

Otsego Public Schools

Financial Statements

June 30, 2022



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Otsego Public Schools
Members of the Board of Education and Administration
June 30, 2022

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Amy Stender – Treasurer

Shannon Goodwin – Secretary

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Todd Bentley – Trustee

Brian Ouellette – Trustee

Administration

Jeffery Haase – Superintendent

Meredith Weathers – Director of Finance



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Independent Auditors' Report

Management and the Board of Education
Otsego Public Schools
Otsego, Michigan

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise Otsego Public Schools' basic financial statements as listed in the table of contents.

In our opinion, based on our audit, 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, 2022, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Otsego Public Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022 the school district adopted new accounting guidance, GASBS No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Otsego Public Schools' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Otsego Public Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Otsego Public Schools' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required 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, and 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 is the responsibility of management and, 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 the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information, as identified in the table of contents, other than the prior year 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, 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 as of and for the year ended June 30, 2021, which are not presented with the accompanying basic financial statements. In our report dated October 19, 2021, 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 2021 information in the comparative supplementary schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2021 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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2021 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 September 26, 2022, 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
September 26, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Otsego Public Schools
Management's Discussion and Analysis
June 30, 2022

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, 2022. 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, 2022

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, 2022**

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2022 and 2021 (the difference between assets and liabilities as of certain dates).

	Governmental Activities	
	2022	2021
Assets:		
Current and other assets	\$ 28,518,355	\$ 23,260,568
Property and equipment	56,787,536	52,205,177
Total assets	85,305,891	75,465,745
Deferred outflows of resources	13,429,133	17,761,297
Total assets and deferred outflows of resources	98,735,024	93,227,042
Liabilities:		
Current liabilities	5,484,612	4,563,160
Long-term liabilities	110,659,563	125,968,038
Total liabilities	116,144,175	130,531,198
Deferred inflows of resources	24,128,059	7,783,251
Total liabilities and deferred inflows of resources	140,272,234	138,314,449
Net position:		
Net investment in capital assets	(1,035,387)	(1,512,952)
Restricted for capital projects	832	42,550
Unrestricted (deficit)	(40,502,655)	(43,617,005)
Total net position	\$ (41,537,210)	\$ (45,087,407)

Otsego Public Schools
Management's Discussion and Analysis
June 30, 2022

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, 2022 and 2021.

	Governmental Activities	
	2022	2021
Revenue:		
Program Revenue:		
Charges for services	\$ 1,452,463	\$ 981,407
Operating grants	7,241,647	5,429,771
Capital grants	635,478	0
General revenue:		
Property taxes	6,332,408	6,166,527
State foundation allowance	20,441,968	19,045,159
(Loss)/Gain on disposal of capital assets	0	(304,772)
Other	14,640	11,496
Total Revenue	36,118,604	31,329,588
Functions/Program Expenses:		
Instruction	17,902,456	18,223,804
Support services	10,898,706	10,854,083
Food services	1,303,132	1,181,573
Community services	470,779	604,400
Interest on long-term debt	1,993,334	2,232,510
Total Expenses	32,568,407	33,096,370
Change in net position	\$ 3,550,197	\$ (1,766,782)

Note that as of June 30, 2022, the estimated net pension liability for the School District was \$33,719,157 (\$48,466,012 as of June 30, 2021). Additionally, deferred inflows relating to net pension liability as of June 30, 2022 were \$13,370,968 (\$2,038,736 as of June 30, 2021) and deferred outflows relating to the net pension liability as of June 30, 2022 were \$8,450,761 (\$11,857,896 as of June 30, 2021). As of June 30, 2022, the estimated net OPEB liability for the School District was \$8,247,579 (\$7,648,770 as of June 30, 2021). Deferred inflows relating to the net OPEB liability as of June 30, 2022 were \$8,247,579 (\$5,744,515 as of June 30, 2021) and deferred outflows relating to the net OPEB liability as of June 30, 2022 were \$3,362,306 (\$4,148,243 as of June 30, 2021). These deferrals will be amortized both in the current year and into the future.

Otsego Public Schools
Management's Discussion and Analysis
June 30, 2022

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 \$632,077, from \$4,205,290 to \$4,837,367. The General Fund principal operating fund balance is just under 17% of our General Fund operating expenditures.

- The General Fund revenue sources increased by approximately \$3,329,000 over the prior year. The increase is a result of additional local funding of \$657,000, additional state funding sources of \$1,454,000 and additional federal funding sources of \$1,248,000. Local funding sources increased as a result of an increase in student/community activities and a non-educational donation. State funding sources increased as a result of additional unrestricted and restricted state grants. Lastly, federal funding sources increased as direct result of additional federal funds from the American Rescue Plan.
- The General Fund expenditures increased by approximately \$2,860,980 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 2022. 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 state aid budget which was released after the adoption of the initial budget and changes in revenue and expense for approved federal grant applications.

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.

**Otsego Public Schools
Management's Discussion and Analysis
June 30, 2022**

Capital Assets and Debt Administration

Capital Assets

At June 30, 2022 and 2021, the School District had the following costs of investments in capital assets, including land, buildings, and furniture and equipment:

	2022	2021
Land	\$ 1,196,860	\$ 1,196,860
Building and additions	72,268,542	72,826,102
Equipment and furniture	6,268,646	4,469,439
Buses and other vehicles	618,463	618,463
Construction-in-progress	6,628,649	2,518,876
Total capital assets	86,981,160	81,629,740
Less accumulated depreciation	(30,193,624)	(29,424,563)
Total capital assets, net of accumulated depreciation	<u>\$ 56,787,536</u>	<u>\$ 52,205,177</u>

Debt

As of June 30, 2022, the School District had \$66,115,000 in General Obligation Bonds outstanding versus \$64,710,000 as of June 30, 2021 – an increase of 2.1%. In May 2022, the School District issued \$7,715,000 in 2022 School Building and Site Bonds Series II for the purpose of 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, 2022

Economic Factors and FY22/23 Budgets

The School District's elected officials and administration considered many factors when setting the School District's FY 22/23 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 22/23 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 \$9,135 per pupil which was a \$435 increase from the FY 21/22 foundation allowance.
- Enrollment was budgeted using FY 21/22 enrollment numbers.
- 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, 2022 financial statements, the Governor released the FY 22/23 School Aid Budget. Under this budget, the School District will now issue a revised FY 22/23 budget considering the following additional or revised assumptions:

- The School District's per pupil foundation funding grant will be increased to \$9,150.
- 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

Otsego Public Schools
Statement of Net Position
June 30, 2022

	<u>Governmental Activities</u>
Assets	
Cash	\$ 5,613,292
Investments	14,613,974
Accounts receivable	155,013
Leases receivable	2,509,512
Due from other governmental units	5,422,889
Inventory	28,226
Prepaid items	175,449
Capital assets not being depreciated	7,825,509
Capital assets – net of accumulated depreciation	<u>48,962,027</u>
 Total assets	 <u>85,305,891</u>
 Deferred Outflows of Resources	
Deferred amount relating to net pension liability	8,450,761
Deferred amount relating to net OPEB liability	3,362,306
Deferred amount on debt refunding	<u>1,616,066</u>
 Total deferred outflows of resources	 <u>13,429,133</u>

See Accompanying Notes to the Financial Statements

Otsego Public Schools
Statement of Net Position
June 30, 2022

	<u>Governmental Activities</u>
Liabilities	
Accounts payable	\$ 1,061,640
Due to other governmental units	413,465
Payroll deductions and withholdings	130,023
Accrued expenditures	537,652
Accrued salaries payable	2,034,313
Unearned revenue	1,307,519
Long-term liabilities	
Due within one year	7,961,939
Due in more than one year	66,777,074
Net pension liability	33,719,157
Net OPEB liability	<u>2,201,393</u>
Total liabilities	<u>116,144,175</u>
Deferred Inflows of Resources	
Deferred amount on net pension liability	13,370,968
Deferred amount on net OPEB liability	8,247,579
Deferred amount related to leases receivable	<u>2,509,512</u>
Total deferred inflows of resources	<u>24,128,059</u>
Net Position	
Net investment in capital assets	(1,035,387)
Restricted for	
Capital projects	832
Unrestricted (deficit)	<u>(40,502,655)</u>
Total net position	<u>\$ (41,537,210)</u>

See Accompanying Notes to the Financial Statements

Otsego Public Schools
Statement of Activities
For the Year Ended June 30, 2022

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Functions/Programs					
Governmental activities					
Instruction	\$ 17,902,456	\$ 31,624	\$ 2,464,375	\$ 635,478	\$ (14,770,979)
Supporting services	10,898,706	1,052,306	2,927,251	-	(6,919,149)
Food services	1,303,132	60,078	1,468,065	-	225,011
Community services	470,779	308,455	381,956	-	219,632
Interest on long-term debt	1,993,334	-	-	-	(1,993,334)
Total governmental activities	<u>\$ 32,568,407</u>	<u>\$ 1,452,463</u>	<u>\$ 7,241,647</u>	<u>\$ 635,478</u>	<u>(23,238,819)</u>
General revenues					
Property taxes, levied for general purposes					1,889,815
Property taxes, levied for debt service					4,442,265
Property taxes, levied for sinking fund					328
State aid – unrestricted					20,441,968
Interest and investment earnings					<u>14,640</u>
Total general revenues					<u>26,789,016</u>
Change in net position					3,550,197
Net position – beginning					<u>(45,087,407)</u>
Net position – ending					<u>\$ (41,537,210)</u>

See Accompanying Notes to the Financial Statements

**Otsego Public Schools
Governmental Funds
Balance Sheet
June 30, 2022**

	General Fund	2017 Refunding Debt Fund	2020 Building & Site Fund	2022 Building & Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash	\$ 3,600,083	\$ 76,301	\$ 1,045,148	\$ -	\$ 891,760	\$ 5,613,292
Investments	-	-	6,623,714	7,643,293	346,967	14,613,974
Accounts receivable	155,013	-	-	-	-	155,013
Leases receivable	2,509,512	-	-	-	-	2,509,512
Due from other funds	54,224	-	78,061	-	39,115	171,400
Due from other governmental units	5,163,046	-	-	-	259,843	5,422,889
Inventory	-	-	-	-	28,226	28,226
Prepaid items	152,349	-	-	23,100	-	175,449
Total assets	\$ 11,634,227	\$ 76,301	\$ 7,746,923	\$ 7,666,393	\$ 1,565,911	\$ 28,689,755
Liabilities						
Accounts payable	\$ 174,980	\$ -	\$ 784,921	\$ 6,283	\$ 95,456	\$ 1,061,640
Due to other funds	39,115	-	-	78,061	54,224	171,400
Due to other governmental units	413,465	-	-	-	-	413,465
Payroll deductions and withholdings	130,023	-	-	-	-	130,023
Accrued expenditures	281,406	-	-	-	-	281,406
Accrued salaries payable	2,020,212	-	-	-	14,101	2,034,313
Unearned revenue	1,228,147	-	-	-	79,372	1,307,519
Total liabilities	4,287,348	-	784,921	84,344	243,153	5,399,766
Deferred Inflows of Resources						
Leases receivable	2,509,512	-	-	-	-	2,509,512
Fund Balances						
Non-spendable						
Inventory	-	-	-	-	28,226	28,226
Prepaid items	152,349	-	-	23,100	-	175,449
Restricted for						
Food service	-	-	-	-	366,371	366,371
Debt service	-	76,301	-	-	12,521	88,822
Capital projects	-	-	6,962,002	7,558,949	322,321	14,843,272
Committed for student/school activities	-	-	-	-	593,319	593,319
Assigned	1,344,651	-	-	-	-	1,344,651
Unassigned	3,340,367	-	-	-	-	3,340,367
Total fund balances	4,837,367	76,301	6,962,002	7,582,049	1,322,758	20,780,477
Total liabilities, deferred inflows of resources, and fund balances	\$ 11,634,227	\$ 76,301	\$ 7,746,923	\$ 7,666,393	\$ 1,565,911	\$ 28,689,755

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, 2022

Total fund balances for governmental funds	\$	20,780,477
Total net position for governmental activities in the statement of net position is different because		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Capital assets not being depreciated		7,825,509
Capital assets – net of accumulated depreciation		48,962,027
Deferred outflows (inflows) of resources		
Deferred outflows of resources resulting from debt refunding		1,616,066
Deferred outflows of resources resulting from net pension liability		8,450,761
Deferred outflows of resources resulting from net OPEB liability		3,362,306
Deferred inflows of resources resulting from net pension liability		(13,370,968)
Deferred inflows of resources resulting from net OPEB liability		(8,247,579)
Certain liabilities are not due and payable in the current period and are not reported in the funds		
Accrued interest		(256,246)
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		(33,719,157)
Net OPEB liability		(2,201,393)
Compensated absences		(420,606)
Bonds payable		(67,105,138)
School bond loan payable		(7,206,330)
Installment agreements		(6,939)
Net position of governmental activities	\$	<u>(41,537,210)</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, 2022

	General Fund	2017 Refunding Debt Fund	2020 Building & Site Fund	2022 Building & Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Local sources	\$ 3,305,114	\$ 3,674,121	\$ 7,470	\$ 5,082	\$ 1,254,662	\$ 8,246,449
State sources	22,003,326	171,091	-	-	70,195	22,244,612
Federal sources	2,766,473	-	-	-	1,482,856	4,249,329
Interdistrict sources	1,435,592	-	-	-	-	1,435,592
Total revenues	29,510,505	3,845,212	7,470	5,082	2,807,713	36,175,982
Expenditures						
Current						
Education						
Instruction	17,331,060	-	-	-	-	17,331,060
Supporting services	9,968,115	-	-	-	594,063	10,562,178
Food services	-	-	-	-	1,262,893	1,262,893
Community services	403,822	-	-	-	-	403,822
Intergovernmental payments	54,686	-	-	-	-	54,686
Facilities acquisition	-	-	6,613,252	6,283	131,699	6,751,234
Capital outlay	938,224	-	-	-	-	938,224
Debt service						
Principal	156,790	6,210,000	-	-	100,000	6,466,790
Interest and other expenditures	25,731	667,170	-	251,359	1,062,250	2,006,510
Total expenditures	28,878,428	6,877,170	6,613,252	257,642	3,150,905	45,777,397
Excess (deficiency) of revenues over expenditures	632,077	(3,031,958)	(6,605,782)	(252,560)	(343,192)	(9,601,415)
Other Financing Sources						
Proceeds from bond issuance	-	-	-	7,715,000	-	7,715,000
Premium on issuance of bonds	-	-	-	119,609	-	119,609
Proceeds from school loan revolving fund	-	3,060,487	-	-	563,603	3,624,090
Total other financing sources	-	3,060,487	-	7,834,609	563,603	11,458,699
Net change in fund balance	632,077	28,529	(6,605,782)	7,582,049	220,411	1,857,284
Fund balances – beginning	4,205,290	47,772	13,567,784	-	1,102,347	18,923,193
Fund balances – ending	\$ 4,837,367	\$ 76,301	\$ 6,962,002	\$ 7,582,049	\$ 1,322,758	\$ 20,780,477

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, 2022

Net change in fund balances – Total governmental funds	\$ 1,857,284
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	(57,378)
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	(1,844,370)
Capital outlay	6,426,729
Expenses are recorded when incurred in the statement of activities.	
Interest	(81,501)
Compensated absences	(19,199)
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	14,746,855
Net change in the deferred inflows and outflows of resources related to the net pension liability	(14,739,367)
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	5,447,377
Net change in the deferred inflows and outflows of resources related to the net OPEB liability	(3,289,001)
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	(11,458,699)
Repayments of long-term debt	6,466,790
Amortization of premiums and discounts	233,769
Amortization of deferred amount on debt refunding	(139,092)
Change in net position of governmental activities	\$ 3,550,197

See Accompanying Notes to the Financial Statements

Otsego Public Schools
Notes to the Financial Statements
June 30, 2022

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, 2022

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.

2022 and 2020 Building & Site Funds – These funds are used to record bond proceeds and other local revenue and expenditures for projects related to the 2022 and 2020 Building & Site Bonds. The funds are 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, 2022, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	17.26740
Commercial personal property	5.26740
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, 2022

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, 2022

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. Deferred inflows for leases are related to leases receivable and are being amortized to recognize lease revenue in a systematic and rational manner over the term of the lease. 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, 2022, assigned fund balance consisted of the following:

Instructional purposes	\$ 394,071
District improvements	200,000
Technology upgrades	596,580
Turf field replacement	145,000
Band uniforms	9,000
	\$ 1,344,651

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, 2022

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. 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 financing 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.

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.

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.

Statement No. 99, *2022 Omnibus* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

Upcoming Accounting and Reporting Changes

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or

Otsego Public Schools
Notes to the Financial Statements
June 30, 2022

exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for the year ending June 30, 2023. This statement is not expected to be applicable for the school district for the foreseeable future.

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

The School District did not have any significant variances of expenditures over appropriations for any function.

Compliance – Bond Proceeds

The 2022 Building & Site Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, management believes the School District has complied, in all material respects, with the applicable provisions of Section 1351a of the Revised School Code.

Otsego Public Schools
Notes to the Financial Statements
June 30, 2022

The following is a summary of the revenue and expenditures in the 2022 Building & Site Fund, from the inception of the funds through the current fiscal year:

	<u>2022 Building & Site Fund</u>
Revenues and other financing sources	\$ 7,839,691
Expenditures and other financing uses	257,642

Compliance – Sinking Funds

The Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, management believes the School District has complied, in all material respects, with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2004-4.

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)	\$ 5,951,712
Investments in securities, mutual funds, and similar vehicles	<u>14,275,554</u>
Total	<u>\$ 20,227,266</u>

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

Investment	Carrying Value	Maturities	Rating	Organization
Commercial paper				
British Columbia CP	\$ 1,296,942	7/21/2022	A1+	S&P
US Treasury Notes	926,913	1/31/2023	AA+	S&P
Univercity Calif Res. CP	996,288	8/16/2022	A1+	S&P
Texas Tech Univ CP	1,000,000	8/17/2022	A1+	S&P
Kaiser Fdn Hosp CP	995,238	9/13/2022	A1+	S&P
British Columbia CP	1,216,476	10/27/2022	A1+	S&P
Charlotte-Meck Hosp CP	495,349	11/15/2022	A1+	S&P
New Haven MI Schls CP	368,536	5/1/2023	AA	S&P
Michigan CLASS	<u>6,979,812</u>	n/a	AAAm	S&P
	<u>\$ 14,275,554</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.

Otsego Public Schools
Notes to the Financial Statements
June 30, 2022

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, \$5,818,342 of the School District’s bank balance of \$6,076,210 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, 2022:

U.S. Treasury securities of \$926,913 are valued using quote market prices (Level 1 inputs).

Commercial paper invested in various financial institutions of \$6,368,829 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 of \$6,979,812 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).

Note 5 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,196,860	\$ -	\$ -	\$ 1,196,860
Construction-in-progress	2,518,876	5,010,587	900,814	6,628,649
Total capital assets not being depreciated	3,715,736	5,010,587	900,814	7,825,509
Capital assets being depreciated				
Buildings and additions	72,826,102	46,185	603,745	72,268,542
Equipment and furniture	4,469,439	2,270,771	471,564	6,268,646
Buses and other vehicles	618,463	-	-	618,463
Total capital assets being depreciated	77,914,004	2,316,956	1,075,309	79,155,651
Less accumulated depreciation for				
Buildings and additions	26,179,184	1,491,823	603,745	27,067,262
Equipment and furniture	2,970,296	284,728	471,564	2,783,460
Buses and other vehicles	275,083	67,819	-	342,902
Total accumulated depreciation	29,424,563	1,844,370	1,075,309	30,193,624
Net capital assets being depreciated	48,489,441	472,586	-	48,962,027
Net capital assets	\$ 52,205,177	\$ 5,483,173	\$ 900,814	\$ 56,787,536

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

Governmental activities	
Instruction	\$ 1,079,361
Supporting services	657,802
Food services	78,652
Community services	<u>28,555</u>
 Total governmental activities	 <u>\$ 1,844,370</u>

Construction Commitments

The School District entered into construction contracts of approximately \$18.9 million before year end, of which approximately \$12.3 million had not yet been incurred.

Note 6 - Interfund Payables, Receivables, and Transfers

Individual Interfund receivable and payable balances at year end were:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
2020 Building & Site Fund	2022 Building & Site Fund	\$ 78,061
Nonmajor Governmental Funds	General Fund	39,115
General Fund	Nonmajor Governmental Funds	<u>54,224</u>
		<u>\$ 171,400</u>

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.

Note 7 - Leases

Lease Receivable

The School District has a lease agreement for the use of broadband airwaves. The lease commenced in 2019 and automatically renews in

renewal terms through no later than 2049 unless the lessee notifies the lessor in writing of the lessee's intention not to extend the agreement 90 days prior to the expiration of any term. It is the School District's intent to exercise all renewals. Payments are \$10,000 per month with an implied interest rate of 2.05%.

The School District collected \$162,500 from the lessee for the year ended June 30, 2022, which includes \$110,300 in lease revenue and \$52,200 in lease interest revenue. A lease receivable and deferred inflow of resources have been recorded to reflect future expected payments.

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 and leases.

Otsego Public Schools
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June 30, 2022

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and notes payable					
General obligation bonds	\$ 64,710,000	\$ 7,715,000	\$ 6,310,000	\$ 66,115,000	\$ 7,875,000
Premium on bonds	<u>1,104,298</u>	<u>119,609</u>	<u>233,769</u>	<u>990,138</u>	<u>-</u>
Total	<u>65,814,298</u>	<u>7,834,609</u>	<u>6,543,769</u>	<u>67,105,138</u>	<u>7,875,000</u>
Notes from direct borrowings and direct placements					
School Loan Revolving Fund	3,445,557	3,624,090	-	7,069,647	-
SLRF Accrued Interest	28,265	108,418	-	136,683	-
Installment agreement - equipment	13,419	-	6,480	6,939	6,939
Installment agreement - buses	<u>150,310</u>	<u>-</u>	<u>150,310</u>	<u>-</u>	<u>-</u>
Total	<u>3,637,551</u>	<u>3,732,508</u>	<u>156,790</u>	<u>7,213,269</u>	<u>6,939</u>
Other liabilities					
Compensated absences	<u>401,407</u>	<u>99,480</u>	<u>80,281</u>	<u>420,606</u>	<u>80,000</u>
Total	<u>401,407</u>	<u>99,480</u>	<u>80,281</u>	<u>420,606</u>	<u>80,000</u>
Total debt	<u>\$ 69,853,256</u>	<u>\$ 11,666,597</u>	<u>\$ 6,780,840</u>	<u>\$ 74,739,013</u>	<u>\$ 7,961,939</u>

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

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 \$475,000 to \$2,465,000 through May 2027, interest at 2.00% to 3.00%	9,365,000
\$7,715,000 2022 Building & Site bonds due in annual installments of \$100,000 to \$845,000 beginning May 2027 through May 2050, interest at 3.49% to 3.75%	7,715,000
\$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 2050, 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>15,995,000</u>
Total general obligation bonded debt	<u>\$ 66,115,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2023	\$ 6,475,000	\$ 1,809,373	\$ 8,284,373
2024	13,160,000	1,547,409	14,707,409
2025	5,910,000	1,194,609	7,104,609
2026	5,820,000	1,076,409	6,896,409
2027	2,500,000	956,213	3,456,213
2028 – 2032	7,665,000	3,986,315	11,651,315
2033 – 2037	5,640,000	3,110,959	8,750,959
2038 – 2042	6,475,000	2,334,396	8,809,396
2043 – 2047	7,345,000	1,382,523	8,727,523
2048 – 2050	5,125,000	285,049	5,410,049
Total	\$ 66,115,000	\$ 17,683,255	\$ 83,798,255

The general obligation bonds are payable from the Debt Service Funds. As of year-end, the funds had a balance of \$88,822 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 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 School District borrowed \$3,624,090 and accrued interest of

\$108,418. The School District had an outstanding balance at year-end of \$7,206,330 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 \$1,616,066. 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 \$420,606 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.

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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).

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

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, 2020 valuation will be amortized over an 18-year period beginning Oct. 1, 2020 and ending Sept. 30, 2038.

Otsego Public Schools
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The schedule below summarizes pension contribution rates in effect for plan year ended September 30, 2021.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	19.78%
Member Investment Plan	3.0 - 7.0%	19.78%
Pension Plus	3.0 - 6.4%	16.82%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from the School District were \$4,276,415 for the year ending September 30, 2021.

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

At June 30, 2022, the School District reported a liability of \$33,719,157 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. 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 during the measurement period. At September 30, 2021, the School District's proportion was .1424 percent, which was an increase of .0013 percent from its proportion measured as of September 30, 2020.

For the plan year ending September 30, 2021, the School District recognized pension expense of \$4,506,280 for the measurement period. For the reporting period ending June 30, 2022, the School District recognized total pension contribution expense of \$4,931,639.

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ 522,324	\$ (198,566)	\$ 323,758
Changes of assumptions	2,125,535	-	2,125,535
Net difference between projected and actual earnings on pension plan investments	-	(10,840,601)	(10,840,601)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>1,266,291</u>	<u>(58,767)</u>	<u>1,207,524</u>
Total to be recognized in future	3,914,150	(11,097,934)	(7,183,784)
School District contributions subsequent to the measurement date	<u>4,536,611</u>	<u>(2,273,034)</u>	<u>2,263,577</u>
Total	<u>\$ 8,450,761</u>	<u>\$ (13,370,968)</u>	<u>\$ (4,920,207)</u>

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, 2023. The School District will offset the contribution expense in the year ended June 30, 2023 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

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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)	
2022	\$ (347,762)
2023	(1,497,668)
2024	(2,447,072)
2025	(2,891,282)
	\$(7,183,784)

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, 2020
- 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: RP-2014 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, 2018 valuation. The total pension liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, 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 4.4367 years.

The recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2021 MPERS Annual Comprehensive Financial Report found on the ORS website at 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

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each major asset class included in the pension plan's target asset allocation as of September 30, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.4 %
Private Equity Pools	16.0	9.1
International Equity	15.0	7.5
Fixed Income Pools	10.5	(0.7)
Real Estate and Infrastructure Pools	10.0	5.4
Absolute Return Pools	9.0	2.6
Real Return/Oppportunistic Pools	12.5	6.1
Short Term Investment Pools	2.0	(1.3)
	<u>100.0%</u>	

*Long-term rates of return are net of administrative expenses and 2.0% inflation.

Rate of Return

For the plan year ended September 30, 2021, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 27.3%. 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%
\$ 48,209,250	\$ 33,719,157	\$ 21,705,920

*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 Annual Comprehensive Financial Report, available on the ORS website at 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.

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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 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.

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.

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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 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, 2020 valuation will be amortized over an 18-year period beginning Oct. 1, 2020 and ending Sept. 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for plan year 2021.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.43%
Personal Healthcare Fund (PHF)	0.0%	7.57%

Required contributions to the OPEB plan from the School District were \$1,070,634 for the year ended September 30, 2021.

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

At June 30, 2022, the School District reported a liability of \$2,201,393 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. 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, 2021, the School District's proportion was .1442 percent, which was an increase of .0014 percent from its proportion measured as of September 30, 2020.

For the plan year ending September 30, 2021, the School District recognized OPEB expense of \$(1,034,193) for the measurement period. For the reporting period ending June 30, 2022, the School District recognized total OPEB contribution expense of \$1,120,871.

Otsego Public Schools
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June 30, 2022

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ -	\$(6,283,719)	\$(6,283,719)
Changes of assumptions	1,840,255	(275,371)	1,564,884
Net difference between projected and actual earnings on OPEB plan investments	-	(1,659,230)	(1,659,230)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>578,994</u>	<u>(29,259)</u>	<u>549,735</u>
Total to be recognized in future	2,419,249	(8,247,579)	(5,828,330)
School District contributions subsequent to the measurement date	<u>943,057</u>	<u>-</u>	<u>943,057</u>
Total	<u>\$ 3,362,306</u>	<u>\$(8,247,579)</u>	<u>\$(4,885,273)</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, 2023.

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)	
2022	\$(1,459,543)
2023	(1,348,304)
2024	(1,290,092)
2025	(1,244,439)
2026	(429,585)
Thereafter	<u>(56,367)</u>
	<u><u>\$(5,828,330)</u></u>

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, 2020
- 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%

Otsego Public Schools
Notes to the Financial Statements
June 30, 2022

- Healthcare Cost Trend Rate: Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
- 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: RP-2014 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 Assumption: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have 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, 2018 valuation. The total OPEB liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, 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 6.1312 years.

The recognition period for assets is 5 years.

Full actuarial assumptions are available in the 220 MPERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

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, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.4 %
Private Equity Pools	16.0	9.1
International Equity	15.0	7.5
Fixed Income Pools	10.5	(0.7)
Real Estate and Infrastructure Pools	10.0	5.4
Absolute Return Pools	9.0	2.6
Real Return/Opportunistic Pools	12.5	6.1
Short Term Investment Pools	2.0	(1.3)
	100.0%	

**Long-term rates of return are net of administrative expenses and 2.0% inflation.*

Rate of Return

For the plan year ended September 30, 2021, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 27.14%. The money-weighted rate of return

Otsego Public Schools
Notes to the Financial Statements
June 30, 2022

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%
\$ 4,090,586	\$ 2,201,393	\$ 598,143

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
\$ 535,802	\$ 2,201,393	\$ 4,075,384

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2021 MPSERS Annual Comprehensive Financial Report, available on the ORS website at 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

Otsego Public Schools
Notes to the Financial Statements
June 30, 2022

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, 2022, the School District's property tax revenues were not reduced by a material amount under these programs.

There are no significant abatements made by the School District.

Note 14 - Change in Accounting Principle

As indicated in Note 1, The School District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the School District's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources. The 2021 financial statements include a prior period adjustment for the lease receivable and deferred inflow of resources. This adjustment had no effect on the beginning fund balance of the General Fund or beginning net position of the governmental activities since the deferred inflows equal the amount of the lease receivable.

The implementation had the following effect on net position and fund balance as reported July 1, 2021:

	General Fund	Governmental Activities
Net position/fund balance, as reported, June 30, 2021	\$ 4,205,290	\$ (45,087,407)
Adjustments:		
Leases receivable	2,509,512	2,509,512
Deferred inflows - leases	<u>(2,509,512)</u>	<u>(2,509,512)</u>
Net position/fund balance, July 1, 2021	<u>\$ 4,205,290</u>	<u>\$ (45,087,407)</u>

REQUIRED SUPPLEMENTARY INFORMATION

Otsego Public Schools
Required Supplementary Information
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Revenues				
Local sources	\$ 2,751,109	\$ 3,250,518	\$ 3,305,114	\$ 54,596
State sources	20,435,174	22,002,714	22,003,326	612
Federal sources	648,679	2,806,017	2,766,473	(39,544)
Interdistrict sources	1,394,284	1,444,842	1,435,592	(9,250)
Total revenues	<u>25,229,246</u>	<u>29,504,091</u>	<u>29,510,505</u>	<u>6,414</u>
Expenditures				
Instruction				
Basic programs	13,630,290	14,866,670	14,831,822	(34,848)
Added needs	2,023,980	2,551,043	2,499,238	(51,805)
Supporting services				
Pupil	1,176,486	1,175,128	1,172,823	(2,305)
Instructional staff	425,330	618,258	604,212	(14,046)
General administration	700,329	929,225	943,152	13,927
School administration	1,619,572	1,702,632	1,681,628	(21,004)
Business	408,303	460,724	432,922	(27,802)
Operations and maintenance	2,468,464	2,941,318	2,932,035	(9,283)
Pupil transportation services	879,927	883,561	895,181	11,620
Central	658,166	652,283	657,991	5,708
Athletic activities	622,653	620,949	648,171	27,222
Other				
Community services	369,897	445,444	403,822	(41,622)
Intergovernmental payments	30,000	46,285	54,686	8,401
Capital outlay	7,000	942,569	938,224	(4,345)
Debt service				
Principal	190,780	188,585	156,790	(31,795)
Interest and fiscal charges	18,069	18,069	25,731	7,662
Total expenditures	<u>25,229,246</u>	<u>29,042,743</u>	<u>28,878,428</u>	<u>(164,315)</u>
Net change in fund balance	-	461,348	632,077	170,729
Fund balance – beginning	<u>4,205,290</u>	<u>4,205,290</u>	<u>4,205,290</u>	-
Fund balance – ending	<u>\$ 4,205,290</u>	<u>\$ 4,666,638</u>	<u>\$ 4,837,367</u>	<u>\$ 170,729</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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A. School district's proportion of net pension liability (%)	0.1424%	0.1411%	0.1380%	0.1333%	0.1303%	0.1271%	0.1237%	0.1233%		
B. School district's proportionate share of net pension liability	\$ 33,719,157	\$ 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	\$ 13,028,757	\$ 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	258.81%	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	72.60%	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 2021.
Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2021.

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,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A. Statutorily required contributions	\$ 4,931,639	\$ 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>4,931,639</u>	<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>	<u>\$ -</u>		
D. School district's covered payroll	\$ 13,938,904	\$ 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	35.38%	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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A. School district's proportion of the net OPEB liability (%)	0.1442%	0.1428%	0.1405%	0.1355%	0.1306%					
B. School district's proportionate share of the net OPEB liability	\$ 2,201,393	\$ 7,648,770	\$ 10,085,379	\$ 10,769,677	\$ 11,567,881					
C. School district's covered payroll	\$ 13,028,757	\$ 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	16.90%	60.47%	82.16%	89.28%	101.55%					
E. Plan fiduciary net position as a percentage of total OPEB liability	87.33%	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 2021.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2021.

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,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A. Statutorily required contributions	\$ 1,120,871	\$ 1,033,980	\$ 1,008,099	\$ 947,957	\$ 1,017,008					
B. Contributions in relation to statutorily required contributions	<u>1,120,871</u>	<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>	<u>\$ -</u>					
D. School district's covered payroll	\$ 13,938,904	\$ 12,645,078	\$ 12,724,320	\$ 11,536,031	\$ 11,391,833					
E. Contributions as a percentage of covered payroll	8.04%	8.18%	7.92%	8.22%	8.93%					

OTHER SUPPLEMENTARY INFORMATION

Otsego Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2022

	Special Revenue Funds		Debt Service Funds				Capital Project Funds		Total Nonmajor Governmental Funds	
	Food Service Fund	Student/School Activity Fund	2016 Debt Refunding Fund	2019 Debt Refunding Fund	2018 Debt Fund	2020 Refunding Debt Fund	2022 Debt Fund	2018 Building & Site Fund		Sinking Fund
Assets										
Cash	\$ 204,997	\$ 603,332	\$ 3,639	\$ 1,491	\$ 2,619	\$ 1,190	\$ 3,682	\$ 69,978	\$ 832	\$ 891,760
Due from other funds	9	39,106	-	-	-	-	-	-	-	39,115
Due from other governmental units	259,843	-	-	-	-	-	-	-	-	259,843
Inventory	28,226	-	-	-	-	-	-	-	-	28,226
Investments	-	-	-	-	-	-	-	346,967	-	346,967
Total assets	\$ 493,075	\$ 642,438	\$ 3,639	\$ 1,491	\$ 2,619	\$ 1,190	\$ 3,682	\$ 416,945	\$ 832	\$ 1,565,911
Liabilities										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 95,456	\$ -	\$ 95,456
Due to other funds	5,005	49,119	100	-	-	-	-	-	-	54,224
Accrued salaries payable	14,101	-	-	-	-	-	-	-	-	14,101
Unearned revenue	79,372	-	-	-	-	-	-	-	-	79,372
Total liabilities	98,478	49,119	100	-	-	-	-	95,456	-	243,153
Fund Balances										
Non-spendable										
Inventory	28,226	-	-	-	-	-	-	-	-	28,226
Restricted for										
Food service	366,371	-	-	-	-	-	-	-	-	366,371
Debt service	-	-	3,539	1,491	2,619	1,190	3,682	-	-	12,521
Capital projects	-	-	-	-	-	-	-	321,489	832	322,321
Committed for student/school activities	-	593,319	-	-	-	-	-	-	-	593,319
Total fund balances	394,597	593,319	3,539	1,491	2,619	1,190	3,682	321,489	832	1,322,758
Total liabilities and fund balances	\$ 493,075	\$ 642,438	\$ 3,639	\$ 1,491	\$ 2,619	\$ 1,190	\$ 3,682	\$ 416,945	\$ 832	\$ 1,565,911

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, 2022

	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	2022 Debt Fund	2018 Building & Site Fund		Sinking Fund
Revenues										
Local sources	\$ 61,397	\$ 624,447	\$ 158,730	\$ 71,296	\$ 124,555	\$ 37,362	\$ 176,183	\$ 360	\$ 332	\$ 1,254,662
State sources	41,268	-	7,966	3,642	6,398	1,928	8,993	-	-	70,195
Federal sources	1,482,856	-	-	-	-	-	-	-	-	1,482,856
Total revenues	1,585,521	624,447	166,696	74,938	130,953	39,290	185,176	360	332	2,807,713
Expenditures										
Current										
Education										
Supporting services	-	594,063	-	-	-	-	-	-	-	594,063
Food services	1,262,893	-	-	-	-	-	-	-	-	1,262,893
Facilities acquisition	-	-	-	-	-	-	-	89,649	42,050	131,699
Debt service										
Principal	-	-	100,000	-	-	-	-	-	-	100,000
Interest and other expenditures	-	-	220,200	146,395	256,668	77,000	361,987	-	-	1,062,250
Total expenditures	1,262,893	594,063	320,200	146,395	256,668	77,000	361,987	89,649	42,050	3,150,905
Excess (deficiency) of revenues over expenditures	322,628	30,384	(153,504)	(71,457)	(125,715)	(37,710)	(176,811)	(89,289)	(41,718)	(343,192)
Other Financing Sources										
Proceeds from school loan revolving fund	-	-	143,328	72,948	128,334	38,500	180,493	-	-	563,603
Net change in fund balance	322,628	30,384	(10,176)	1,491	2,619	790	3,682	(89,289)	(41,718)	220,411
Fund balances – beginning	71,969	562,935	13,715	-	-	400	-	410,778	42,550	1,102,347
Fund balances – ending	\$ 394,597	\$ 593,319	\$ 3,539	\$ 1,491	\$ 2,619	\$ 1,190	\$ 3,682	\$ 321,489	\$ 832	\$ 1,322,758

**Otsego Public Schools
Other Supplementary Information
General Fund
Comparative Balance Sheet
June 30, 2022**

	2022	2021
Assets		
Cash	\$ 3,600,083	\$ 3,856,420
Accounts receivable	155,013	457,247
Leases receivable	2,509,512	-
Due from other funds	54,224	18,475
Due from other governmental units	5,163,046	3,963,042
Prepaid items	152,349	5,507
Total assets	\$ 11,634,227	\$ 8,300,691
Liabilities		
Accounts payable	\$ 174,980	\$ 109,438
Due to other funds	39,115	321,324
Due to other governmental units	413,465	337,110
Payroll deductions and withholdings	130,023	77,173
Accrued expenditures	281,406	295,268
Accrued salaries payable	2,020,212	1,815,431
Unearned revenue	1,228,147	1,139,657
Total liabilities	4,287,348	4,095,401
Deferred Inflows of Resources		
Leases receivable	2,509,512	-
Fund Balance		
Non-spendable		
Prepaid items	152,349	5,507
Assigned	1,344,651	834,151
Unassigned	3,340,367	3,365,632
Total fund balance	4,837,367	4,205,290
Total liabilities, deferred inflows of resources, and fund balance	\$ 11,634,227	\$ 8,300,691

Otsego Public Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2022

Year Ending June 30,	2016 Debt Principal	2017 Debt Principal	2018 Building & Site Bonds	2019 Refunding Bonds	2020 Building & Site Bonds	2020 Refunding Bonds	2022 Building & Site Bonds	Total
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	-	-	-	-	-	500,000	2,500,000
2028	-	100,000	120,000	-	445,000	905,000	100,000	1,670,000
2029	-	100,000	125,000	-	450,000	930,000	100,000	1,705,000
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	-	245,000	1,080,000
2033	-	100,000	150,000	-	605,000	-	250,000	1,105,000
2034	-	100,000	160,000	-	615,000	-	255,000	1,130,000
2035	-	-	265,000	-	630,000	-	260,000	1,155,000
2036	-	-	275,000	-	640,000	-	265,000	1,180,000
2037	-	-	285,000	-	645,000	-	280,000	1,210,000
2038	-	-	295,000	-	660,000	-	285,000	1,240,000
2039	-	-	305,000	-	675,000	-	290,000	1,270,000
2040	-	-	315,000	-	680,000	-	305,000	1,300,000
2041	-	-	315,000	-	710,000	-	310,000	1,335,000
2042	-	-	325,000	-	725,000	-	320,000	1,370,000
2043	-	-	340,000	-	730,000	-	335,000	1,405,000
2044	-	-	350,000	-	750,000	-	340,000	1,440,000
2045	-	-	365,000	-	765,000	-	350,000	1,480,000
2046	-	-	370,000	-	790,000	-	360,000	1,520,000
2047	-	-	385,000	-	750,000	-	425,000	1,560,000
2048	-	-	400,000	-	700,000	-	500,000	1,600,000
2049	-	-	-	-	800,000	-	845,000	1,645,000
2050	-	-	-	-	700,000	-	795,000	1,495,000
Total	\$ 9,365,000	\$ 15,995,000	\$ 6,960,000	\$ 7,105,000	\$ 15,125,000	\$ 3,850,000	\$ 7,715,000	\$ 66,115,000
Principal payments due the first day of	May	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	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%	3.49% - 3.75%	
Original issue	\$ 9,465,000	\$ 29,295,000	\$ 6,960,000	\$ 7,105,000	\$ 15,125,000	\$ 3,850,000	\$ 7,715,000	