
Total Program Revenues	970,938	917,568
Total Revenues	5,331,582	5,177,280
Expenses		
Instruction	2,234,385	2,024,158
Supporting Services	1,761,130	1,622,284
Payments to Other Governmental Agencies	271	266
Food Service	239,068	225,996
Other Transactions	0	55
Unallocated Depreciation	323,012	285,221
Total Expenses	4,557,866	4,157,980
Change in Net Position	$ 773,716	$ 1,019,300

The effects of the prior period restatement related to the implementation of GASB Statement No. 84 were considered minimal and not included in the table above.

H. 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:

	2020	2019	Increase (Decrease)
Major Funds		(Restated)	
General Fund	$ 3,200,880	$ 2,678,669	$ 522,211
2016 Sinking Fund	314,982	528,615	(213,633)
Capital Projects Fund	271,810	601,114	(329,304)
Nonmajor Funds			
Food Service Fund	4,915	4,915	0
Student Activities Fund	37,319	33,894	3,425
Total Governmental Funds	$ 3,829,906	$ 3,847,207	$ (17,301)

General Fund – In 2019-2020, the General Fund's fund balance increased by $522,211. This increase occurred despite the fund transferring $314,770 to other funds. Additional property tax revenues and

unrestricted federal aid recognized coupled with the fact that expenditures remained similar to prior years caused the increase in fund balance.

2016 Sinking Fund Fund – In 2019-2020, the 2016 Sinking Fund decreased its fund balance by $213,633. Several large construction projects were completed during the year exceeding property tax revenues causing the decrease.

Capital Projects Fund- In 2019-2020, the fund received a transfer of $200,000 from the General Fund. Expenditures related to a bus purchase and furniture and equipment occurred during the year, causing the decrease in fund balance of $329,304.

Food Service Fund – In 2019-2020, the Food Service Fund's fund balance remained at $4,915. The General Fund transferred in approximately $15,000 less than the prior year, indicating the performance of the fund during the year improved. The fund continues to operate with expenditures significantly exceeding revenues.

Student Activities Fund – This fund was created during 2019-2020 as a result of GASB Statement No. 84. The fund accounts for revenues and expenditures related to enhancing students' experiences at the District. The fund is designed to have revenues and expenditures that are similar each year, and that was the case in 2019-2020.

I. General Fund Budgetary Highlights

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

For the 2019-2020 fiscal year, the District amended the General Fund at various times throughout the year, with the Board adopting the changes as summarized below. The following schedule shows a comparison of the original General Fund budget, the final amended General Fund budget, and actual totals from operations:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
REVENUES	$ 4,494,527	$ 4,642,889	$ 4,623,448
EXPENDITURES			
Instruction	$ 2,262,083	$ 2,140,709	$ 2,126,220
Supporting Services	1,783,921	1,714,425	1,659,976
Payments to Other Governmental Agencies	500	500	271
Total Expenditures	$ 4,046,504	$ 3,855,634	$ 3,786,467
Transfers Out	$ 330,000	$ 325,500	$ 314,770

The changes from original budget and final budget resulted from funding amounts for various programs and associated expenditures becoming clearer throughout the year. Variances between final budget and actual figures are considered minimal.

J. Capital Asset and Debt Administration

1. Capital Assets

At the end of the 2019-2020 fiscal year, the District had invested $6,972,792 net of depreciation, in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net increase of $961,252 from the prior fiscal year. Depreciation expense for the year amounted to $323,012 bringing the accumulation to $4,962,189 as of June 30, 2020. The District expended $1,284,264 on various building improvements, furniture and equipment, and a new bus during the year. The District also retired a bus from its fleet.

2. Long-Term Obligations

At June 30, 2020, the District reported its net share of the pension liability of $6,581,180 and its net share of the other postemployment benefits liability of $1,451,178. Additionally, the District reported $104,404 related to compensated absences.

K. 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 ongoing COVID-19 pandemic will likely have a negative impact on revenues in the near future. The possibility of reduced state funding and potential decreases in non-homestead taxable values are of concern to the District.

- State-wide pressures for equity in the funding of schools poses the possibility that the State of Michigan could enact changes in the funding structure for schools that may impact the District's "Out of Formula" status. Although not anticipated, district officials must consider the eventual possibility of significantly less dollars per student should these demands for equity result in changes in State school funding.

- The current retirement rate for the next fiscal year is expected to be 42.72%. We are concerned about how the future retirement rates will be calculated with changes in legislation.

- The District has final teacher and support staff contracts for the 2020-2021 school year.

L. Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the Superintendent, Northport Public School, 104 South Wing Street, P.O. Box 188, Northport, MI 49670.

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NORTHPORT PUBLIC SCHOOL
NORTHPORT, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2020

ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$	760,691
Investments		3,423,344
Accounts Receivable		1,188
Due from Other Governmental Units		95,881
Inventory		2,602
Total Current Assets		4,283,706
NON CURRENT ASSETS		
Capital Assets		11,934,981
Less Accumulated Depreciation		(4,962,189)
Total Non Current Assets		6,972,792
TOTAL ASSETS		11,256,498
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources Related to Pensions		1,869,393
Deferred Outflows of Resources Related to Other Postemployment Benefits		480,405
TOTAL DEFERRED OUTFLOWS OF RESOURCES		2,349,798
LIABILITIES		
CURRENT LIABILITIES		
Accounts and Retainage Payable		51,077
Salaries and Benefits Payable		401,894
Unearned Revenue		829
Total Current Liabilities		453,800
NON CURRENT LIABILITIES		
Compensated Absences		104,404
Net Pension Liability		6,581,180
Net Other Postemployment Benefits Liability		1,451,178
Total Non Current Liabilities		8,136,762
TOTAL LIABILITIES		8,590,562

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

NORTHPORT PUBLIC SCHOOL
NORTHPORT, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2020

DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources Related to Pensions	768,626
Deferred Inflows of Resources Related to Other Postemployment Benefits	639,793
TOTAL DEFERRED INFLOWS OF RESOURCES	1,408,419
NET POSITION	
Net Investment in Capital Assets	6,972,792
Restricted for Capital Projects	314,982
Unrestricted (Deficit)	(3,680,459)
TOTAL NET POSITION	$ 3,607,315

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

NORTHPORT PUBLIC SCHOOL
NORTHPORT, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS & CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES: NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
GOVERNMENTAL ACTIVITIES					
Instruction	$ 2,234,385	$ 5,920	$ 628,132	$ 0	$ (1,600,333)
Supporting Services	1,761,130	454	212,134	0	(1,548,542)
Payments to Other Governmental Agencies	271	0	0	0	(271)
Food Service	239,068	6,203	118,095	0	(114,770)
Unallocated Depreciation	323,012	0	0	0	(323,012)
TOTAL GOVERNMENTAL ACTIVITIES	$ 4,557,866	$ 12,577	$ 958,361	$ 0	(3,586,928)
GENERAL REVENUES					
Property Taxes - General Purposes					3,722,829
Property Taxes - Sinking Fund					543,088
Investment Earnings					71,061
State Sources					15,937
Other					7,729
Total General Revenues					4,360,644
Change in Net Position					773,716
NET POSITION - Beginning of Year - As Restated					2,833,599
NET POSITION - End of Year					$ 3,607,315

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

NORTHPORT PUBLIC SCHOOL
NORTHPORT, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2020

	GENERAL FUND	2016 SINKING FUND	CAPITAL PROJECTS FUND	NON-MAJOR FUNDS FOOD SERVICE FUND	NON-MAJOR FUNDS STUDENT ACTIVITIES FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash and Cash Equivalents	$ 721,854	$ 0	$ 0	$ 3,098	$ 35,739	$ 760,691
Investments	2,789,298	356,392	277,654	0	0	3,423,344
Accounts Receivable	442	0	0	746	0	1,188
Due from Other Funds	15,147	0	0	0	1,580	16,727
Due from Other Governmental Units	88,690	0	0	7,191	0	95,881
Inventory	0	0	0	2,602	0	2,602
TOTAL ASSETS	$3,615,431	$ 356,392	$ 277,654	$ 13,637	$ 37,319	$ 4,300,433
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts and Retainage Payable	$ 11,077	$ 40,000	$ 0	$ 0	$ 0	$ 51,077
Salaries and Benefits Payable	401,894	0	0	0	0	401,894
Unearned Revenue	0	0	0	829	0	829
Due to Other Funds	1,580	1,410	5,844	7,893	0	16,727
Total Liabilities	414,551	41,410	5,844	8,722	0	470,527
FUND BALANCES						
Nonspendable, Inventory	0	0	0	2,602	0	2,602
Restricted for Capital Projects	0	314,982	0	0	0	314,982
Restricted for Food Service	0	0	0	2,313	0	2,313
Committed for Capital Projects	0	0	271,810	0	0	271,810
Assigned for Student Activities	0	0	0	0	37,319	37,319
Assigned for Compensated Absences	92,000	0	0	0	0	92,000
Unassigned	3,108,880	0	0	0	0	3,108,880
Total Fund Balances	3,200,880	314,982	271,810	4,915	37,319	3,829,906
TOTAL LIABILITIES AND FUND BALANCES	$3,615,431	$ 356,392	$ 277,654	$ 13,637	$ 37,319	$ 4,300,433

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

NORTHPORT PUBLIC SCHOOL
NORTHPORT, MICHIGAN

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

JUNE 30, 2020

Total Governmental Fund Balances		$ 3,829,906
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	$ 11,934,981	
Accumulated depreciation is	(4,962,189)	6,972,792
Long-term liabilities are not due and payable in the current period and are not reported in the funds.		
Net Pension Liability		(6,581,180)
Other Postemployment Benefits Liability		(1,451,178)
Compensated Absences		(104,404)
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 Outflows of Resources Related to Pensions and Other Postemployment Benefits		2,349,798
Deferred Inflows of Resources Related to Pensions and Other Postemployment Benefits		(1,408,419)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 3,607,315

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

NORTHPORT PUBLIC SCHOOL
NORTHPORT, MICHIGAN

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

YEAR ENDED JUNE 30, 2020

	GENERAL FUND	2016 SINKING FUND	CAPITAL PROJECTS FUND	NON-MAJOR FUNDS FOOD SERVICE FUND	NON-MAJOR FUNDS STUDENT ACTIVITIES FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES						
Local Sources	$ 3,864,335	$ 549,910	$ 6,543	$ 6,203	$ 31,501	$ 4,458,492
State Sources	406,032	0	0	7,773	0	413,805
Federal Sources	265,221	0	0	110,322	0	375,543
Other Transactions	87,860	0	0	0	0	87,860
Total Revenues	4,623,448	549,910	6,543	124,298	31,501	5,335,700
EXPENDITURES						
Instruction	2,126,220	0	0	0	0	2,126,220
Supporting Services	1,659,976	698	80,966	0	28,076	1,769,716
Payments to Other Governmental Agencies	271	0	0	0	0	271
Food Service	0	0	0	239,068	0	239,068
Capital Outlay	0	762,845	454,881	0	0	1,217,726
Total Expenditures	3,786,467	763,543	535,847	239,068	28,076	5,353,001
Excess (Deficiency) of Revenues Over (Under) Expenditures	836,981	(213,633)	(529,304)	(114,770)	3,425	(17,301)
OTHER FINANCING SOURCES (USES)						
Transfer In/(Out)	(314,770)	0	200,000	114,770	0	0
Net Change in Fund Balance	522,211	(213,633)	(329,304)	0	3,425	(17,301)
FUND BALANCE - Beginning of Year - As Restated	2,678,669	528,615	601,114	4,915	33,894	3,847,207
FUND BALANCE - End of Year	$ 3,200,880	$ 314,982	$ 271,810	$ 4,915	$ 37,319	$ 3,829,906

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

NORTHPORT PUBLIC SCHOOL
NORTHPORT, 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, 2020

Net Change in Fund Balances Total Governmental Funds	$ (17,301)
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlay as expenditures. In the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.	
Capital Outlay	1,284,264
Depreciation Expense	(323,012)
Amounts for compensated absences are reported on the accrual method in the Statement of Activities, but only recorded as an expenditure when financial resources are used in the governmental funds:	
Compensated Absences - Beginning of Year	91,702
Compensated Absences - End of Year	(104,404)
Governmental funds report District pension contributions as expenditures. However, in the Statement of Activities, the cost of pension and other postemployment benefits earned net of employee contributions are reported as	
Change in Pension and Other Postemployment Benefits Related Items	(153,415)
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to Section 147 C pension and other postemployment benefits contributions subsequent to the measurement date.	
Change in State Aid Funding for Pension Benefits	(4,118)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 773,716

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Northport Public School 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 Leelanau County with its administrative offices located in Northport, Michigan. The District operates under an elected board of education which has responsibility and control over all activities related to public school education within the District. 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.

The District reports the following major governmental funds:

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

The *2016 SINKING FUND* accounts for revenues and expenditures related to capital projects.

The *CAPITAL PROJECTS FUND* accounts for funds that have been specifically committed for capital projects by board action.

Other non-major fund:

The *FOOD SERVICE SPECIAL REVENUE FUND* accounts for revenue sources that are legally restricted to expenditures for food service.

The *STUDENT ACTIVITIES SPECIAL REVENUE FUND* accounts for revenue sources that are assigned for expenditures for student activities.

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

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

E. Measurement Focus and Basis of Accounting

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

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 obligations 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.

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, value 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 June 30, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to

the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.

(d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.

(e) For purposes of meeting emergency needs of the District, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

(f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.

(g) Budgeted amounts are as originally adopted in June 2019, or as amended by the School Board of Education throughout the year.

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

1. Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments. The government considers all highly liquid investments (including certificates of deposit) to be cash equivalents.

2. Investments

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

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

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

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

3. Inventory and Prepaid Items

Inventories are valued at cost using the first in/first out (FIFO) method. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures. 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, which include property and equipment, are reported in the governmental activities column in the District-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value as of the date of the donation. Donated capital assets are only reported under the accrual method of accounting.

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and Additions	25-50
Furniture and Equipment	5-15
Buses and Other Vehicles	7-10

5. Unearned Revenue

Unearned revenue arises when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The District reports unearned revenue in the Food Service Fund related to students that have prepaid for lunch charges.

6. Defined Benefit Plans

For purposes of measuring the net pension and other postemployment benefit 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 (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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.

7. 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 the obligation issued is reported as other financing sources. Premiums received on obligation issuances are reported as other financing sources while discounts on obligation issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual obligation proceeds received, are reported as other transactions expenditures.

8. Compensated Absences

It is the District's policy to permit certain employees to accumulate earned but unused sick pay benefits. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability is recorded in the Statement of Net Position as benefits accumulate. No liability for these amounts is reported in the governmental funds, unless it becomes due and payable to an eligible employee. It is reasonably possible that the estimated liability could change due to non-vested employees leaving the District or a variance in the normal use of employee sick leave in any given year.

9. 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 does not have any items that qualify for reporting in this category except those related to its pension plan and other postemployment benefits plan, which are discussed in Note 2-H and Note 2-I of this report.

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 does not have any items that qualify for reporting in this category except those related to its pension plan and other postemployment benefits plan, which are discussed in Note 2-H and Note 2-I of this report.

10. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow

assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

11. 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.

12. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

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

13. 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 local portion of the foundation is funded primarily by non-homestead property taxes. Since the District's property tax collections exceed the state's formula, the foundation grant approach does not apply to the District. Instead, the District uses it's locally collected property taxes to fund the District.

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*.

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed as of January 1, and due July 1. The levy becomes delinquent as of February 14 for all taxpayers. After these dates, unpaid taxes are subject to penalties and interest.

For the year ended June 30, 2020, the District levied the following amounts per $1,000 of taxable valuation:

Fund	Mills
General Fund - Non-Homestead	13.3880
General Fund - Commercial PPT	1.3880
2016 Sinking Fund - PRE, Non-PRE, Commercial Personal Property	1.2193

NOTE 2 – DETAILED NOTES ON ALL 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, 2020, $510,450 of the District's bank balance of

$760,450 was exposed to custodial credit risk because it was all insured and collateralized. 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.

As of June 30, 2020, the District had the following investments:

	Fair Value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF+ Cash Management Class	$ 143,193	0.0027	AAAm	4.18%
MILAF+ MAX Class	3,280,151	0.0027	AAAm	95.82%
	$ 3,423,344			100.00%
Portfolio Weighted Average Maturity		0.0027		

1 Day Maturity Equals 0.0027, One Year Equals 1.000

The District invests certain excess funds in external pooled investment funds which include money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund Plus (MILAF+). MILAF+ is a local government investment pool of "qualified" investments for Michigan school districts. MILAF+ is not regulated nor is it registered with the SEC. MILAF+ reports as of June 30, 2020, the fair value of the District's investments is the same as the value of the pooled shares. MILAF,

as defined by GASB, is recorded at amortized cost which approximates fair value. The MILAF+ portfolio offers three share classes which are: Cash Management Class, MAX Class, and GovMIC Class. The only class that has limitations or restrictions on withdrawals is MAX Class, which requires notification of redemptions prior to 14 days to avoid penalties. The MILAF+ portfolio is not subject to fair value disclosures.

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

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

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

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:

	Total
Deposits	$ 760,391
Petty Cash	300
Investments	3,423,344
	$ 4,184,035

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

	Total
Cash - District-Wide	$ 760,691
Investments - District-Wide	3,423,344
	$ 4,184,035

B. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor consisted primarily of due from other governments. The General Fund reported $88,690 and the Food Service Fund reported $7,191. Amounts due from other governments include amounts due from federal, state, and local sources for various projects and programs. The General Fund also reported accounts receivable of $442 and the Food Service Fund reported $746. These amounts represent amounts due from individuals and other sources.

C. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2020, were:

Receivable Fund	Payable Fund	Amount
General Fund	2016 Sinking Fund	$ 1,410
General Fund	Capital Projects Fund	5,844
General Fund	Food Service Fund	7,893
Student Activities Fund	General Fund	1,580
		$ 16,727

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2020, are expected to be repaid within one year.

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. The District had the following transfers between funds during the 2019-2020 year:

Fund Transferred To	Funds Transferred From	Amount
Capital Projects Fund	General Fund	$ 200,000
Food Service Fund	General Fund	114,770
		$ 314,770

D. Accrued Liabilities

Accrued liabilities reported by governmental funds at June 30, 2020, were as follows:

	General Fund
Salaries	$ 234,238
Employee Benefits	167,656
Total Accrued Liabilities	$ 401,894

E. Long-Term Obligations

The following is a summary of governmental long-term obligation transactions for the District for the year ended June 30, 2020:

	COMPENSATED ABSENCES	NET PENSION LIABILITY	NET OPEB LIABILITY	TOTAL
Balance, July 1, 2019	$ 91,702	$ 5,984,431	$ 1,572,874	$ 7,649,007
Additions	16,529	1,124,676	17,121	1,158,326
Deletions	(3,827)	(527,927)	(138,817)	(670,571)
Balance, June 30, 2020	104,404	6,581,180	1,451,178	8,136,762
Less current portion	Unknown	Unknown	Unknown	Unknown
Total due after one year	$ 104,404	$ 6,581,180	$ 1,451,178	$ 8,136,762

The annual requirements to amortize the pension liability, the other postemployment benefits liability, and compensated absences are uncertain because it is unknown when the repayments will be made. These liabilities will be paid by the fund in which the employee worked, including the general fund and other governmental funds.

F. Capital Assets

A summary of changes in the District's capital assets follows:

	Balance June 30,	Additions	Deletions	Balance June 30,
Capital Assets Not Being Depreciated				
Construction in Progress	$ 142,984	$ 0	$ 142,984	$ 0
Capital Assets Being Depreciated				
Buildings and Additions	9,581,368	879,957	0	10,461,325
Furniture and Equipment	483,404	466,325	0	949,729
Buses and Other Vehicles	514,681	80,966	71,720	523,927
Subtotal	10,579,453	1,427,248	71,720	11,934,981
Less Accumulated Depreciation for:				
Buildings and Additions	4,229,716	227,726	0	4,457,442
Furniture and Equipment	176,030	54,392	0	230,422
Buses and Other Vehicles	305,151	40,894	71,720	274,325
Accumulated Depreciation	4,710,897	323,012	71,720	4,962,189
Net capital assets being depreciated	5,868,556	1,104,236	0	6,972,792
Net capital assets	$ 6,011,540	$ 1,104,236	$ 142,984	$ 6,972,792

Depreciation for the fiscal year ended June 30, 2020, amounted to $323,012. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

G. Defined Benefit Plan and Postemployment Benefits

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

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

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

Benefit Provisions - Overall

Introduction

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:

Plan Name	Plan Type	Plan Status
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%.

Pension Reform 2010

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

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months

ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

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 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 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.

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 of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

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

Member Contributions

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

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of 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.

For the pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2018 are amortized over a 20-year period beginning October 1, 2018 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:

	Pension	Other Postemployment Benefit
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%

The District's pension contributions for the year ended June 30, 2020 were equal to the required contribution total. Pension contributions were approximately $597,000, with approximately $580,000 specifically for the defined benefit plan. The amounts for pension contributions include contributions funded from state revenue Section 147c restricted to fund MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

The District's OPEB contributions for the year ended June 30, 2020 were equal to the required contribution total. OPEB contributions were approximately $161,000, with approximately $147,000 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).

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

Pension Liabilities

At June 30, 2020, the District reported a liability of $6,581,180 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2018 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, 2019 and 2018, the District's proportion was 0.0198727% and 0.0199071%.

MPSERS (Plan) Non-university Employers Net Pension Liability

	September 30, 2019	September 30, 2018
Total Pension Liability	$ 83,442,507,212	$ 79,863,694,444
Plan Fiduciary Net Position	50,325,869,388	49,801,889,205
Net Pension Liability	$ 33,116,637,824	$ 30,061,805,239
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	60.31%	62.36%
Net Pension Liability as a Percentage of Covered Payroll	378.65%	352.81%

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

For the year ended June 30, 2020, the District recognized total pension expense of $865,198.

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 29,499	$ 27,443
Changes of assumptions	1,288,600	0
Net difference between projected and actual earnings on pension plan investments	0	210,916
Changes in proportion and differences between District contributions and proportionate share of contributions	5,394	306,458
District section 147c revenue related to pension contributions subsequent to the measurement date	0	223,809
District contributions subsequent to the measurement date	545,900	0
Total	$ 1,869,393	$ 768,626

$545,900 reported as deferred outflows of resources and $223,809 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. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	Amount
2020	$ 269,701
2021	230,902
2022	190,259
2023	87,814
	$ 778,676

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

OPEB Liabilities

At June 30, 2020, the District reported a liability of $1,451,178 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2018 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB

projected contributions of all participating reporting units, actuarially determined. At September 30, 2019 and 2018, the District's proportion was 0.0202177% and 0.0197872%.

MPSERS (Plan) Non-University Employers Net OPEB Liability

	September 30, 2019	September 30, 2018
Total OPEB Liability	$ 13,925,860,688	$ 13,932,170,264
Plan Fiduciary Net Position	6,748,112,668	5,983,218,473
Net OPEB Liability	$ 7,177,748,020	$ 7,948,951,791
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	48.46%	42.95%
Net OPEB Liability as a Percentage of Covered Payroll	82.07%	93.29%

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

For the year ended June 30, 2020, the District recognized total OPEB expense of $14,902.

At June 30, 2020 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	$ 532,478
Changes of Assumptions	314,441	0
Net difference between projected and actual earnings on OPEB plan investments	0	25,237
Changes in proportion and differences between District contributions and proportionate share of contributions	33,875	82,078
District contributions subsequent to the measurement date	132,089	0
Total	$ 480,405	$ 639,793

$132,089 reported as deferred outflows of resources related to OPEB resulting from District employer 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
2020	$ (82,628)
2021	(82,628)
2022	(70,514)
2023	(42,456)
2024	(13,251)
	$ (291,477)

J. Actuarial Assumptions

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

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

Salary increases - The rate of pay increase used for individual members is 2.75%.

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, 2018. 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, 2017 valuation.

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 – 7.5% for year one and graded to 3.5% to year twelve.

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

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

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

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

The target asset allocation at September 30, 2019 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Pools	28.00%	5.50%
Alternative Investment Pools	18.00%	8.60%
International Equity	16.00%	7.30%
Fixed Income Pools	10.50%	1.20%
Real Estate & Infrastructure Pools	10.00%	4.20%
Absolute Return Pools	15.50%	5.40%
Short-Term Investment Pools	2.00%	0.80%
	100%	

*Long-term rate of return are net of administrative expenses and 2.3% inflation.

For fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.14% and 5.37% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount Rate

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

OPEB Discount Rate

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

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

The following presents the District'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 District'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:

1% Decrease	Discount Rate	1% Increase
$ 8,555,955	$ 6,581,180	$ 4,944,023

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

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

1% Decrease	Discount Rate	1% Increase
$ 1,780,088	$ 1,451,178	$ 1,174,985

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

The following presents the District's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.5%), as well as what the District'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:

1% Decrease	Healthcare Cost Trend Rates	1% Increase
$ 1,163,275	$ 1,451,178	$ 1,780,049

K. 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 2019 Comprehensive Annual Financial Report.

L. Payables to the Pension and OPEB Plan

As of June 30, 2020, the District is current on all required pension and other postemployment benefit plan payments. As of June 30, 2020, the District reported payables in the amount of $102,521 to the pension and OPEB plan. These amounts represent accruals for summer pay primarily for teachers and the contributions due from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

M. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools 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. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of $500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health insurance. No settlements have occurred in excess of coverage for June 30, 2020, or any of the prior three years.

N. Sinking Fund Tax Levy

The District's voters approved the levy of a millage for the sinking fund in March 2016. The transactions for the sinking fund are accounted for in a capital projects fund. For this fund, the District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

O. 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.

P. 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.

Q. New Accounting Standard and Related Restatement of Net Position and Fund Balance

For the year ended June 30, 2020, the District implemented GASB Statement No. 84, Fiduciary Activities. Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017. 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. It was determined that the District did not have any assets held in which a fiduciary activity exists. Because of that, the fund balance and net position have been restated.

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

	Fund Balance	
	Student Activities Fund	Total Governmental Funds
Fund Balances as of July 1, 2019, as previously stated	$ 0	$ 3,813,313
Adjustment Related to Adoption of GASB Statement 84	33,894	33,894
Fund Balance as of July 1, 2019, as restated	$ 33,894	$ 3,847,207

	Net Position
	Governmental Activities
Net Position as of July 1, 2019, as previously stated	$ 2,799,705
Adjustment Related to Adoption of GASB Statement 84	33,894
Net Position as of July 1, 2019, as restated	$ 2,833,599

R. Subsequent Events

In August 2020, the District received a new allowance line item called "11p – CORONAVIRUS RELIEF FUNDS" equating to $350 per pupil. Although these funds are coming through State Aid, they are restricted federal funds (making up a portion of Federal Coronavirus Relief Fund (CRF) (CFDA 21.019) usage authorized by Public Act 146 of 2020 signed into law on July 31, 2020). The District received $48,927.

Additionally, in July 2020, the District received a new allowance line item called "103(2) - DISTRICT COVID COSTS" equating to approximately $12.32 per pupil. Although these funds are coming through State Aid, they are restricted federal funds (making up a portion of Federal Coronavirus Relief Fund (CRF) (CFDA 21.019) usage authorized by Public Act 123 of 2020 signed into law on July 1, 2020). The District received $1,722.

Per the Michigan Department of Education guidance on these items, no financial statement amounts were adjusted related to these subsequent events.

In conjunction with the items described above, a per-pupil reduction of $175 was applied to the District's August State Aid payment under the line item "11d – SAF REVENUE SHORTFALL REDUCTION". The amount of the state aid reduction for the District was $24,463.

Per Michigan Department of Education guidance on the reduction, the financial statements have been adjusted for the impact of this subsequent event.

NORTHPORT PUBLIC SCHOOL
NORTHPORT, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED JUNE 30, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
REVENUES			
Local Sources	$ 3,907,553	$ 3,866,183	$ 3,864,335
State Sources	384,954	437,360	406,032
Federal Sources	172,088	255,434	265,221
Other Transactions	29,932	83,912	87,860
Total Revenues	4,494,527	4,642,889	4,623,448
EXPENDITURES			
Instruction			
Basic Programs	2,065,030	1,943,253	1,932,755
Added Needs	197,053	197,456	193,465
Supporting Services			
Pupil Support Services	107,472	98,751	98,182
Instructional Staff	60,538	39,849	37,433
General Administration	355,313	341,470	321,874
School Administration	141,630	140,130	137,338
Business	107,100	112,100	104,381
Operation and Maintenance	500,123	459,901	453,864
Pupil Transportation Services	295,572	280,260	280,156
Central Support Services	139,880	162,750	154,791
Athletics	76,293	79,214	71,957
Payments to Other Governmental Agencies	500	500	271
Total Expenditures	4,046,504	3,855,634	3,786,467
Excess (Deficiency) of Revenues Over (Under) Expenditures	448,023	787,255	836,981
OTHER FINANCING SOURCES (USES)			
Transfer In/(Out)	(330,000)	(325,500)	(314,770)
Net Change in Fund Balance	118,023	461,755	522,211
FUND BALANCE - Beginning of Year	2,678,674	2,678,674	2,678,669
FUND BALANCE - End of Year	$ 2,796,697	$ 3,140,429	$ 3,200,880

NORTHPORT PUBLIC SCHOOL
NORTHPORT, 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, 2020

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)					0.01987%	0.01991%	0.02091%	0.02290%	0.02286%	0.02254%
District's proportionate share of net pension liability					$ 6,581,180	$ 5,984,431	$ 5,419,815	$ 5,712,519	$ 5,583,612	$ 4,964,699
District's covered payroll					1,776,092	1,692,928	1,677,575	1,964,969	1,941,869	1,935,155
District's proportionate share of net pension liability as a percentage of its covered payroll					370.54%	353.50%	323.07%	290.72%	287.54%	256.55%
Plan fiduciary net position as a percentage of total pension liability					60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

NORTHPORT PUBLIC SCHOOL
NORTHPORT, 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, 2020

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions					$ 579,570	$ 524,209	$ 497,788	$ 557,999	$ 441,003	$ 419,699
Contributions in relation to statutorily required contributions *					579,570	524,209	497,788	557,999	441,003	419,699
Contribution deficiency (excess)					$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Covered payroll					$ 1,950,694	$ 1,733,461	$ 1,674,413	$ 1,709,940	$ 1,940,303	$ 1,939,965
Contributions as a percentage of covered payroll					29.71%	30.24%	29.73%	32.63%	22.73%	21.63%

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

NORTHPORT PUBLIC SCHOOL
NORTHPORT, 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, 2020

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of net OPEB liability (%)								0.02022%	0.01979%	0.02116%
District's proportionate share of net OPEB liability								$ 1,451,178	$ 1,572,874	$ 1,873,344
District's covered payroll								1,776,092	1,692,928	1,677,575
District's proportionate share of net OPEB liability as a percentage of its covered payroll								81.71%	92.91%	111.67%
Plan fiduciary net position as a percentage of total OPEB liability								48.46%	42.95%	36.39%

NORTHPORT PUBLIC SCHOOL
NORTHPORT, 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, 2020

	2027	2026	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contributions								$ 147,116	$ 141,311	$ 120,399
Contributions in relation to statutorily required contributions *								147,116	141,311	120,399
Contribution deficiency (excess)								$ 0	$ 0	$ 0
Covered payroll								$ 1,950,694	$ 1,733,461	$ 1,674,413
Contributions as a percentage of covered payroll								7.54%	8.15%	7.19%

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

NORTHPORT PUBLIC SCHOOL
NORTHPORT, MICHIGAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2020

Pension Plan

1. Changes of Benefit Terms

There were no changes of benefit terms for the plan year ended September 30, 2019.

2. Changes of Assumptions

The following assumptions changed for the plan year ended September 30, 2019:

A) Discount rate for MIP and Basic plans decreased to 6.80% from 7.05%.

B) Discount rate for Pension Plus decreased to 6.80% from 7.00%

Other Post-Employment Benefits Plan

1. Changes of Benefit Terms

There were no changes of benefit terms for the plan year ended September 30, 2019.

2. Changes of Assumptions

The following assumptions changed for the plan year ended September 30, 2019:

A) Discount rate decreased to 6.95% from 7.15%

B) Healthcare cost trend rate increased to 7.50% Year 1 graded to 3.50% Year 12 from 7.50% Year 1 graded to 3.00% Year 12.