

Fitzgerald Public Schools

Financial Statements

June 30, 2021



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

Members of the Board of Education

Julia Yokel – President

Annie Covert – Vice President

Judy Furgal – Treasurer

Lori Eseman-Dreyer – Secretary

Khaja Shahab Ahmed – Trustee

Kimberly Lee – Trustee

Randel Meisner – Trustee

Administration

Kimberly Pawlukiewicz – Superintendent

Hollie Stange – Director of Business

Rebecca Wright – District Accountant



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Independent Auditors' Report

Management and the Board of Education
Fitzgerald Public Schools
Warren, Michigan

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Adoption of New Accounting Standard

As described in Note 1 to the financial statements, during the year ended June 30, 2021, the School District adopted GASB Statement No. 84, Fiduciary Activities. Our opinions are not modified with respect to this matter. See Note 15 for additional information on the impact of the adoption of this standard.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability, and schedule of the school district's OPEB contributions as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2021, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School district's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Auburn Hills, Michigan
October 11, 2021

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

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

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District financially as a whole. 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 financial statements tell how services were financed in the short term as well as what remains for future spending. 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 funds - the General Fund and 2019 Building & Site Fund, with all other funds presented in one column as nonmajor funds.

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

Basic Financial Statements

District-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

Budgetary Information for General Fund
(Required Supplementary Information)

Other Supplementary Information

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

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the School District's net position - the difference between assets and liabilities, as reported in the statement of net position - as one way to measure the School District's financial health or financial 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 revenue 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

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

do. One must consider many other nonfinancial 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 the 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, child care, 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 Food Service Fund is an example) or to show that it 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 - All of the School District's services are reported in 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 readily be 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 you 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.

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

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. The table below provides a summary of the School District's net position as of June 30, 2021 and 2020:

	Governmental Activities	
	2021	2020
Assets		
Current and other assets	\$ 23,293,565	\$ 29,487,451
Property and equipment	51,571,949	44,360,222
Total assets	74,865,514	73,847,673
Deferred Outflows of Resources	16,397,463	20,283,845
Liabilities		
Current liabilities	8,886,914	6,545,531
Long-term liabilities	93,199,573	100,162,014
Total liabilities	102,086,487	106,707,545
Deferred Inflows of Resources	11,849,679	10,454,171
Net Position		
Net investment in capital assets	30,108,560	32,586,719
Restricted	4,645,786	3,602,329
Unrestricted	(57,427,535)	(59,219,246)
Total net deficit	\$ (22,673,189)	\$ (23,030,198)

The above analysis focuses on the net position. The change in net position of the School District's governmental activities is discussed below. The School District's net deficit was \$22,673,189 million at June 30, 2021. Net investment in capital assets totaling \$31,326,046, compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net deficit was generated through the recording of the net pension and OPEB liability in accordance with the adoption of GASB 68 and GASB 75, respectively. The recording of the pension and OPEB liability and the balance of the government wide net deficit has no impact on the ability of the District to meet its day to day operations and the liability will be reduced through normal contributions prescribed by the State in the coming years.

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

The operating results of the General Fund will have a significant impact on the change in unrestricted net deficit from year to year. The results of this year's operations for the School District as a whole are reported in the statement of activities (see table below), which shows the changes in net deficit for fiscal years 2021 and 2020.

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Revenue		
Program Revenue		
Charges for services	\$ 1,438,550	\$ 705,268
Operating grants	13,054,713	10,080,167
General Revenue		
Property taxes	10,366,437	9,268,396
State foundation allowance	15,122,837	15,035,678
Other	178,815	595,294
Total revenue	<u>40,161,352</u>	<u>35,684,803</u>
Functions/Program Expenses		
Instruction	20,958,685	18,190,004
Support services	13,827,912	13,366,880
Food services	1,398,360	2,160,372
Student/school activities	147,057	-
Community services	75,383	100,359
Interest on long-term debt	723,602	836,516
Depreciation (unallocated)	2,921,121	2,900,269
Total functions/program expenses	<u>40,052,120</u>	<u>37,554,400</u>
Increase (decrease) in net position	109,232	(1,869,597)
Net Deficit - beginning, as restated	<u>(22,782,421)</u>	<u>(21,160,601)</u>
Net Deficit - end	<u>\$ (22,673,189)</u>	<u>\$ (23,030,198)</u>

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

As reported in the statement of activities, the cost of all of our governmental activities this year was \$40,052,120. Certain activities were partially funded from those who benefited from the programs (\$1,438,550) or by other governments and organizations that subsidized certain programs with grants and contributions (\$13,054,713). We paid for the remaining "public benefit" portion of our governmental activities with \$10,366,437 in taxes, \$15,122,837 in State foundation allowance, and \$178,815 in our other revenue, i.e., interest and general entitlements.

The School District experienced an increase in net position of \$109,232. The change in net position is the result of an increase in state and federal funding due to the COVID-19 pandemic.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of 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 we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at 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.

As the School District completed this year, the governmental funds reported a combined fund balance of \$14,589,374, which is a decrease of \$8,800,981 from last year. The primary reasons for the decrease are as follows:

- In the General Fund, our principal operating fund, the fund balance increased \$2.5 million over the prior year due to increased initiatives and cost saving efforts throughout the district. Some of the increase was also due to COVID-19 funding and true savings from a reduction in building costs.
- The 2019 Building & Site Fund, fund balance decreased approximately \$12.3 million from prior year. This is solely due to an increase in assets of \$13 million from previous year. This millage is available to fund specific bond related projects approved by State law and the voters.
- The Nonmajor Governmental Funds fund balances showed an increase of \$1 million. The increase is primarily due to current year capital projects including many upgrades to all district buildings. The Sinking Fund millage is available to fund specific capital projects allowed by State law and approved by the voters.

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

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 revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted before year end. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplementary information of these financial statements.

There were minor revisions to the General Fund original budget due to adjustments in grant funding, student enrollment and differences between estimated cost savings and realized savings from the beginning of the school year.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2021, the School District had \$51,571,949 invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of \$7,211,727, or 16 percent, from last year.

	<u>2021</u>	<u>2020</u>
Land	\$ 887,724	\$ 887,724
Construction in progress	4,664,599	2,082,830
Building and building improvements	98,595,419	91,364,555
Furniture and equipment	7,597,279	7,716,887
Buses and other vehicles	<u>1,411,745</u>	<u>1,514,884</u>
Total capital assets	113,156,766	103,566,880
Less accumulated depreciation	<u>(61,584,817)</u>	<u>(59,206,658)</u>
Net capital assets	<u>\$ 51,571,949</u>	<u>\$ 44,360,222</u>

This year's additions of \$13.0 million included bond renovation projects at Schofield Elementary, Westview Elementary, Mound Park Upper Elementary, Chatterton Middle School and Fitzgerald High School. We present more detailed information about our capital assets in the notes to the financial statements.

Fitzgerald Public Schools
Management’s Discussion and Analysis
June 30, 2021

Debt

At the end of this year, the School District had \$24,205,000 in bonds outstanding versus \$26,955,000 in the previous year - a change of 10 percent. Those bonds consisted of the following:

	<u>2021</u>	<u>2020</u>
General obligation bonds	<u>\$ 24,205,000</u>	<u>\$ 26,955,000</u>

The State limits the amount of general obligation debt that schools can issue up 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. The School District’s outstanding unqualified general obligation debt of \$24,205,000 is significantly below the statutorily imposed limit.

Other obligations include accrued vacation pay and sick leave. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year’s Budgets and Rates

Our elected officials and administration consider many factors when setting the School District’s 2021-2022 fiscal year budgets. One of the most important factors affecting the budget is the national pandemic (COVID-19) and our decreasing student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2021-2022 fiscal year is 90 percent and 10 percent of the student counts in September 2021 and February 2022, respectively. The 2021-2022 Original budget was adopted in June 2021, based on an estimate of students that were enrolled in the district in September 2020, less 100 students. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State’s ability to fund local school operations. Once the final student count and related per-pupil funding are validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations. As with most school districts, salaries and fringes constitute over 80 percent of the total expenditures for the general fund. The Board of Education has taken action through a concerted effort to reduce spending in all areas in order to maintain a positive general fund balance.

Since the School District’s revenue is heavily dependent on State funding and the health of the State’s School Aid Fund, the actual revenue received depends on the State’s ability to collect revenue to fund its appropriation to school districts. Due to increases in the State required contribution to the retirement system, increases in healthcare costs, and the continued instability of the State Aid Fund, the School District will be revisiting its originally approved budget to make the necessary adjustments throughout the year when changes are identified. The 2021-2022 Original Budget projected a \$332,000 fund balance increase in the general fund. The District will be revising the Original Budget for differences between projected and actual pupil enrollment, changes in State grant funding and any additional events which may have a significant impact on the financial health of the District.

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

Contacting the School District's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office.

Fitzgerald Public Schools
Statement of Net Position
June 30, 2021

	<u>Governmental Activities</u>
Assets	
Cash	\$ 10,093,825
Investments	6,625,989
Accounts receivable	82,737
Due from other governmental units	6,389,800
Inventory	30,002
Prepaid items	71,212
Capital assets not being depreciated	5,552,323
Capital assets – net of accumulated depreciation	<u>46,019,626</u>
Total assets	<u>74,865,514</u>
Deferred outflows of resources	
Deferred amount relating to net pension liability	12,174,334
Deferred amount relating to net OPEB liability	4,103,469
Deferred amount on debt refunding	<u>119,660</u>
Total deferred outflows of resources	<u>16,397,463</u>

See Accompanying Notes to the Financial Statements

Fitzgerald Public Schools
Statement of Net Position
June 30, 2021

	Governmental Activities
Liabilities	
Accounts payable	\$ 2,654,853
Accrued salaries and related liabilities	1,667,203
Accrued expenditures	1,341,123
Unearned revenue	623,735
State aid anticipation note	2,600,000
Long-term liabilities	
Debt due within one year	3,115,000
Debt due in more than one year	25,031,975
Net pension liability	56,415,509
Net OPEB liability	8,637,089
Total liabilities	102,086,487
 Deferred inflows of resources	
Deferred amount relating to net pension liability	4,488,796
Deferred amount relating to net OPEB liability	7,360,883
Total deferred inflows of resources	11,849,679
 Net position	
Net investment in capital assets	30,108,560
Restricted for:	
Debt service	999,406
Capital projects	3,646,380
Unrestricted (deficit)	(57,427,535)
Total net position	\$ (22,673,189)

See Accompanying Notes to the Financial Statements

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

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 20,958,685	\$ -	\$ 10,730,355	\$ (10,228,330)
Supporting services	13,827,912	1,138,455	1,215,240	(11,474,217)
Food services	1,398,360	166,543	1,109,118	(122,699)
Student/school activities	147,057	131,984	-	(15,073)
Community services	75,383	1,568	-	(73,815)
Interest and fiscal charges on long-term debt	723,602	-	-	(723,602)
Depreciation – unallocated	2,921,121	-	-	(2,921,121)
Total governmental activities	\$ 40,052,120	\$ 1,438,550	\$ 13,054,713	(25,558,857)
General revenues				
Property taxes, levied for general purposes				4,351,584
Property taxes, levied for debt service				4,524,865
Property taxes, levied for sinking fund				1,489,988
State aid – unrestricted				15,122,837
Interest and investment earnings				103,354
Other				75,461
Total general revenues				25,668,089
Change in net position				109,232
Net position – beginning, as restated				(22,782,421)
Net position – ending				\$ (22,673,189)

See Accompanying Notes to the Financial Statements

Fitzgerald Public Schools
Governmental Funds
Balance Sheet
June 30, 2021

	General Fund	2019 Building & Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 4,176,142	\$ 529,213	\$ 5,388,470	\$ 10,093,825
Investments	-	6,625,989	-	6,625,989
Accounts receivable	82,737	-	-	82,737
Due from other funds	97,663	275,048	506,123	878,834
Due from other governmental units	6,389,800	-	-	6,389,800
Inventory	-	-	30,002	30,002
Prepaid items	71,212	-	-	71,212
Total assets	<u>\$ 10,817,554</u>	<u>\$ 7,430,250</u>	<u>\$ 5,924,595</u>	<u>\$ 24,172,399</u>
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ 625,201	\$ 1,492,534	\$ 537,118	\$ 2,654,853
State aid anticipation note	2,600,000	-	-	2,600,000
Due to other funds	778,696	-	100,138	878,834
Accrued salaries and related liabilities	1,667,203	-	-	1,667,203
Accrued expenditures	1,158,400	-	-	1,158,400
Unearned revenue	619,618	-	4,117	623,735
Total liabilities	<u>7,449,118</u>	<u>1,492,534</u>	<u>641,373</u>	<u>9,583,025</u>
Fund balances				
Non-spendable				
Inventory	-	-	30,002	30,002
Prepaid items	71,212	-	-	71,212
Restricted for				
Food service	-	-	178,730	178,730
Debt service	-	-	1,182,129	1,182,129
Capital projects	-	5,937,716	3,646,380	9,584,096
Committed	-	-	245,981	245,981
Unassigned	3,297,224	-	-	3,297,224
Total fund balances	<u>3,368,436</u>	<u>5,937,716</u>	<u>5,283,222</u>	<u>14,589,374</u>
Total liabilities and fund balances	<u>\$ 10,817,554</u>	<u>\$ 7,430,250</u>	<u>\$ 5,924,595</u>	<u>\$ 24,172,399</u>

See Accompanying Notes to the Financial Statements

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

Total fund balances for governmental funds	\$ 14,589,374
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	5,552,323
Capital assets – net of accumulated depreciation	46,019,626
Deferred (inflows) outflows of resources	
Deferred outflows of resources resulting from debt refunding	119,660
Deferred inflows of resources resulting from net pension liability	(4,488,796)
Deferred outflows of resources resulting from net pension liability	12,174,334
Deferred inflows of resources resulting from net OPEB liability	(7,360,883)
Deferred outflows of resources resulting from net OPEB liability	4,103,469
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(182,723)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	(626,210)
Bonds payable	(24,205,000)
Bonds premium	(3,315,765)
Net pension liability	(56,415,509)
Net OPEB liability	<u>(8,637,089)</u>
Net position of governmental activities	\$ <u>(22,673,189)</u>

See Accompanying Notes to the Financial Statements

Fitzgerald Public Schools
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021

	General Fund	2019 Building & Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 4,441,990	\$ 1,314,489	\$ 5,002,726	\$ 10,759,205
State sources	21,621,633	-	92,129	21,713,762
Federal sources	5,096,423	-	1,109,118	6,205,541
Interdistrict sources	1,482,844	-	-	1,482,844
Total revenues	<u>32,642,890</u>	<u>1,314,489</u>	<u>6,203,973</u>	<u>40,161,352</u>
Expenditures				
Current				
Education				
Instruction	17,416,639	-	-	17,416,639
Supporting services	12,578,571	359	514	12,579,444
Food services	-	-	1,272,108	1,272,108
Student and school activities	-	-	133,780	133,780
Community services	68,577	-	-	68,577
Capital outlay	79,858	12,176,151	1,254,016	13,510,025
Debt service				
Principal	-	625,000	2,125,000	2,750,000
Interest and other expenditures	-	840,500	391,260	1,231,760
Total expenditures	<u>30,143,645</u>	<u>13,642,010</u>	<u>5,176,678</u>	<u>48,962,333</u>
Excess (deficiency) of revenues over expenditures	<u>2,499,245</u>	<u>(12,327,521)</u>	<u>1,027,295</u>	<u>(8,800,981)</u>
Net change in fund balances	2,499,245	(12,327,521)	1,027,295	(8,800,981)
Fund balances – beginning, as restated	<u>869,191</u>	<u>18,265,237</u>	<u>4,255,927</u>	<u>23,390,355</u>
Fund balances – ending	<u>\$ 3,368,436</u>	<u>\$ 5,937,716</u>	<u>\$ 5,283,222</u>	<u>\$ 14,589,374</u>

See Accompanying Notes to the Financial Statements

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

Net change in fund balances – total governmental funds	\$ (8,800,981)
Total change in net position reported for governmental activities in the statement of activities is different because:	
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	(2,921,121)
Capital outlay	10,132,848
Expenses are recorded when incurred in the statement of activities.	
Interest	17,935
Compensated absences	13,435
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	375,667
Net change in the deferred inflow of resources related to the net pension liability	(3,499,014)
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 pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net OPEB liability	3,352,670
Net change in the deferred inflow of resources related to the net OPEB liability	(1,802,430)
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 deferred 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.	
Repayments of long-term debt	2,750,000
Repayment of long-term debt from refunding	
Amortization of premiums	470,669
Amortization of deferred amount on refunding	19,554
Change in net position of governmental activities	\$ 109,232

See Accompanying Notes to the Financial Statements

Fitzgerald Public Schools
Notes to the Financial Statements
June 30, 2021

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Fitzgerald 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 nonfiduciary 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.). The School District does not allocate indirect costs. 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

Separate financial statements are provided for governmental funds. 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.

Fitzgerald Public Schools
Notes to the Financial Statements
June 30, 2021

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

2019 Building & Site Fund – The 2019 Building & Site Fund is used to record bond proceeds, the sinking fund property tax levy or other 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.

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 Student/School Activities Fund. Operating deficits generated by these activities are generally transferred from the General Fund.

Debt Service Funds – 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. The funds consist of the 2014B Refunding Debt Fund and the 2016 Refunding Debt Fund.

Capital Projects Funds – Capital Projects Funds are used to record bond proceeds, sinking fund property tax levy or other 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 funds consist of the 2000 Sinking Fund and the 2001 Sinking Fund.

Assets, Liabilities and Net Position or Equity

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

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

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

General Fund	
Non-principal residence exemption	17.4039
Commercial personal property	5.4039
Debt Service Funds	7.0150
Sinking Funds	3.0000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District’s boundaries. Approximately 100% of the School District’s tax roll lies within Warren, Michigan.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or 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 County of Macomb and remitted to the School District by May 15.

Fitzgerald Public Schools
Notes to the Financial Statements
June 30, 2021

Investments – Investments are stated at fair value. Certificates of deposit are stated at cost which approximates fair value.

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 deposits that will be refunded or utilized in future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they 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. 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 improvements	20 – 50 years
Equipment and furniture	5 – 15 years
Buses and other vehicles	8 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 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 liability for compensated absences reported in the district-wide statements consists of earned but not unused accumulated vacation and sick leave benefits as well as retirement severance pay. A liability for these amounts is reported in the governmental funds as it comes due for payment. The liability has been calculated using the termination method, in which employees who have a certain level of service will receive a retirement payout and the balance of their vacation and sick banks which is subject to individual employment contracts and collective bargaining agreements.

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 straight-line method, which is not materially different than the interest rate method required by GAAP. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements,

Fitzgerald Public Schools
Notes to the Financial Statements
June 30, 2021

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 (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.

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 amounts on bond refundings are included in the district-wide financial 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 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 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 include 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 Balance – 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. 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.

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

Fitzgerald Public Schools
Notes to the Financial Statements
June 30, 2021

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

Use of Estimates

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

Eliminations and Reclassifications

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

Adoption of New Accounting Standards

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report

fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, (1) increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

Upcoming Accounting and Reporting Changes

Statement No. 87, *Leases* increases the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Fitzgerald Public Schools
Notes to the Financial Statements
June 30, 2021

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

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2023.

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

state and local governments. This statement is effective for the year ending June 30, 2022.

Statement No. 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 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.

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-

Fitzgerald Public Schools
Notes to the Financial Statements
June 30, 2021

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 that the above GASBs 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 yearend, 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 but be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriation.

Excess of Expenditures Over Appropriations

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

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Capital outlay	\$ -	\$ 79,858	\$ 79,858

Compliance - Bond Proceeds

The 2019 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. The following is a summary of the revenue and expenditures in the 2019 Building & Site Fund from the inception of the funds through the current fiscal year:

	2019 Building & Site Fund
Revenues	\$ 23,580,895
Expenditures	17,643,179
Ending fund balance	<u>\$ 5,937,716</u>

Compliance – Sinking Funds

The 2000 Capital Project Sinking Fund and 2001 Sinking Fund record 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.

Fitzgerald Public Schools
Notes to the Financial Statements
June 30, 2021

Note 3 - Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities
Cash	\$ 10,093,825
Investments	6,625,989
	\$ 16,719,814

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 10,092,612
Investments in securities, mutual funds, and similar vehicles	6,625,989
Petty cash and cash on hand	1,213
Total	\$ 16,719,814

As of yearend, the School District had the following investments:

Investment	Fair Value	Rating Agency	Rating	Maturities
MILAF + Cash Management Class	\$ 3,434,889	Standard & Poor's	AAAm	N/A
MILAF + MAX Class	1,339,655	Standard & Poor's	AAAm	N/A
MILAF Managed Account				
US Treasury Bonds and Notes	1,851,445	Standard & Poor's	AA+	1 mo
	\$ 6,625,989			

Interest Rate Risk – The School District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit Risk – State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is

allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

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

Custodial Credit Risk – Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year-end, \$10,291,255 of the School District's bank balance of \$10,791,255 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2021, none of the School District's investments were exposed to custodial credit risk.

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.

Fitzgerald Public Schools
Notes to the Financial Statements
June 30, 2021

The School District has the following recurring fair value measurements as of June 30, 2021:

- Amounts invested in MILAF + Cash Management of \$3,434,889 and in MILAF + MAX Class of \$1,339,655. These investments are not registered under Rule 2a-7 under the Investment Company Act of 1940. The money market securities are valued using amortized cost, which generally approximates the current fair value of the security. However, the value is not obtained from a quoted price in an active market. (Level 2 inputs)
- Asset backed securities, invested in US treasury bonds and notes, federal agency bonds and notes through a MILAF Managed Account of \$1,851,445. 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).

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	\$ 887,724	\$ -	\$ -	\$ 887,724
Construction-in-progress	2,082,830	10,132,848	7,551,079	4,664,599
Total capital assets not being depreciated	2,970,554	10,132,848	7,551,079	5,552,323
Capital assets being depreciated				
Buildings and improvements	91,364,555	7,230,864	-	98,595,419
Equipment and furniture	7,716,887	11,808	131,416	7,597,279
Buses and other vehicles	1,514,884	308,407	411,546	1,411,745
Total capital assets being depreciated	100,596,326	7,551,079	542,962	107,604,443
Less accumulated depreciation for				
Buildings and improvements	52,801,103	2,288,516	-	55,089,619
Equipment and furniture	5,441,208	549,522	131,416	5,859,314
Buses and other vehicles	964,347	83,083	411,546	635,884
Total accumulated depreciation	59,206,658	2,921,121	542,962	61,584,817
Net capital assets being depreciated	41,389,668	4,629,958	-	46,019,626
Net capital assets	\$ 44,360,222	\$ 14,762,806	\$ 7,551,079	\$ 51,571,949

Depreciation expense for the fiscal year ended June 30, 2021 amounted to \$2,921,121. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets service multiple functions.

Construction Contracts

As of year-end, the School District had the following construction contracts in progress:

Project	Total Contract	Remaining Construction Commitment at Year End	Contract Payable at Year End
Main office improvements	\$ 116,425	\$ 22,267	\$ -
Roof replacement	178,954	29,365	-
Neigebaur partial roof replacement	23,000	8,125	-
Neigebaur exterior wall repairs	74,818	18,718	-
Schofield ECC sewage pump replacement	22,000	13,389	-
High school football field filling	17,000	11,532	-
Bus garage sanitary drain replacement	14,500	6,242	-
Neigebaur heating system repair	29,584	11,899	-
High school gym floor refinishing	5,500	67	-
High school boiler replacement	24,158	18,279	-
Neigebaur concrete replacement	15,000	3,277	-
Chatterton electrical and wiring upgrades	4,010	5	-
Chatterton ADA compliance signage	15,945	3,790	-
High school HVAC chiller controls	17,000	150	-
High school dehumidifier and pool ventilation	215,698	59,120	-
Total	\$ 773,592	\$ 206,225	\$ -

Remaining construction commitments are to be funded by the bond proceeds.

Note 6 - Interfund Receivable and Payable

Individual interfund receivable and payable balances at year end were:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 97,663
Nonmajor Governmental Funds	General Fund	503,648
2019 Building & Site Bonds	General Fund	275,048
Nonmajor Governmental Funds	Nonmajor Governmental Funds	2,475
		<u>\$ 878,834</u>

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The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Note 7 - Unearned Revenue

Governmental funds report unearned revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. Unearned revenue at year end consists of the following:

Prepaid lunch balances	\$	619,618
Grant and categorical aid payments received prior to meeting all eligibility requirements		4,117
Total	\$	<u>623,735</u>

Note 8 - Operating Leases

The School District has one non-cancelable operating lease for buses. Total cost for the lease was \$44,925 for the year ended June 30, 2021. Additionally, the School District has a non-cancelable lease for copiers. Total cost of the lease was \$32,659 for the year ended June 30, 2021. The future minimum lease payments for the leases are as follows:

Year ending June 30,		
2022	\$	77,584
2023		<u>2,722</u>
	\$	<u>80,306</u>

Note 9 - State Aid Anticipation Note

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th. The School District is required to pledge 100% of their state school aid, October through August, or until the note is repaid, whichever is longer. The State has discretion to accelerate repayment terms if they have cause for concern. If the note is in default status, there is a penalty interest rate that may apply.

Short-term debt activity for the year was as follows:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	\$ -	\$ 2,600,000	\$ -	\$ 2,600,000

Note 10 - 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. Other long-term obligations include compensated absences.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds payable					
General obligation bonds	\$ 26,955,000	\$ -	\$ 2,750,000	\$ 24,205,000	\$ 2,925,000
Premium on bonds	3,786,434	-	470,669	3,315,765	-
Total bonds payable	30,741,434	-	3,220,669	27,520,765	2,925,000
Compensated absences	639,645	174,430	187,865	626,210	190,000
Total	<u>\$ 31,381,079</u>	<u>\$ 174,430</u>	<u>\$ 3,408,534</u>	<u>\$ 28,146,975</u>	<u>\$ 3,115,000</u>

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For governmental activities, compensated absences are primarily liquidated by the General Fund.

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

\$17,460,000 2019 Building & Site Bond due in annual installments of \$330,000 to \$1,385,000 through May 1, 2039, interest at 4.00% to 5.00%	\$ 16,575,000
\$8,660,000 2016 Refunding Serial Bond due in annual installments of \$1,880,000 to \$1,930,000 through May 1, 2025, interest at 4.00%	<u>7,630,000</u>
Total general obligation bonded debt	<u>\$ 24,205,000</u>

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

Year Ending June 30,	Bonds		Total
	Principal	Interest	
2022	\$ 2,925,000	\$ 1,120,700	\$ 4,045,700
2023	2,255,000	1,003,700	3,258,700
2024	2,275,000	913,500	3,188,500
2025	2,285,000	818,700	3,103,700
2026	735,000	723,250	1,458,250
2027 - 2031	4,300,000	3,023,500	7,323,500
2032 - 2036	5,465,000	1,837,250	7,302,250
2037 - 2039	<u>3,965,000</u>	<u>402,750</u>	<u>4,367,750</u>
Total	<u>\$ 24,205,000</u>	<u>\$ 9,843,350</u>	<u>\$ 34,048,350</u>

The general obligation bonds are payable from the Debt Service Funds. As of year-end, the funds had a balance of \$1,182,129 to pay this debt. Future debt and interest will be payable from future tax levies.

Compensated Absences

Accrued compensated absences at year end consist of \$626,210 of vacation hours earned and vested and 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.

Deferred Amounts on Refunding

The advanced refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt. The amounts are presented on the statement of net position as deferred inflows and outflows. Activity in the current year is presented below:

	Beginning Balance	Additions	Reductions	Ending Balance
Deferred gain on refunding	\$ 50,770	\$ -	\$ 50,770	\$ -
Deferred loss on refunding	\$ 150,876	\$ -	\$ 31,216	\$ 119,660

Defeased Debt

In prior years, the School District has defeased various bonds issued by creating separate irrevocable trust funds. New debt has been issued and the net proceeds of each refunding were placed in separate special escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements.

The final payment date is May 1, 2025. As of yearend, the amount of defeased debt outstanding but removed from the School District's financial statements is as follows:

2016 Issue refunded	<u>\$ 6,403,334</u>
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Note 11 - Risk Management

The School District is exposed to various risks of loss related to property loss, 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

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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. The School District had virtually no unemployment compensation expense for the year. No provision has been made for possible future claims.

Note 12 - Pension Plan

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. 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.

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

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

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

Required contributions to the pension plan from the School District were \$4,513,312 for the year ending September 30, 2020.

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

At June 30, 2021, the School District reported a liability of \$56,415,509 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2019. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2020, the School District's proportion was 0.1642 percent, which was a decrease of 0.0073 percent from its proportion measured as of September 30, 2019.

For the plan year ending September 30, 2020, the School District recognized pension expense of \$7,617,756 for the measurement

period. For the reporting period ending June 30, 2021, the School District recognized total pension contribution expense of \$4,747,727.

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

	Outflows of Resources	Inflows of Resources	Total
Difference between expected and actual experience	\$ 861,983	\$ (120,411)	\$ 741,572
Changes of assumptions	6,251,382	-	6,251,382
Net difference between projected and actual earnings on pension plan investments	237,033	-	237,033
Changes in proportion and differences between the School District contributions and proportionate share of contributions	320,204	(2,268,234)	(1,948,030)
Total to be recognized in future	7,670,602	(2,388,645)	5,281,957
School District contributions subsequent to the measurement date	4,503,732	(2,100,151)	-
Total	\$ 12,174,334	\$ (4,488,796)	\$ 5,281,957

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

Deferred (Inflow) and Deferred Outflow of Resources by Year
 (To Be Recognized in Future Pension Expenses)

2022	\$	2,823,539
2023		1,659,823
2024		637,858
2025		160,737
	\$	5,281,957

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2019
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
 - MIP and Basic Plans: 6.80% net of investment expenses
 - Pension Plus Plan: 6.80% net of investment expenses
 - Pension Plus 2 Plan: 6.00% net of investment expenses
- Projected Salary Increases: 2.75 - 11.55%, including wage inflation at 2.75%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality:
 - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
 - Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

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

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

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Recognition period for assets is 5 years.

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

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2020, are summarized in the following table:

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

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

Rate of Return

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

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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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%
\$ 73,020,307	\$ 56,415,509	\$ 42,653,833

**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 (MPSERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS Comprehensive Annual Financial Report, available on the ORS website at www.michigan.gov/orsschools.

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

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

Note 13 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. 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

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and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

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

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 19-year period beginning Oct. 1, 2019 and ending Sept. 30, 2038.

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

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

Required contributions to the OPEB plan from the School District were \$1,139,073 for the year ended September 30, 2020.

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

At June 30, 2021, the School District reported a liability of \$8,637,089 for its proportionate share of the MPERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2019. The School District's proportion of the net

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OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2020, the School District's proportion was 0.1612 percent, which was a decrease of 0.0058 percent from its proportion measured as of September 30, 2019.

For the plan year ending September 30, 2020, the School District recognized OPEB expense of (\$405,770) for the measurement period. For the reporting period ending June 30, 2021, the School District recognized total OPEB contribution expense of \$1,141,294.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ -	\$ (6,435,438)	\$ (6,435,438)
Changes of assumptions	2,847,820	-	2,847,820
Net difference between projected and actual earnings on pension plan investments	72,086	-	72,086
Changes in proportion and differences between the School District contributions and proportionate share of contributions	148,413	(925,445)	(777,032)
Total to be recognized in future	3,068,319	(7,360,883)	(4,292,564)
School District contributions subsequent to the measurement date	1,035,150	-	-
Total	<u>\$ 4,103,469</u>	<u>\$ (7,360,883)</u>	<u>\$ (4,292,564)</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. 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	\$ (1,121,629)
2023	(1,021,262)
2024	(885,540)
2025	(735,352)
2026	(528,781)
	<u>\$ (4,292,564)</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, 2019
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.95% net of investment expenses

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- Projected Salary Increases: 2.75 – 11.55%, including wage inflation of 2.75%
- Healthcare Cost Trend Rate: 7.0% Year 1 graded to 3.5% Year 15; 3.0% Year 12
- Mortality:
 - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
 - Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Other Assumptions:

- Opt Out Assumptions: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

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

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

Recognition period for assets is 5 years.

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

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2020, are summarized in the following table:

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

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

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Rate of Return

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

Discount Rate

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

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

The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
\$ 11,095,322	\$ 8,637,089	\$ 6,567,462

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
\$ 6,488,220	\$ 8,637,089	\$ 11,081,162

OPEB Plan Fiduciary Net Position

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

Payables to the OPEB Plan

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

Note 14 - Contingent Liabilities

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. A separate report on federal compliance has been issued for the year June 30, 2021.

Fitzgerald Public Schools
Notes to the Financial Statements
June 30, 2021

Note 15 - Change in Accounting Principle

As indicated in Note 1, Governmental Accounting Standards Board Statement 84 has been adopted. The standard requires this change be applied retroactively. The impact of this change is to restate the beginning net position in the statement of activities as of July 1, 2020 by \$247,777, restating it from (\$23,030,198) to (\$22,782,421). The implementation of the standard also restated the total beginning fund balance in the Nonmajor Governmental Funds restating it from \$4,008,150 to \$4,255,927. In addition, the Student/School Activities Fund restated the beginning fund balance as of July 1, 2020 by \$247,777, restating it from \$0 to \$247,777.

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

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
Local sources	\$ 5,151,169	\$ 4,136,343	\$ 4,441,990	\$ 305,647
State sources	19,797,638	21,725,362	21,621,633	(103,729)
Federal sources	2,637,210	7,187,747	5,096,423	(2,091,324)
Interdistrict sources	477,491	1,476,110	1,482,844	6,734
Total revenues	<u>28,063,508</u>	<u>34,525,562</u>	<u>32,642,890</u>	<u>(1,882,672)</u>
Expenditures				
Instruction				
Basic programs	11,953,757	13,467,507	13,031,148	(436,359)
Added needs	4,870,565	4,562,599	4,385,491	(177,108)
Adult and continuing education	-	-	-	-
Supporting services				
Pupil	2,721,280	2,528,032	2,430,950	(97,082)
Instructional staff	1,427,570	1,785,176	1,538,618	(246,558)
General administration	459,879	456,326	454,453	(1,873)
School administration	1,673,982	1,729,481	1,729,240	(241)
Business	403,823	405,758	394,171	(11,587)
Operations and maintenance	2,857,366	4,587,159	3,451,547	(1,135,612)
Pupil transportation services	784,708	652,025	543,405	(108,620)
Central	1,104,086	1,879,039	1,602,000	(277,039)
Other	494,594	465,860	434,187	(31,673)
Community services	134,567	192,867	68,577	(124,290)
Capital outlay	-	-	79,858	79,858
Total expenditures	<u>28,886,177</u>	<u>32,711,829</u>	<u>30,143,645</u>	<u>(2,568,184)</u>
Excess (deficiency) of revenues over expenditures	<u>(822,669)</u>	<u>1,813,733</u>	<u>2,499,245</u>	<u>685,512</u>
Other financing sources (uses)				
Transfers in	87,388	91,056	-	(91,056)
Transfers out	<u>(87,388)</u>	<u>(67,388)</u>	<u>-</u>	<u>67,388</u>
Total other financing sources (uses)	<u>-</u>	<u>23,668</u>	<u>-</u>	<u>(23,668)</u>
Net change in fund balance	<u>(822,669)</u>	<u>1,837,401</u>	<u>2,499,245</u>	<u>661,844</u>
Fund balance – beginning	869,191	869,191	869,191	-
Fund balance – ending	<u>\$ 46,522</u>	<u>\$ 2,706,592</u>	<u>\$ 3,368,436</u>	<u>\$ 661,844</u>

Fitzgerald 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 Fiscal Year)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
A. Reporting unit's proportion of net pension liability (%)	0.1642%	0.1715%	0.1762%	0.1738%	0.1694%	0.1774%				
B. Reporting unit's proportionate share of net pension liability	\$ 56,415,509	\$ 56,791,176	\$ 52,983,297	\$ 45,043,742	\$ 42,261,526	\$ 43,329,809				
C. Reporting unit's covered-employee payroll	\$ 14,311,213	\$ 14,597,038	\$ 14,969,595	\$ 14,974,936	\$ 13,976,872	\$ 14,744,356				
D. Reporting unit's proportionate share of net pension liability as a percentage of its covered- employee payroll	394.20%	389.06%	353.94%	300.79%	302.37%	293.87%				
E. Plan fiduciary net position as a percentage of total pension liability	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%				

Note Disclosures

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

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

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

	For the Years Ended June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
A. Statutorily required contributions	\$ 4,747,727	\$ 4,508,310	\$ 4,866,885	\$ 4,846,679	\$ 3,803,750	\$ 3,422,261				
B. Contributions in relation to statutorily required contributions	<u>4,747,727</u>	<u>4,508,310</u>	<u>4,866,885</u>	<u>4,846,679</u>	<u>3,803,750</u>	<u>3,422,261</u>				
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
D. Reporting unit's covered-employee payroll	\$ 13,907,489	\$ 14,385,158	\$ 14,748,298	\$ 14,974,936	\$ 14,686,032	\$ 14,573,844				
E. Contributions as a percentage of covered-employee payroll	34.14%	31.34%	33.00%	32.37%	25.90%	23.48%				

Fitzgerald 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 Fiscal Year)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
A. Reporting unit's proportion of the net OPEB liability (%)	0.1612%	0.1670%	0.1758%	0.1727%						
B. Reporting unit's proportionate share of the net OPEB liability	\$ 8,637,089	\$ 11,989,759	\$ 13,976,906	\$ 15,294,267						
C. Reporting unit's covered-employee payroll	\$ 14,311,213	\$ 14,597,038	\$ 14,969,595	\$ 14,974,936						
D. Reporting unit's proportionate share of the net OPEB liability as a percentage of its covered- employee payroll	60.35%	82.14%	93.37%	102.13%						
E. Plan fiduciary net position as a percentage of total OPEB liability	59.44%	48.46%	42.95%	36.39%						

Note Disclosures

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

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

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

	For the Years Ended June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
A. Statutorily required contributions	\$ 1,141,294	\$ 1,139,198	\$ 1,277,961	\$ 1,087,847						
B. Contributions in relation to statutorily required contributions	<u>1,141,294</u>	<u>1,139,198</u>	<u>1,277,961</u>	<u>1,087,847</u>						
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
D. Reporting unit's covered-employee payroll	\$ 13,907,489	\$ 14,385,158	\$ 14,748,298	\$ 14,974,936						
E. Contributions as a percentage of covered-employee payroll	8.21%	7.92%	8.67%	7.26%						

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

	Special Revenue Funds		Debt Service Funds		Capital Projects Funds		Total Nonmajor Governmental Funds
	Food Service	Student/School Activities	2014B Refunding Debt	2016 Refunding Debt	2000 Sinking Fund	2001 Sinking Fund	
Assets							
Cash	\$ 66,362	\$ 287,155	\$ 606,712	\$ 293,880	\$ 2,019,748	\$ 2,114,613	\$ 5,388,470
Due from other funds	179,721	-	192,930	89,064	-	44,408	506,123
Inventory	30,002	-	-	-	-	-	30,002
Total assets	<u>\$ 276,085</u>	<u>\$ 287,155</u>	<u>\$ 799,642</u>	<u>\$ 382,944</u>	<u>\$ 2,019,748</u>	<u>\$ 2,159,021</u>	<u>\$ 5,924,595</u>
Liabilities and fund balance							
Liabilities							
Accounts payable	\$ 63,236	\$ 6,097	\$ -	\$ -	\$ 17,602	\$ 450,183	\$ 537,118
Due to other funds	-	35,077	387	70	64,604	-	100,138
Unearned revenue	4,117	-	-	-	-	-	4,117
Total liabilities	<u>67,353</u>	<u>41,174</u>	<u>387</u>	<u>70</u>	<u>82,206</u>	<u>450,183</u>	<u>641,373</u>
Fund Balances							
Non-spendable							
Inventory	30,002	-	-	-	-	-	30,002
Restricted for							
Food service	178,730	-	-	-	-	-	178,730
Debt service	-	-	799,255	382,874	-	-	1,182,129
Capital projects	-	-	-	-	1,937,542	1,708,838	3,646,380
Committed	-	245,981	-	-	-	-	245,981
Total fund balances	<u>208,732</u>	<u>245,981</u>	<u>799,255</u>	<u>382,874</u>	<u>1,937,542</u>	<u>1,708,838</u>	<u>5,283,222</u>
Total liabilities and fund balances	<u>\$ 276,085</u>	<u>\$ 287,155</u>	<u>\$ 799,642</u>	<u>\$ 382,944</u>	<u>\$ 2,019,748</u>	<u>\$ 2,159,021</u>	<u>\$ 5,924,595</u>

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

	Special Revenue Fund		Debt Service Funds		Capital Projects Funds		Total Nonmajor Governmental Funds
	Food Service	Student/School Activities	2014B Refunding Debt	2016 Refunding Debt	2000 Sinking Fund	2001 Sinking Fund	
Revenues							
Local sources	\$ 74,430	\$ 131,984	\$ 1,818,002	\$ 1,484,317	\$ 768,392	\$ 725,601	\$ 5,002,726
State sources	92,129	-	-	-	-	-	92,129
Federal sources	1,109,118	-	-	-	-	-	1,109,118
Total revenues	<u>1,275,677</u>	<u>131,984</u>	<u>1,818,002</u>	<u>1,484,317</u>	<u>768,392</u>	<u>725,601</u>	<u>6,203,973</u>
							-
Expenditures							
Current							
Education							
Supporting services	-	-	282	52	90	90	514
Student and school activities	-	133,780	-	-	-	-	133,780
Food services	1,272,108	-	-	-	-	-	1,272,108
Capital outlay	-	-	-	-	133,848	1,120,168	1,254,016
Debt service							
Principal	-	-	1,295,000	830,000	-	-	2,125,000
Interest and other expenditures	-	-	52,100	339,160	-	-	391,260
Total expenditures	<u>1,272,108</u>	<u>133,780</u>	<u>1,347,382</u>	<u>1,169,212</u>	<u>133,938</u>	<u>1,120,258</u>	<u>5,176,678</u>
Excess (deficiency) of revenues over expenditures	<u>3,569</u>	<u>(1,796)</u>	<u>470,620</u>	<u>315,105</u>	<u>634,454</u>	<u>(394,657)</u>	<u>1,027,295</u>
Fund balances – beginning, as restated	<u>205,163</u>	<u>247,777</u>	<u>328,635</u>	<u>67,769</u>	<u>1,303,088</u>	<u>2,103,495</u>	<u>4,255,927</u>
Fund balances – ending	<u>\$ 208,732</u>	<u>\$ 245,981</u>	<u>\$ 799,255</u>	<u>\$ 382,874</u>	<u>\$ 1,937,542</u>	<u>\$ 1,708,838</u>	<u>\$ 5,283,222</u>

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

Year Ending June 30,	2016 Refunding	2019 Building & Site Bonds	Total
2022	\$ 1,930,000	\$ 995,000	\$ 2,925,000
2023	1,925,000	330,000	2,255,000
2024	1,895,000	380,000	2,275,000
2025	1,880,000	405,000	2,285,000
2026	-	735,000	735,000
2027	-	775,000	775,000
2028	-	820,000	820,000
2029	-	860,000	860,000
2030	-	900,000	900,000
2031	-	945,000	945,000
2032	-	990,000	990,000
2033	-	1,040,000	1,040,000
2034	-	1,090,000	1,090,000
2035	-	1,145,000	1,145,000
2036	-	1,200,000	1,200,000
2037	-	1,260,000	1,260,000
2038	-	1,320,000	1,320,000
2039	-	1,385,000	1,385,000
Total	<u>\$ 7,630,000</u>	<u>\$ 16,575,000</u>	<u>\$ 24,205,000</u>

Principal payments due	May 1	May 1
Interest payments due the first day of	May 1 and November 1	May 1 and November 1
Interest rate	4.00%	4.00% to 5.00%
Original issue	<u>\$ 8,660,000</u>	<u>\$ 17,460,000</u>