

**Otsego Public Schools**

**Financial Statements**

**June 30, 2021**



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**Otsego Public Schools**  
**Members of the Board of Education and Administration**  
**June 30, 2021**

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**Members of the Board of Education**

Scot Reitenour – President

Becky Gross – Vice President

Amy Stender – Treasurer

Shannon Goodwin – Secretary

Rodger Gibson – Trustee

Shelly Jirgens – Trustee

Todd Bentley – Trustee

**Administration**

Jeffery Haase – Superintendent

Meredith Weathers – Director of Finance



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## Independent Auditors' Report

To Management and the Board of Education  
Otsego Public Schools  
Otsego, 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 Otsego Public Schools, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### 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.

### Auditors' 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 auditors' 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 Otsego Public Schools, as of June 30, 2021, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Adoption of New Accounting Standard**

As described in Note 1 to the financial statements, during the year ended June 30, 2021, the School District adopted GASB Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the School District's proportionate share of the net pension liability, schedule of the School District's pension contributions, schedule of the School District's proportionate share of the net OPEB liability, and schedule of the School District's OPEB contributions identified in the table of contents, 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 Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Otsego Public Schools' basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management and, other than the prior year information, was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, other than the prior year information, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Prior Year Supplementary Information**

We also have previously audited, 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, Otsego Public Schools' basic financial statements for the year ended Otsego Public Schools, which are not presented with the accompanying basic financial statements. In our report dated October 8, 2020, we expressed unmodified opinions on the respective basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the basic

financial statements that collectively comprise Otsego Public Schools' basic financial statements as a whole. The Otsego Public Schools' information in the comparative supplementary schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare Otsego Public Schools' basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Otsego Public Schools' information in the comparative supplementary schedules is fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2021 on our consideration of Otsego Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Otsego Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Otsego Public Schools' internal control over financial reporting and compliance.

*Yeo & Yeo, P.C.*  
Kalamazoo, Michigan  
October 19, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**Otsego Public Schools**  
**Management's Discussion and Analysis**  
**June 30, 2021**

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

**Using this Annual Financial Report**

This annual financial report consists of a series of financial statements, notes to those financial statements, and other supplementary information (hereinafter "financial statements"). These financial statements are organized so the reader can understand the School District's whole financial situation.

The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

The fund financial statements provide the next level of detail. For governmental activities, these statements explain how services were financed in the short-term as well as what remains for future expenditures. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant fund (the General Fund) with all other funds being presented in one column as non-major funds.

The final statement, the fiduciary statement of assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

The annual financial report is comprised of the following elements:

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

***Basic Financial Statements***

***District-wide Financial Statements***

***Fund Financial Statements***

***Notes to the Basic Financial Statements***

***Required Supplementary Information***

***Other Supplementary Information***

**Otsego Public Schools**  
**Management's Discussion and Analysis**  
**June 30, 2021**

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

The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information about the School District as a whole using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The statement of net position includes all of the School District's assets and liabilities. The statement of activities includes all of the current year's revenues and expenses regardless of when cash is actually received or paid.

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

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

***Reporting the School District's Most Significant Funds – Fund Financial Statements***

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

**Governmental Funds**

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

**Otsego Public Schools**  
**Management's Discussion and Analysis**  
**June 30, 2021**

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***The School District as Trustee – Reporting the School District's Fiduciary Responsibilities***

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary assets and liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**The School District as a Whole**

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2021 and 2020 (the difference between assets and liabilities as of certain dates).

	Governmental Activities	
	2021	2020
<b>Assets:</b>		
Current and other assets	\$ 23,260,568	\$ 9,462,552
Property and equipment	52,205,177	51,548,581
Total assets	75,465,745	61,011,133
Deferred outflows of resources	17,761,297	19,983,885
Total assets and deferred outflows of resources	93,227,042	80,995,018
<b>Liabilities:</b>		
Current liabilities	4,563,160	4,473,963
Long-term liabilities	125,968,038	113,057,301
Total liabilities	130,531,198	117,531,264
Deferred inflows of resources	7,783,251	7,274,773
Total liabilities and deferred inflows of resources	138,314,449	124,806,037
<b>Net position:</b>		
Net investment in capital assets	(1,512,952)	(2,911,292)
Restricted	42,550	220,248
Unrestricted	(43,617,005)	(41,120,075)
Total net position	\$ (45,087,407)	\$ (43,811,019)

**Otsego Public Schools**  
**Management's Discussion and Analysis**  
**June 30, 2021**

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ending June 30, 2021 and 2020.

	Governmental Activities	
	2021	2020
<b>Revenue:</b>		
Program Revenue:		
Charges for services	\$ 981,407	\$ 969,677
Operating grants	5,429,771	4,537,943
General revenue:		
Property taxes	6,166,527	5,999,150
State foundation allowance	19,045,159	18,327,476
(Loss)/Gain on disposal of capital assets	(304,772)	422,675
Other	11,496	45,978
Total Revenue	31,329,588	30,302,899
<b>Functions/Program Expenses:</b>		
Instruction	18,223,804	18,361,969
Support services	10,854,083	10,538,145
Food services	1,181,573	1,359,810
Community services	604,400	528,856
Interest on long-term debt	2,232,510	1,626,935
Total Expenses	33,096,370	32,413,715
<b>Decrease in net position</b>	<b>\$ (1,766,782)</b>	<b>\$ (2,110,816)</b>

Note that as of June 30, 2021, the estimated net pension liability for the School District was \$48,466,012 (\$45,689,287 as of June 30, 2020). Additionally, deferred inflows relating to net pension liability as of June 30, 2021 were \$2,038,736 (\$3,337,099 as of June 30, 2020) and deferred outflows relating to the net pension liability as of June 30, 2021 were \$11,857,896 (\$14,387,251 as of June 30, 2020). As of June 30, 2021, the estimated net OPEB liability for the School District was \$7,648,770 (\$10,085,376 as of June 30, 2020). Deferred inflows relating to the net OPEB liability as of June 30, 2021 were \$5,744,515 (\$3,937,674 as of June 30, 2020) and deferred outflows relating to the net OPEB liability as of June 30, 2021 were \$4,148,243 (\$3,702,384 as of June 30, 2020). These deferrals will be amortized both in the current year and into the future.

**Otsego Public Schools**  
**Management's Discussion and Analysis**  
**June 30, 2021**

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Property taxes for operations and unrestricted State of Michigan aid constitute the vast majority of School District operating revenue sources. The Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

**The School District's Funds**

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

In the General Fund, the School District's principal operating fund balance increased by \$163,831, from \$4,041,459 to \$4,205,290. The General Fund principal operating fund balance is just over 16% of our General Fund operating expenditures.

- The General Fund revenue sources increased by approximately \$1,806,000 over the prior year. The increase is a result of additional state funding sources of \$475,000 and federal sources of \$1,187,000 as a result of various additional funding sources caused by the COVID-19 pandemic.
- The General Fund expenditures increased by approximately \$1,535,000 over the prior year. The increase is a direct result of the additional funding sources noted above and the requirement to expend the funds before recognizing the revenue.

Responsible budgeting and fiscal operating practices will continue due to the continued uncertainty in state aid revenue.

**General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenses. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2021. A schedule showing the School District's original and final budget amounts compared with actual revenues and expenditures is provided in the required supplementary information of these financial statements. Final budget to actual variances were not significant. Over the course of the fiscal year, the District revised the annual operating budget for the following items:

- Additional funding from state aid due to categorical appropriations and federal funds passed through to the District from MDE.
- Additional funding from Allegan Area Educational Service Agency for Special Education.
- Increase in district-wide custodial supplies, PPE and personnel due to the COVID-19 pandemic.
- Transfers to the assigned fund balance for instructional purposes, technology upgrades, turf replacement and band uniform replacement.

**Otsego Public Schools**  
**Management's Discussion and Analysis**  
**June 30, 2021**

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The key process is a conservative adoption and the continued comparison of actual versus budget revisions. The School District strives to maintain a strong fund balance to support long-term sustained operations.

**Capital Assets and Debt Administration**

***Capital Assets***

At June 30, 2021 and 2020, the School District had the following costs of investments in capital assets, including land, buildings, and furniture and equipment:

	2021	2020
Land	\$ 1,196,860	\$ 1,196,860
Building and additions	72,826,102	72,772,957
Equipment and furniture	4,469,439	5,033,371
Buses and other vehicles	618,463	583,226
Construction-in-progress	2,518,876	315,000
Total capital assets	81,629,740	79,901,414
Less accumulated depreciation	(29,424,563)	(28,352,833)
Total capital assets, net of accumulated depreciation	\$ 52,205,177	\$ 51,548,581

***Debt***

As of June 30, 2021, the School District had \$64,710,000 in General Obligation Bonds outstanding versus \$51,865,000 as of June 30, 2020 – an increase of 24.77%. In September 2020, the School District issued \$18,975,000 in general obligations – unlimited tax bonds for the purpose of refunding certain indebtedness of the School District to the State of Michigan under the State of Michigan School Bond Qualification and Loan program and 2020 Building and Site Bond Series I for the purpose of constructing a new aquatics center and district-wide improvements. In addition, the School District made principal payments totaling \$6,130,000 based on scheduled debt payments.

The School District's General Obligation Bond rating is "A+" from Standard & Poor's Corporation. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "Qualified Debt" (i.e., debt backed by the State of Michigan), such obligations are not subject to this debt limit.

Other obligations include other bonds, school bond loans, notes payable and compensated absences. We present more detailed information about our long-term liabilities in the notes to the financial statements.

**Otsego Public Schools**  
**Management's Discussion and Analysis**  
**June 30, 2021**

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**Economic Factors and FY20/21 Budgets**

The School District's elected officials and administration considered many factors when setting the School District's FY 20/21 fiscal year budget. A primary directive is projecting a conservative adopted budget with all known available information. As of the date of the School District's FY 20/21 budget being adopted, the State of Michigan had not yet adopted a state aid budget. As a result, the elected officials and administration of the School District adopted a budget based on the following primary assumptions:

- The School District's per pupil foundation funding grant was based on \$8,111 per pupil which remained flat from the current year foundation allowance.
- Enrollment was budgeted using FY 20/21 "super blend".
- Assessed values of property remained flat.
- Salary and benefits were increased only by contractual amounts. Curriculum budgets were based on immediate needs and other operating expenses were budgeted flat or decreased to achieve a balanced budget.

Prior to the release of the School District's June 30, 2021 financial statements, the Governor released the FY 21/22 School Aid Budget. Under this budget, the School District will now issue a revised FY 21/22 budget considering the following additional or revised assumptions:

- The School District's per pupil foundation funding grant will be increased to \$8,700.
- Enrollment will be calculated using a "90/10" formula to determine district funding. The formula is a weighted blend of 90% of current year's attendance and 10% of last year's attendance.
- 1% in the assessed values of property.
- The General Fund budget will be funded at levels necessary to ensure a quality education and maintain a balanced budget.

**Contacting the School District's Financial Management**

This annual financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance, Otsego Public Schools, 400 Sherwood Street, Otsego, Michigan, 49078.

## BASIC FINANCIAL STATEMENTS

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**Otsego Public Schools**  
**Statement of Net Position**  
**June 30, 2021**

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 5,193,493
Investments	13,562,889
Accounts receivable	457,247
Due from other governmental units	4,025,365
Inventory	16,067
Prepaid items	5,507
Capital assets not being depreciated	3,715,736
Capital assets – net of accumulated depreciation	<u>48,489,441</u>
 Total assets	 <u>75,465,745</u>
 <b>Deferred Outflows of Resources</b>	
Deferred amount relating to net pension liability	11,857,896
Deferred amount relating to net OPEB liability	4,148,243
Deferred amount on debt refunding	<u>1,755,158</u>
 Total deferred outflows of resources	 <u>17,761,297</u>

See Accompanying Notes to the Financial Statements

**Otsego Public Schools**  
**Statement of Net Position**  
**June 30, 2021**

	Governmental Activities
<b>Liabilities</b>	
Accounts payable	\$ 566,739
Due to other governmental units	337,110
Payroll deductions and withholdings	77,173
Accrued expenditures	578,431
Accrued salaries payable	1,829,174
Unearned revenue	1,174,533
Long-term liabilities	
Due within one year	6,546,790
Due in more than one year	63,306,466
Net pension liability	48,466,012
Net OPEB liability	<u>7,648,770</u>
Total liabilities	<u>130,531,198</u>
<b>Deferred Inflows of Resources</b>	
Deferred amount on net pension liability	2,038,736
Deferred amount on net OPEB liability	<u>5,744,515</u>
Total deferred inflows of resources	<u>7,783,251</u>
<b>Net Position</b>	
Net investment in capital assets	(1,512,952)
Restricted for	
Capital projects	42,550
Unrestricted (deficit)	<u>(43,617,005)</u>
Total net position	<u>\$ (45,087,407)</u>

See Accompanying Notes to the Financial Statements

**Otsego Public Schools**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

	Program Revenues			Net (Expense)
Expenses	Charges for Services	Operating Grants and Contributions		Revenue and Changes in Net Position
<b>Functions/Programs</b>				
Governmental activities				
Instruction	\$ 18,223,804	\$ -	\$ 3,894,402	\$ (14,329,402)
Supporting services	10,854,083	717,726	707,721	(9,428,636)
Food services	1,181,573	43,704	823,798	(314,071)
Community services	604,400	219,977	3,850	(380,573)
Interest on long-term debt	2,232,510	-	-	(2,232,510)
Loss on disposal of capital assets (net book value)	304,772	-	-	(304,772)
Total governmental activities	<u>\$ 33,401,142</u>	<u>\$ 981,407</u>	<u>\$ 5,429,771</u>	<u>(26,989,964)</u>
General revenues				
Property taxes, levied for general purposes				1,878,221
Property taxes, levied for debt service				4,288,242
Property taxes, levied for sinking fund				64
State aid – unrestricted				19,045,159
Interest and investment earnings				11,471
Other				25
Total general revenues				<u>25,223,182</u>
Change in net position				(1,766,782)
Net position – beginning, as restated				<u>(43,320,625)</u>
Net position – ending				<u>\$ (45,087,407)</u>

See Accompanying Notes to the Financial Statements

**Otsego Public Schools  
Governmental Funds  
Balance Sheet  
June 30, 2021**

	General Fund	2017 Refunding Debt Fund	2020 Building & Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash	\$ 3,856,420	\$ 47,772	\$ 504,308	\$ 784,993	\$ 5,193,493
Accounts receivable	457,247	-	-	-	457,247
Due from other funds	18,475	-	310,358	11,866	340,699
Due from other governmental units	3,963,042	-	-	62,323	4,025,365
Inventory	-	-	-	16,067	16,067
Investments	-	-	13,116,282	446,607	13,562,889
Prepaid items	5,507	-	-	-	5,507
Total assets	<u>\$ 8,300,691</u>	<u>\$ 47,772</u>	<u>\$ 13,930,948</u>	<u>\$ 1,321,856</u>	<u>\$ 23,601,267</u>
<b>Liabilities</b>					
Accounts payable	\$ 109,438	\$ -	\$ 362,764	\$ 94,537	\$ 566,739
Due to other funds	321,324	-	400	18,975	340,699
Due to other governmental units	337,110	-	-	-	337,110
Payroll deductions and withholdings	77,173	-	-	-	77,173
Accrued expenditures	295,268	-	-	-	295,268
Accrued salaries payable	1,815,431	-	-	13,743	1,829,174
Unearned revenue	1,139,657	-	-	34,876	1,174,533
Total liabilities	<u>4,095,401</u>	<u>-</u>	<u>363,164</u>	<u>162,131</u>	<u>4,620,696</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	-	-	-	57,378	57,378
<b>Fund Balances</b>					
Non-spendable					
Inventory	-	-	-	16,067	16,067
Prepaid items	5,507	-	-	-	5,507
Restricted for					
Food service	-	-	-	55,902	55,902
Debt service	-	47,772	-	14,115	61,887
Capital projects	-	-	13,567,784	453,328	14,021,112
Committed for student/school activities	-	-	-	562,935	562,935
Assigned	834,151	-	-	-	834,151
Unassigned	3,365,632	-	-	-	3,365,632
Total fund balances	<u>4,205,290</u>	<u>47,772</u>	<u>13,567,784</u>	<u>1,102,347</u>	<u>18,923,193</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,300,691</u>	<u>\$ 47,772</u>	<u>\$ 13,930,948</u>	<u>\$ 1,321,856</u>	<u>\$ 23,601,267</u>

See Accompanying Notes to the Financial Statements

**Otsego Public Schools**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2021**

<b>Total fund balances for governmental funds</b>	\$	18,923,193
Total net position for governmental activities in the statement of net position is different because		
Certain receivables are not available to pay for current period expenditures and, therefore, are unavailable in the funds		
Other governmental units		57,378
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Capital assets not being depreciated		3,715,736
Capital assets – net of accumulated depreciation		48,489,441
Deferred outflows (inflows) of resources		
Deferred outflows of resources resulting from debt refunding		1,755,158
Deferred outflows of resources resulting from net pension liability		11,857,896
Deferred outflows of resources resulting from net OPEB liability		4,148,243
Deferred inflows of resources resulting from net pension liability		(2,038,736)
Deferred inflows of resources resulting from net OPEB liability		(5,744,515)
Certain liabilities are not due and payable in the current period and are not reported in the funds		
Accrued interest		(283,163)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities		
Net pension liability		(48,466,012)
Net OPEB liability		(7,648,770)
Compensated absences		(401,407)
Bonds payable		(65,814,298)
School bond loan payable		(3,473,822)
Capital lease		(13,419)
Other loans payable and liabilities		<u>(150,310)</u>
<b>Net position of governmental activities</b>	<b>\$</b>	<b><u>(45,087,407)</u></b>

See Accompanying Notes to the Financial Statements

**Otsego Public Schools**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2021**

	General Fund	2017 Refunding Debt Fund	2020 Building & Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local sources	\$ 2,648,371	\$ 3,762,326	\$ 7,827	\$ 635,303	\$ 7,053,827
State sources	20,548,903	182,918	-	42,119	20,773,940
Federal sources	1,517,673	-	-	792,412	2,310,085
Interdistrict sources	1,466,372	-	-	-	1,466,372
	<u>26,181,319</u>	<u>3,945,244</u>	<u>7,827</u>	<u>1,469,834</u>	<u>31,604,224</u>
Total revenues					
<b>Expenditures</b>					
Current					
Education					
Instruction	15,206,536	-	-	-	15,206,536
Supporting services	8,839,430	-	-	216,484	9,055,914
Food services	-	-	-	985,825	985,825
Community services	472,726	-	-	-	472,726
Intergovernmental payments	31,928	-	-	-	31,928
Facilities acquisition	7,100	-	1,558,210	292,161	1,857,471
Capital outlay	1,284,925	-	-	-	1,284,925
Debt service					
Principal	161,051	6,130,000	-	3,876,665	10,167,716
Interest and other expenditures	13,792	853,967	399,177	1,046,758	2,313,694
	<u>26,017,488</u>	<u>6,983,967</u>	<u>1,957,387</u>	<u>6,417,893</u>	<u>41,376,735</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	<u>163,831</u>	<u>(3,038,723)</u>	<u>(1,949,560)</u>	<u>(4,948,059)</u>	<u>(9,772,511)</u>

See Accompanying Notes to the Financial Statements

**Otsego Public Schools**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2021**

	General Fund	2017 Refunding Debt Fund	2020 Building & Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Other Financing Sources</b>					
Proceeds from refinancing debt	\$ -	\$ -	\$ -	\$ 4,041,950	\$ 4,041,950
Proceeds from bond issuance	-	-	15,517,344	-	15,517,344
Proceeds from school loan revolving fund	-	2,918,874	-	525,683	3,444,557
	<u>-</u>	<u>2,918,874</u>	<u>15,517,344</u>	<u>4,567,633</u>	<u>23,003,851</u>
Total other financing sources					
Net change in fund balance	163,831	(119,849)	13,567,784	(380,426)	13,231,340
Fund balances – beginning, as restated	4,041,459	167,621	-	1,482,773	5,691,853
Fund balances – ending	<u>\$ 4,205,290</u>	<u>\$ 47,772</u>	<u>\$ 13,567,784</u>	<u>\$ 1,102,347</u>	<u>\$ 18,923,193</u>

See Accompanying Notes to the Financial Statements

**Otsego Public Schools**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2021**

<b>Net change in fund balances – Total governmental funds</b>	<b>\$ 13,231,340</b>
Total change in net position reported for governmental activities in the statement of activities is different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Operating grants	30,136
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(1,811,126)
Capital outlay	2,772,494
Loss on disposal of capital assets (net book value)	(304,772)
Expenses are recorded when incurred in the statement of activities.	
Interest	(48,508)
Compensated absences	2,187
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	(2,776,725)
Net change in the deferred inflows and outflows of resources related to the net pension liability	(1,230,992)
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB liability	2,436,609
Net change in the deferred inflows and outflows of resources related to the net OPEB liability	(1,360,982)
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Debt issued	(23,003,851)
Repayments of long-term debt	10,167,716
Amortization of premiums and discounts	268,784
Amortization of deferred amount on debt refunding	(139,092)
<b>Change in net position of governmental activities</b>	<b>\$ (1,766,782)</b>

See Accompanying Notes to the Financial Statements



**Otsego Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2021**

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**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Otsego Public Schools (the "School District") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

**Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

**District-wide Financial Statements**

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all non-fiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

**Fund Financial Statements**

Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District 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.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to

**Otsego Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2021**

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be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

2017 Refunding Debt Fund – The 2017 Refunding Debt Fund is used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long term debt.

2020 Building & Site Fund – The 2020 Building & Site Fund is used to record bond proceeds and other local revenue and expenditures for projects related to the 2020 Building and Site Bonds. The fund is kept open until the purpose for which the fund was created has been accomplished.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District’s Special Revenue Funds include the Food Service Fund and the Student/School Activity Fund.

Debt Service Funds – The Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long term debt.

Capital Project Funds – The Sinking Fund is used to record the property tax levy and related revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been

accomplished. The 2018 Building & Site Fund is used to record bond proceeds and other local revenue and expenditures for projects related to the 2018 Building and Site Bonds. The fund is kept open until the purpose for which the fund was created has been accomplished.

**Assets, Liabilities and Equity**

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2021, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	17.31420
Commercial personal property	5.31420
Debt Service Funds	8.49000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District’s boundaries.

Property taxes are levied on December 1 and payable through March 15. Property taxes become a lien on the first day of the levy year and are due on or before February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the

**Otsego Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2021**

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Counties of Allegan, Van Buren, and Kalamazoo and remitted to the School District by May 15.

*Inventories and Prepaid Items* – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in the governmental funds the School District follows the consumption method, and therefore are capitalized as prepaid items in both district-wide and fund financial statements.

*Capital Assets* – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000 and an estimated useful life in excess of two years. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	15 – 50 years
Equipment and furniture	5 – 50 years
Buses and other vehicles	5 – 10 years

*Deferred Outflows of Resources* – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized

over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

*Compensated Absences* – The School District’s policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of an employee’s retirement. The liability for compensated absences includes salary and related benefits, where applicable.

*Long-term Obligations* – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the School District’s fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

*Pension* – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net

**Otsego Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2021**

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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.

Postemployment Benefits Other Than Pensions – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB 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.

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Education and the Superintendent. The Board of Education has granted the Superintendent the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

At June 30, 2021, assigned fund balance consisted of the following:

Instructional purposes	\$ 314,071
Technology upgrades	422,080
Turf field replacement	95,000
Band uniforms	<u>3,000</u>
	<u>\$ 834,151</u>

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first. When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the

**Otsego Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2021**

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funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

**Use of Estimates**

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

**Eliminations and Reclassifications**

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

**Adoption of New Accounting Standards**

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. Management has determined to implement the requirements of this Statement for the fiscal year ending June 30, 2021.

**Upcoming Accounting and Reporting Changes**

Statement No. 87, *Leases* increases the usefulness of the District’s 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 an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District’s leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 93, *Replacement of Interbank Offered Rates* establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The

**Otsego Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2021**

requirements of this Statement apply to the financial statements of all state and local governments. This statement is effective for the year ending June 30, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. This statement is effective for the year ending June 30, 2023.

The School District is evaluating the impact the above pronouncements will have on its financial reporting.

**Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year-end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year.

**Excess of Expenditures over Appropriations**

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Basic programs	\$ 13,073,443	\$ 13,267,993	\$ 194,550
General administration	696,759	715,444	18,685
School administration	1,609,366	1,620,549	11,183
Intergovernmental payments	31,778	31,928	150
Capital outlay	1,116,400	1,284,925	168,525
Debt – interest and fiscal charges	11,549	13,792	2,243

**Note 3 - Deposits and Investments**

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 5,640,100
Investments in securities, mutual funds, and similar vehicles	<u>13,116,282</u>
Total	<u>\$ 18,756,382</u>

**Otsego Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2021**

As of year end, the School District had the following investments:

Investment	Carrying Value	Maturities	Rating	Rating Organization
Commercial paper				
Inova Health Sys	\$ 3,998,773	7/15/2021	A1+	S&P
Omaha Pub Pwr	700,000	8/4/2021	A1+	S&P
Toyota Motor Credit	2,998,711	8/26/2021	A1+	S&P
Port Auth NY & NJ	2,000,000	9/3/2021	A1+	S&P
San Antonio TX Elec	2,000,000	10/19/2021	A1+	S&P
Michigan CLASS	<u>1,418,798</u>	n/a	AAAm	S&P
	<u>\$ 13,116,282</u>			

**Interest rate risk** – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District’s investment policy restricts investment maturities to within four years of the date of purchase. In addition, the policy restricts investments in commercial paper, which can only be purchased with a 270-day maturity. The School District’s policy does not address other ways to minimize interest rate risk.

**Credit risk** – State statutes and the School District’s investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers’ acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

**Concentration of credit risk** – The School District has no policy that would limit the amount that may be invested with any one issuer.

**Custodial credit risk – deposits** – In the case of deposits, this is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. The School District does not have a deposit policy

for custodial credit risk. As of year-end, \$5,272,884 of the School District’s bank balance of \$5,530,016 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Note 4 - Fair Value Measurements**

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The School District has the following recurring fair value measurements as of June 30, 2021:

Commercial paper invested in various financial institutions as part of the MILAF+ Portfolio, of \$11,697,484 with pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset (Level 2 inputs).

The District holds shares or interests in the Michigan CLASS investment pool where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

The Michigan CLASS investment pool invest in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated “A1” or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies (Level 2 inputs).

**Otsego Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2021**

**Note 5 - Capital Assets**

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 1,196,860	\$ -	\$ -	\$ 1,196,860
Construction-in-progress	315,000	2,518,876	315,000	2,518,876
<b>Total capital assets not being depreciated</b>	<b>1,511,860</b>	<b>2,518,876</b>	<b>315,000</b>	<b>3,715,736</b>
Capital assets being depreciated				
Buildings and additions	72,772,957	53,145	-	72,826,102
Equipment and furniture	5,033,371	480,236	1,044,168	4,469,439
Buses and other vehicles	583,226	35,237	-	618,463
<b>Total capital assets being depreciated</b>	<b>78,389,554</b>	<b>568,618</b>	<b>1,044,168</b>	<b>77,914,004</b>
Less accumulated depreciation for				
Buildings and additions	24,686,864	1,492,320	-	26,179,184
Equipment and furniture	3,454,091	255,601	739,396	2,970,296
Buses and other vehicles	211,878	63,205	-	275,083
<b>Total accumulated depreciation</b>	<b>28,352,833</b>	<b>1,811,126</b>	<b>739,396</b>	<b>29,424,563</b>
<b>Net capital assets being depreciated</b>	<b>50,036,721</b>	<b>(1,242,508)</b>	<b>304,772</b>	<b>48,489,441</b>
<b>Net capital assets</b>	<b>\$ 51,548,581</b>	<b>\$ 1,276,368</b>	<b>\$ 619,772</b>	<b>\$ 52,205,177</b>

Depreciation expense was charged to activities of the School District as follows:

<b>Governmental activities</b>	
Instruction	\$ 1,069,430
Supporting services	636,875
Food services	69,330
Community services	35,491
<b>Total governmental activities</b>	<b>\$ 1,811,126</b>

**Construction Commitments**

The School District entered into construction contracts of approximately \$15.3 million before year end, of which approximately \$14.5 million had not yet been incurred.

**Note 6 - Interfund Payables, Receivables, and Transfers**

Individual Interfund receivable and payable balances at year end were:

Payable Fund	Receivable Fund	Amount
Nonmajor Governmental Funds	General Fund	\$ 18,475
General Fund	2020 Building & Site Fund	310,358
2020 Building & Site Fund	Nonmajor Governmental Funds	400
Nonmajor Governmental Funds	Nonmajor Governmental Funds	500
General Fund	Nonmajor Governmental Funds	10,966
		<b>\$ 340,699</b>

The outstanding balances between funds result mainly from the time lag between the dates the transactions are recorded in the accounting system and payments between funds are made.

There were no interfund transfers made during the year.



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**Note 7 - Leases**

**Capital Leases**

The School District has a capital lease for copiers. The future minimum lease payments are as follows:

**Year ending June 30,**

	2022		\$ 7,200
	2023		<u>7,200</u>
Total minimum lease payments			14,400
Less amount representing interest			<u>(981)</u>
Present value of minimum lease payments			<u><u>\$ 13,419</u></u>

The assets acquired through capital leases are as follows:

Assets			
Machinery and equipment		\$ 52,447	
Less accumulated depreciation		<u>52,447</u>	
<b>Total</b>		<u><u>\$ -</u></u>	

**Operating Leases**

The School District has operating leases for office equipment. The future minimum lease payments are as follows:

**Year ending June 30,**

	2022		\$ 5,280
	2023		5,280
	2024		2,430
	2025		1,860
	2026		<u>1,395</u>
Total lease payments			<u><u>\$ 16,245</u></u>

**Note 8 - Long-Term Debt**

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The State can withhold state aid if it has to make a bond payment on behalf of the School District related to qualified bonds. For the School Loan Revolving Fund, the State may withhold state aid if the School District is in default, or apply late charges in an instance of default or fails to appropriately levy debt mills. Other long-term obligations include compensated absences, capital leases, and installment contracts.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
<b>Bonds and notes payable</b>					
General obligation bonds	\$ 51,865,000	\$ 18,975,000	\$ 6,130,000	\$ 64,710,000	\$ 6,310,000
Premium on bonds	788,788	584,294	268,784	1,104,298	-
<b>Total</b>	<u>52,653,788</u>	<u>19,559,294</u>	<u>6,398,784</u>	<u>65,814,298</u>	<u>6,310,000</u>
<b>Notes from direct borrowings and direct placements</b>					
School Loan Revolving Fund	3,877,665	3,444,557	3,876,665	3,445,557	-
SLRF Accrued Interest	22,808	55,281	49,824	28,265	-
Installment agreement	305,310	-	155,000	150,310	150,310
<b>Total</b>	<u>4,205,783</u>	<u>3,499,838</u>	<u>4,081,489</u>	<u>3,624,132</u>	<u>150,310</u>
<b>Other liabilities</b>					
Capital lease	19,470	-	6,051	13,419	6,480
Compensated absences	403,594	78,532	80,719	401,407	80,000
<b>Total</b>	<u>423,064</u>	<u>78,532</u>	<u>86,770</u>	<u>414,826</u>	<u>86,480</u>
<b>Total debt</b>	<u><u>\$ 57,282,635</u></u>	<u><u>\$ 23,137,664</u></u>	<u><u>\$ 10,567,043</u></u>	<u><u>\$ 69,853,256</u></u>	<u><u>\$ 6,546,790</u></u>

For governmental activities, installment agreements, capital leases, and compensated absences are primarily liquidated by the General Fund.

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General obligation bonds payable at year-end, consist of the following:

\$6,960,000 2018 Building and Site bond due in annual installments of \$120,000 to \$1,400,000 through May 2049, interest at 2.00% to 3.00%	\$	6,960,000
\$9,465,000 2016 Refunding serial bond due in annual installments of \$100,000 to \$2,465,000 through May 2027, interest at 2.00% to 3.00%		9,465,000
\$7,105,000 2019 Refunding bond due in annual installments of \$3,310,000 to \$3,795,000 beginning May 2025 through May 2026, interest at 2.00 to 2.10%		7,105,000
\$15,125,000 2020 Building & Site bonds due in one installment of \$100,000 in May of 2025, and annual installments of \$445,000 to \$800,000 beginning May 2028 through May 2031, interest at 2.1% to 2.4%		15,125,000
\$3,850,000 2020 Refunding bond due in one installment of \$100,000 in May of 2025, and annual installments of \$905,000 to \$960,000 beginning May 2028 through May 2031, interest at 2.00%		3,850,000
\$29,295,000 2017 Refunding serial bond due in annual installments of \$100,000 to \$9,295,000 through May 2034, interest at 3.00% to 3.25%		<u>22,205,000</u>
Total general obligation bonded debt	\$	<u><u>64,710,000</u></u>

Future principal and interest requirements for bonded debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>Year Ending June 30,</b>			
2022	\$ 6,310,000	\$ 1,726,777	\$ 8,036,777
2023	7,875,000	1,537,477	9,412,477
2024	11,760,000	1,273,227	13,033,227
2025	5,910,000	920,427	6,830,427
2026	5,820,000	802,227	6,622,227
2027 – 2031	8,530,000	2,964,105	11,494,105
2032 – 2036	4,375,000	2,107,616	6,482,616
2037 – 2041	4,885,000	1,565,712	6,450,712
2042 – 2046	5,510,000	916,717	6,426,717
2047 – 2050	<u>3,735,000</u>	<u>208,332</u>	<u>3,943,332</u>
Total	<u>\$ 64,710,000</u>	<u>\$ 14,022,617</u>	<u>\$ 78,732,617</u>

Future principal and interest requirements for direct borrowings and direct placements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>Year Ending June 30,</b>			
2022	<u>\$ 150,310</u>	<u>\$ 4,977</u>	<u>\$ 155,287</u>

The general obligation bonds are payable from the Debt Service Funds. As of year-end, the funds had a balance of \$61,887 to pay this debt. Future debt and interest will be payable from future tax levies.

**School Loan Revolving Fund**

The School Loan Revolving Fund (SLRF) consists of a borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities on the School District's bond issues. In prior years, the School District issued bonds to renovate and construct School District facilities. The bond election, as passed by the voters, specified that the School District debt millage would not exceed the pre-bond vote millage of 7.5 mills, but instead the election permitted the School District to extend this levy through the year 2025. Since the monies generated by the 7.5 mills are presently not sufficient to cover

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the entire debt service requirements of the School District, it has been necessary for the School District to borrow from the SLRF to meet debt service requirements. Management of the School District anticipates that as the other bonds mature, the revenues provided by the debt millage will be sufficient to satisfy the future debt service requirements of the bonds and all necessary borrowing from the SLRF. During the year, the District converted \$3,926,489 of borrowings to general obligation bonded debt. The School District had an outstanding balance at year-end of \$3,473,822 from the School Loan Revolving Fund and related accrued interest. The School District has agreed to repay the loan amount with interest at rates and at times to be determined by the State Treasurer.

**Deferred Amount on Refunding**

The advance refundings resulted in differences between the reacquisition price and the net carrying amount of the old debt, of which the total current unamortized balance is \$1,755,158. The amounts are reported in the accompanying statement of net position as deferred outflows of resources and are being charged to activities through fiscal year 2034.

**Compensated Absences**

Accrued compensated absences at year-end, consists of \$401,407 in accrued sick time benefits. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year. The amount anticipated to be paid out over the next year is included within the amounts listed as due within one year.

**Note 9 - Risk Management**

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

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. No provision has been made for possible future claims.

**Note 10 - Pension Plan**

**Plan Description**

The Michigan Public School Employees' Retirement System (System or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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 (1980 PA 300 as amended).

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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 for the System.

The System's financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools)

**Benefits Provided**

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. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. 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.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

**Contributions**

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. 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. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 19-year period beginning Oct. 1, 2019 and ending Sept. 30, 2038.

The schedule below summarizes pension contribution rates in effect for plan year ended September 30, 2020.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	13.39 - 19.41%
Member Investment Plan	3.0 - 7.0%	13.39 - 19.41%
Pension Plus	3.0 - 6.4%	16.46%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from the School District were \$3,877,342 for the year ending September 30, 2020.

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

At June 30, 2021, the School District reported a liability of \$48,466,012 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2019. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers

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during the measurement period. At September 30, 2020, the School District's proportion was .1411 percent, which was an increase of .0031 percent from its proportion measured as of September 30, 2019.

For the plan year ending September 30, 2020, the School District recognized pension expense of \$7,921,768 for the measurement period. For the reporting period ending June 30, 2021, the School District recognized total pension contribution expense of \$4,205,780.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ 740,521	\$ (103,444)	\$ 637,077
Changes of assumptions	5,370,501	-	5,370,501
Net difference between projected and actual earnings on pension plan investments	203,632	-	203,632
Changes in proportion and differences between the School District contributions and proportionate share of contributions	1,658,762	(82,020)	1,576,742
Total to be recognized in future	7,973,416	(185,464)	7,787,952
School District contributions subsequent to the measurement date	3,884,480	(1,853,272)	2,031,208
Total	\$11,857,896	\$(2,038,736)	\$ 9,819,160

Contributions subsequent to the measurement date reported as

deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. The District will offset the contribution expense in the year ended June 30, 2022 with the 147c supplemental income received subsequent to the measurement date which is included in the deferred inflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2021	\$ 3,497,667
2022	2,504,968
2023	1,363,940
2024	421,377
	\$ 7,787,952

**Actuarial Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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Additional information as of the latest actuarial valuation follows:

*Summary of Actuarial Assumptions:*

- Valuation Date: September 30, 2019
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
  - MIP and Basic Plans: 6.80% net of investment expenses
  - Pension Plus Plan: 6.80% net of investment expenses
  - Pension Plus 2 Plan: 6.00% net of investment expenses
- Projected Salary Increases: 2.75 - 11.55%, including wage inflation at 2.75%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality:
  - 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 Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.

The recognition period for liabilities is the average of the expected remaining service lives of all employees is 4.4892 years.

The recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Long-Term Expected Return on Plan Assets**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.6 %
Alternative Investment Pools	16.0	9.3
International Equity	15.0	7.4
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	4.9
Absolute Return Pools	9.0	3.2
Real Return/Oppportunistic Pools	12.5	6.6
Short Term Investment Pools	2.0	(0.1)
	100.0%	

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

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**Rate of Return**

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

**Discount Rate**

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). 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 employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these 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.

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension plus plan, 6.0% for the Pension Plus 2 plan), as well as what the School 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 higher:

1% Decrease *	Current Single Discount Rate Assumption *	1% Increase *
5.80% / 5.80% / 5.00%	6.80% / 6.80% / 6.00%	7.80% / 7.80% / 7.00%
<u>\$ 62,731,030</u>	<u>\$ 48,466,012</u>	<u>\$ 36,643,491</u>

*\*Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.*

**Michigan Public School Employees' Retirement System (MPERS) Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS Comprehensive Annual Financial Report, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Payables to the Michigan Public School Employees' Retirement System (MPERS)**

There were no significant payables to the pension plan that are not ordinary accruals to the School District.

**Note 11 - Postemployment Benefits Other Than Pensions (OPEB)**

**Plan Description**

The Michigan Public School Employees' Retirement System (System or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of

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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. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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 for the System.

The System's financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Benefits Provided**

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning with fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree 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. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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 were deposited into their 401(k) account.

**Contributions**

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



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Employer OPEB 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. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 19-year period beginning Oct. 1, 2019 and ending Sept. 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for plan year 2020.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.09%
Personal Healthcare Fund (PHF)	0.0%	7.57%

Required contributions to the OPEB plan from the School District were \$1,008,732 for the year ended September 30, 2020.

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

At June 30, 2021, the School District reported a liability of \$7,648,770 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2019. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2020, the School District's proportion was .1428 percent, which was an increase of .0023 percent from its proportion measured as of September 30, 2019.

For the plan year ending September 30, 2020, the School District recognized OPEB expense of \$(34,984) for the measurement period. For the reporting period ending June 30, 2021, the School District recognized total OPEB contribution expense of \$1,033,980.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ -	\$(5,699,049)	\$(5,699,049)
Changes of assumptions	2,521,952	-	2,521,952
Net difference between projected and actual earnings on OPEB plan investments	63,838	-	63,838
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>670,941</u>	<u>(45,466)</u>	<u>625,475</u>
Total to be recognized in future	3,256,731	(5,744,515)	(2,487,784)
School District contributions subsequent to the measurement date	<u>891,512</u>	<u>-</u>	<u>891,512</u>
Total	<u>\$ 4,148,243</u>	<u>\$(5,744,515)</u>	<u>\$(1,596,272)</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022.

**Otsego Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2021**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2021	\$ (668,929)
2022	(576,741)
2023	(466,905)
2024	(409,953)
2025	(365,256)
	\$(2,487,784)

**Actuarial Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

*Summary of Actuarial Assumptions:*

- Valuation Date: September 30, 2019
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.95% net of investment expenses
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation of 2.75%
- Healthcare Cost Trend Rate: 7.0% Year 1 graded to 3.5% Year 15; 3.0% Year 12

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

*Other Assumptions:*

- Opt Out Assumptions: 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 coverages 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.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.

The recognition period for liabilities is the average of the expected remaining service lives of all employees is 5.6018 years.

The recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Otsego Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2021**

**Long-Term Expected Return on Plan Assets**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.6 %
Alternative Investment Pools	16.0	9.3
International Equity	15.0	7.4
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	4.9
Absolute Return Pools	9.0	3.2
Real Return/Opportunistic Pools	12.5	6.6
Short Term Investment Pools	2.0	(0.1)
	<u>100.0%</u>	

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

**Rate of Return**

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

**Discount Rate**

A 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 employer 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 School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

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

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
<u>\$ 9,825,715</u>	<u>\$ 7,648,770</u>	<u>\$ 5,815,966</u>

**Otsego Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2021**

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate**

The following presents the School District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the School District's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 5,745,791	\$ 7,648,770	\$ 9,813,175

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued MPSERS Comprehensive Annual Financial Report, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Payables to the OPEB Plan**

There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

**Note 12 - Contingencies and Commitments**

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial.

The School District has entered into an agreement with a third party for the installation and maintenance of solar panels on School District property. The agreement expires in the year 2044. Should the School District wish to terminate the agreement, various payments would be

required to be made to the third party. The School District has no immediate plans to terminate this agreement.

**Note 13 - Tax Abatements**

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by the City of Otsego. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities.

For the fiscal year ended June 30, 2021, the School District's property tax revenues were reduced by \$4,362 under these programs. There are no significant abatements made by the School District.

**Note 14 - Change in Accounting Principle**

As indicated in Note 1, Governmental Accounting Standards Board Statement 84, *Fiduciary Activities*, has been adopted. The standard requires this change be applied retroactively. The impact of this change is as follows:

	Agency Fund	Student/ School Activity Fund	Statement of Activities
Net position/fund balance, as reported, 6/30/20	\$ 490,394	\$ -	\$ (43,811,019)
Effect of adopting GASB 84	(490,394)	490,394	490,394
Net position/fund balance, as restated, 7/1/20	\$ -	\$ 490,394	\$ (43,320,625)

## REQUIRED SUPPLEMENTARY INFORMATION

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**Otsego Public Schools**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule – General Fund**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
<b>Revenues</b>				
Local sources	\$ 2,512,119	\$ 2,571,529	\$ 2,648,371	\$ 76,842
State sources	16,267,619	20,507,385	20,548,903	41,518
Federal sources	407,180	1,544,898	1,517,673	(27,225)
Interdistrict sources	1,534,474	1,470,615	1,466,372	(4,243)
Total revenues	<u>20,721,392</u>	<u>26,094,427</u>	<u>26,181,319</u>	<u>86,892</u>
<b>Expenditures</b>				
Instruction				
Basic programs	11,038,929	13,073,443	13,267,993	194,550
Added needs	2,053,022	2,010,792	1,938,543	(72,249)
Supporting services				
Pupil	933,535	1,195,685	1,169,619	(26,066)
Instructional staff	348,247	392,647	377,596	(15,051)
General administration	555,645	696,759	715,444	18,685
School administration	1,294,683	1,609,366	1,620,549	11,183
Business	320,410	427,716	413,842	(13,874)
Operations and maintenance	1,881,787	2,634,592	2,597,819	(36,773)
Pupil transportation services	750,071	771,654	738,393	(33,261)
Central	527,164	650,163	649,643	(520)
Athletic activities	514,457	564,225	556,525	(7,700)
Other				
Community services	359,561	500,189	472,726	(27,463)
Intergovernmental payments	30,000	31,778	31,928	150
Facilities acquisition	-	7,100	7,100	-
Capital outlay	146,890	1,116,400	1,284,925	168,525
Debt service				
Principal	182,000	161,300	161,051	(249)
Interest and fiscal charges	18,844	11,549	13,792	2,243
Total expenditures	<u>20,955,245</u>	<u>25,855,358</u>	<u>26,017,488</u>	<u>162,130</u>
Excess (deficiency) of revenues over expenditures	<u>(233,853)</u>	<u>239,069</u>	<u>163,831</u>	<u>(75,238)</u>
<b>Other Financing Uses</b>				
Transfers out	-	(9)	-	9
Net change in fund balance	(233,853)	239,060	163,831	(75,229)
Fund balance – beginning	4,041,459	4,041,459	4,041,459	-
Fund balance – ending	<u>\$ 3,807,606</u>	<u>\$ 4,280,519</u>	<u>\$ 4,205,290</u>	<u>\$ (75,229)</u>

**Otsego Public Schools**  
**Required Supplementary Information**  
**Schedule of the School District's Proportionate Share of the Net Pension Liability**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)**

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	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
A. School district's proportion of net pension liability (%)	0.14110%	0.13800%	0.13330%	0.13030%	0.12710%	0.12372%	0.12328%			
B. School district's proportionate share of net pension liability	\$ 48,466,012	\$ 45,689,287	\$ 40,065,818	\$ 33,773,738	\$ 31,713,117	\$ 30,219,791	\$ 27,154,617			
C. School district's covered payroll	\$ 12,649,348	\$ 12,274,679	\$ 12,062,986	\$ 11,391,833	\$ 10,899,835	\$ 10,319,821	\$ 10,495,328			
D. School district's proportionate share of net pension liability as a percentage of its covered payroll	383.15%	372.22%	332.14%	296.47%	290.95%	292.83%	258.73%			
E. Plan fiduciary net position as a percentage of total pension liability	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%			

**Note Disclosures:**

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2020.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2020.

**Otsego Public Schools**  
**Required Supplementary Information**  
**Schedule of the School District's Pension Contributions**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years**

	For the Years Ended June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
A. Statutorily required contributions	\$ 4,205,780	\$ 3,871,552	\$ 3,637,630	\$ 3,056,903	\$ 2,140,902	\$ 2,021,386	\$ 2,261,758			
B. Contributions in relation to statutorily required contributions	<u>4,205,780</u>	<u>3,871,552</u>	<u>3,637,630</u>	<u>3,056,903</u>	<u>2,140,902</u>	<u>2,021,386</u>	<u>2,261,758</u>			
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			
D. School district's covered payroll	\$ 12,645,078	\$ 12,724,320	\$ 11,536,031	\$ 11,391,833	\$ 11,443,384	\$ 10,481,814	\$ 10,341,199			
E. Contributions as a percentage of covered payroll	33.26%	30.43%	31.53%	26.83%	18.71%	19.28%	21.87%			



**Otsego Public Schools**  
**Required Supplementary Information**  
**Schedule of the School District's Proportionate Share of the Net OPEB Liability**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
A. School district's proportion of the net OPEB liability (%)	0.14280%	0.14050%	0.13550%	0.13060%						
B. School district's proportionate share of the net OPEB liability	\$ 7,648,770	\$ 10,085,379	\$ 10,769,677	\$ 11,567,881						
C. School district's covered payroll	\$ 12,649,348	\$ 12,274,679	\$ 12,062,986	\$ 11,391,833						
D. School district's proportionate share of the net OPEB liability as a percentage of its covered payroll	60.47%	82.16%	89.28%	101.55%						
E. Plan fiduciary net position as a percentage of total OPEB liability	59.44%	48.46%	42.95%	36.39%						

**Note Disclosures:**

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2020.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2020.

**Otsego Public Schools**  
**Required Supplementary Information**  
**Schedule of the School District's OPEB Contributions**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years**

	For the Years Ended June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
A. Statutorily required contributions	\$ 1,033,980	\$ 1,008,099	\$ 947,957	\$ 1,017,008						
B. Contributions in relation to statutorily required contributions	<u>1,033,980</u>	<u>1,008,099</u>	<u>947,957</u>	<u>1,017,008</u>						
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
D. School district's covered payroll	\$ 12,645,078	\$ 12,724,320	\$ 11,536,031	\$ 11,391,833						
E. Contributions as a percentage of covered payroll	8.18%	7.92%	8.22%	8.93%						

## OTHER SUPPLEMENTARY INFORMATION

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**Otsego Public Schools**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2021**

	Special Revenue Funds		Debt Service Funds		Capital Project Funds		Total Nonmajor Governmental Funds
	Food Service Fund	Student/School Activity Fund	2016 Debt Refunding Fund	2020 Refunding Debt Fund	2018 Building & Site Fund	Sinking Fund	
<b>Assets</b>							
Cash	\$ 102,951	\$ 574,360	\$ 13,811	\$ -	\$ 51,388	\$ 42,483	\$ 784,993
Due from other funds	509	10,877	-	400	-	80	11,866
Due from other governmental units	62,323	-	-	-	-	-	62,323
Inventory	16,067	-	-	-	-	-	16,067
Investments	-	-	-	-	446,607	-	446,607
<b>Total assets</b>	<b>\$ 181,850</b>	<b>\$ 585,237</b>	<b>\$ 13,811</b>	<b>\$ 400</b>	<b>\$ 497,995</b>	<b>\$ 42,563</b>	<b>\$ 1,321,856</b>
<b>Liabilities</b>							
Accounts payable	\$ 2,760	\$ 4,451	\$ 96	\$ -	\$ 87,217	\$ 13	\$ 94,537
Due to other funds	1,124	17,851	-	-	-	-	18,975
Accrued salaries payable	13,743	-	-	-	-	-	13,743
Unearned revenue	34,876	-	-	-	-	-	34,876
<b>Total liabilities</b>	<b>52,503</b>	<b>22,302</b>	<b>96</b>	<b>-</b>	<b>87,217</b>	<b>13</b>	<b>162,131</b>
<b>Deferred Inflows of Resources</b>							
Unavailable revenue	57,378	-	-	-	-	-	57,378
<b>Fund Balances</b>							
Non-spendable							
Inventory	16,067	-	-	-	-	-	16,067
Restricted for							
Food service	55,902	-	-	-	-	-	55,902
Debt service	-	-	13,715	400	-	-	14,115
Capital projects	-	-	-	-	410,778	42,550	453,328
Committed for student/school activities	-	562,935	-	-	-	-	562,935
<b>Total fund balances</b>	<b>71,969</b>	<b>562,935</b>	<b>13,715</b>	<b>400</b>	<b>410,778</b>	<b>42,550</b>	<b>1,102,347</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 181,850</b>	<b>\$ 585,237</b>	<b>\$ 13,811</b>	<b>\$ 400</b>	<b>\$ 497,995</b>	<b>\$ 42,563</b>	<b>\$ 1,321,856</b>

**Otsego Public Schools**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2021**

	Special Revenue Funds		Debt Service Funds					Capital Project Funds		Total Nonmajor Governmental Funds
	Food Service Fund	Student/School Activity Fund	2016 Refunding Debt Fund	2019 Refunding Debt Fund	2018 Debt Fund	2020 Refunding Debt Fund	2020 Debt Fund	2018 Building & Site Fund	Sinking Fund	
<b>Revenues</b>										
Local sources	\$ 18,917	\$ 289,025	\$ 60,258	\$ 41,777	\$ 73,686	\$ 26,604	\$ 124,813	\$ 157	\$ 66	\$ 635,303
State sources	26,061	-	3,084	2,030	3,582	1,293	6,069	-	-	42,119
Federal sources	792,412	-	-	-	-	-	-	-	-	792,412
Total revenues	<u>837,390</u>	<u>289,025</u>	<u>63,342</u>	<u>43,807</u>	<u>77,268</u>	<u>27,897</u>	<u>130,882</u>	<u>157</u>	<u>66</u>	<u>1,469,834</u>
<b>Expenditures</b>										
Current										
Education										
Supporting services	-	216,484	-	-	-	-	-	-	-	216,484
Food services	985,825	-	-	-	-	-	-	-	-	985,825
Facilities acquisition	-	-	-	-	-	-	-	114,397	177,764	292,161
Debt service										
Principal	-	-	-	-	-	3,876,665	-	-	-	3,876,665
Interest and other expenditures	-	-	219,700	145,895	256,670	206,899	217,594	-	-	1,046,758
Total expenditures	<u>985,825</u>	<u>216,484</u>	<u>219,700</u>	<u>145,895</u>	<u>256,670</u>	<u>4,083,564</u>	<u>217,594</u>	<u>114,397</u>	<u>177,764</u>	<u>6,417,893</u>
Excess (deficiency) of revenues over expenditures	<u>(148,435)</u>	<u>72,541</u>	<u>(156,358)</u>	<u>(102,088)</u>	<u>(179,402)</u>	<u>(4,055,667)</u>	<u>(86,712)</u>	<u>(114,240)</u>	<u>(177,698)</u>	<u>(4,948,059)</u>
<b>Other Financing Sources</b>										
Proceeds from refinancing debt	-	-	-	-	-	4,041,950	-	-	-	4,041,950
Proceeds from school loan revolving fund	-	-	158,475	91,911	174,468	14,117	86,712	-	-	525,683
Total other financing sources	-	-	<u>158,475</u>	<u>91,911</u>	<u>174,468</u>	<u>4,056,067</u>	<u>86,712</u>	-	-	<u>4,567,633</u>
Net change in fund balance	(148,435)	72,541	2,117	(10,177)	(4,934)	400	-	(114,240)	(177,698)	(380,426)
Fund balances – beginning, as restated	<u>220,404</u>	<u>490,394</u>	<u>11,598</u>	<u>10,177</u>	<u>4,934</u>	<u>-</u>	<u>-</u>	<u>525,018</u>	<u>220,248</u>	<u>1,482,773</u>
Fund balances – ending	<u>\$ 71,969</u>	<u>\$ 562,935</u>	<u>\$ 13,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 400</u>	<u>\$ -</u>	<u>\$ 410,778</u>	<u>\$ 42,550</u>	<u>\$ 1,102,347</u>

**Otsego Public Schools**  
**Other Supplementary Information**  
**General Fund**  
**Comparative Balance Sheet**  
**June 30, 2021**

	2021	2020
<b>Assets</b>		
Cash	\$ 3,856,420	\$ 4,259,271
Accounts receivable	457,247	387,235
Due from other funds	18,475	53,856
Due from other governmental units	3,963,042	3,363,247
Prepaid items	5,507	11,013
Total assets	\$ 8,300,691	\$ 8,074,622
<b>Liabilities</b>		
Accounts payable	\$ 109,438	\$ 738,279
Due to other funds	321,324	43,544
Due to other governmental units	337,110	421,828
Payroll deductions and withholdings	77,173	85,706
Accrued expenditures	295,268	303,995
Accrued salaries payable	1,815,431	1,782,878
Unearned revenue	1,139,657	656,933
Total liabilities	4,095,401	4,033,163
<b>Fund Balance</b>		
Non-spendable		
Prepaid items	5,507	11,013
Assigned	834,151	874,371
Unassigned	3,365,632	3,156,075
Total fund balance	4,205,290	4,041,459
Total liabilities and fund balance	\$ 8,300,691	\$ 8,074,622

**Otsego Public Schools**  
**Other Supplementary Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2021**

Year Ending June 30,	2016 Debt Principal	2017 Debt Principal	2018 Building & Site Bonds	2019 Refunding Bonds	2020 Building & Site Bonds	2020 Refunding Bonds	Total
2022	\$ 100,000	\$ 6,210,000	\$ -	\$ -	\$ -	\$ -	\$ 6,310,000
2023	475,000	6,000,000	1,400,000	-	-	-	7,875,000
2024	2,465,000	9,295,000	-	-	-	-	11,760,000
2025	2,400,000	-	-	3,310,000	100,000	100,000	5,910,000
2026	2,025,000	-	-	3,795,000	-	-	5,820,000
2027	2,000,000	-	-	-	-	-	2,000,000
2028	-	100,000	120,000	-	445,000	905,000	1,570,000
2029	-	100,000	125,000	-	450,000	930,000	1,605,000
2030	-	100,000	130,000	-	470,000	955,000	1,655,000
2031	-	100,000	140,000	-	500,000	960,000	1,700,000
2032	-	100,000	145,000	-	590,000	-	835,000
2033	-	100,000	150,000	-	605,000	-	855,000
2034	-	100,000	160,000	-	615,000	-	875,000
2035	-	-	265,000	-	630,000	-	895,000
2036	-	-	275,000	-	640,000	-	915,000
2037	-	-	285,000	-	645,000	-	930,000
2038	-	-	295,000	-	660,000	-	955,000
2039	-	-	305,000	-	675,000	-	980,000
2040	-	-	315,000	-	680,000	-	995,000
2041	-	-	315,000	-	710,000	-	1,025,000
2042	-	-	325,000	-	725,000	-	1,050,000
2043	-	-	340,000	-	730,000	-	1,070,000
2044	-	-	350,000	-	750,000	-	1,100,000
2045	-	-	365,000	-	765,000	-	1,130,000
2046	-	-	370,000	-	790,000	-	1,160,000
2047	-	-	385,000	-	750,000	-	1,135,000
2048	-	-	400,000	-	700,000	-	1,100,000
2049	-	-	-	-	800,000	-	800,000
2050	-	-	-	-	700,000	-	700,000
<b>Total</b>	<b>\$ 9,465,000</b>	<b>\$ 22,205,000</b>	<b>\$ 6,960,000</b>	<b>\$ 7,105,000</b>	<b>\$ 15,125,000</b>	<b>\$ 3,850,000</b>	<b>\$ 64,710,000</b>
Principal payments due the first day of	May	May	May	May	May	May	
Interest payments due the first day of	May and November	May and November	May and November	May and November	May and November	May and November	
Interest rate	2.00% - 3.00%	3.00% - 3.25%	3.00% - 5.00%	2.00% - 2.10%	4.00% - 4.25%	2.00%	
Original issue	\$ 9,465,000	\$ 29,295,000	\$ 6,960,000	\$ 7,105,000	\$ 15,125,000	\$ 3,850,000	