

WHITE CLOUD PUBLIC SCHOOLS
ANNUAL FINANCIAL REPORT
(with required supplementary and additional information)
JUNE 30, 2020



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

CERTIFIED PUBLIC ACCOUNTANTS
134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749
www.bcbcpa.com

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2020

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September 25, 2020

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
White Cloud Public Schools
White Cloud, 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 White Cloud Public Schools, White Cloud, Michigan as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of White Cloud Public Schools, White Cloud, Michigan as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as identified in the table of contents, on pages iv through xi and 39-44 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 White Cloud Public Schools' basic financial statements. The combining and individual fund financial statements and other information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2020, on our consideration of White Cloud Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of White Cloud Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering White Cloud Public Schools' internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

WHITE CLOUD PUBLIC SCHOOLS

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2020

This section of White Cloud Public Schools’ (“the District”) annual report presents our discussion and analysis of the District’s financial performance during the year ended June 30, 2020. Please read it in conjunction with the District’s financial statements, which immediately follow this section.

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The basic financial statements consist of the following three components: the government-wide financial statements, fund financial statements, and the notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

A. Government-Wide Financial Statements

The government-wide statements provide short-term and long-term financial information about the District’s overall financial status. The district-wide financial statements are compiled using full accrual basis of accounting and more closely represent financial statements presented by business and industry. The Statement of Net Position includes all of the District’s assets and liabilities. All of the year’s revenue and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District’s net position and how they have changed. Net position – the difference between the District’s assets and liabilities – is one way to measure the District’s financial health or position.

Over time, increases and decreases in the District’s net position are indicators of whether its financial position is improving or deteriorating, respectively.

To assess the overall health of the District requires consideration of additional non-financial factors, such as changes in the District’s property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District’s activities are all shown in one category titled “Governmental Activities”. These activities, including regular and special education, transportation, administration, food services, athletic activities, and community services, are primarily financed with state and federal aids and property taxes.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the District’s funds, focusing on its most significant or “major” funds, rather than the District as a whole. Funds that do not meet the threshold to be classified as major funds are called “non-major” funds. Detailed financial information for non-major funds can be found in the combining and individual fund statements section.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District may establish other funds to control and manage money for particular purposes.

WHITE CLOUD PUBLIC SCHOOLS

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2020

The District maintains the following kinds of funds:

Governmental Funds – The District’s basic services are included in governmental funds, which generally focus on 1) how cash and other financial assets that can be readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

C. Summary of Net Position

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

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets	\$ 5,892,030	\$ 3,053,691
Non Current Assets		
Net of Accumulated Depreciation and Amortization	<u>19,720,485</u>	<u>20,836,526</u>
Total Assets	<u>25,612,515</u>	<u>23,890,217</u>
Deferred Outflows of Resources		
Deferred Charges on Refunding	101,902	120,658
Deferred Outflows of Resources Related to Pensions	5,178,312	5,666,438
Deferred Outflows of Resources Related to OPEB	<u>1,268,855</u>	<u>757,905</u>
Total Deferred Outflows of Resources	<u>6,549,069</u>	<u>6,545,001</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 32,161,584</u>	<u>\$ 30,435,218</u>

WHITE CLOUD PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2020

	<u>2020</u>	<u>2019</u>
Liabilities		
Current Liabilities	\$ 2,706,988	\$ 2,943,548
Long-Term Liabilities	43,391,717	40,635,052
Total Liabilities	<u>46,098,705</u>	<u>43,578,600</u>
Deferred Inflows of Resources		
Deferred Inflows of Resources Related to Pensions	1,600,662	2,250,727
Deferred Inflows of Resources Related to OPEB	1,679,105	1,181,862
Total Deferred Inflows of Resources	<u>3,279,767</u>	<u>3,432,589</u>
Net Position		
Net Investment in Capital Assets	2,905,090	2,559,801
Unrestricted - (Deficit)	<u>(20,121,978)</u>	<u>(19,135,772)</u>
Total Net Position - (Deficit)	<u>(17,216,888)</u>	<u>(16,575,971)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 32,161,584</u>	<u>\$ 30,435,218</u>

D. Analysis of Financial Position

During the fiscal year ended June 30, 2020, the District's net position decreased by \$693,550. A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense

The school district is required to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2020, \$1,180,851 was recorded for depreciation expense.

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2020, \$64,810 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets, disposal of assets, and the current year's depreciation is a decrease to capital assets in the amount of \$1,116,041 for the fiscal year ended June 30, 2020. A decrease to net capital assets is a decrease in net position.

WHITE CLOUD PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2020

3. Pension and Other Postemployment Benefit Expense

GASB 68 & 75 now require the District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the District's change in net position. Based on various factors, the District may report an increase or decrease in net position depending on whether the District's proportionate share of the net pension and OPEB liabilities increases or decreases in any given year.

4. Payment of Principal on Long-Term Debt and Issuance of Debt Proceeds

During the year ending June 30, 2020, the District reduced the principal on its long-term liabilities by \$1,530,000. The payment of principal results in an increase to net position.

E. Change in Net Position

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

	<u>2020</u>	<u>2019</u>
Revenue		
Program Revenue:		
Charges for Services	\$ 192,276	\$ 202,316
Operating Grants	3,356,147	3,093,492
General Revenue:		
Property Taxes - Levied for General Purposes	1,579,553	1,535,003
Property Taxes - Levied for Debt Service	1,839,397	1,777,751
Investment Earnings	18,061	15,094
State Sources	5,612,032	5,613,527
Gain on Sale of Capital Assets	5,153	0
Other	109,747	74,239
Total Revenue	<u>12,712,366</u>	<u>12,311,422</u>
Function/Program Expense		
Instruction	7,322,205	6,056,731
Supporting Services	3,130,452	4,015,577
Community Services	1,591	3,412
Student Activities	72,961	0
Food Services	914,965	595,439
Interest on Long-Term Debt	616,553	660,504
Other Transactions	166,338	49,083
Unallocated Depreciation	1,180,851	1,165,450
Total Expenses	<u>13,405,916</u>	<u>12,546,196</u>
Change in Net Position	<u>\$ (693,550)</u>	<u>\$ (234,774)</u>

WHITE CLOUD PUBLIC SCHOOLS

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2020

F. Financial Analysis of the District’s Funds

The financial performance of the District as a whole is also reflected in its governmental funds. The following table shows the change in total fund balances of each of the District’s governmental funds:

	2020	(Restated) 2019	Increase (Decrease)
Major Fund			
General Fund	\$ 1,379,639	\$ 1,257,074	\$ 122,565
Food Service Fund	313,219	300,618	12,601
2020 Debt Retirement Fund	3,205	0	3,205
2020 School Building and Site Fund	2,644,857	0	2,644,857
Nonmajor Funds			
Student Activities Fund	80,944	52,633	28,311
Debt Retirement Funds	260,183	225,163	35,020
Total Governmental Funds	<u>\$ 4,682,047</u>	<u>\$ 1,835,488</u>	<u>\$ 2,846,559</u>

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

As the District completed this year, the governmental funds reported a combined fund balance of \$4,682,047, which is an increase of \$2,846,559 from last year.

- The General Fund, our principal operating fund, increased its fund balance by \$122,565 for an ending balance of \$1,379,639. This increase is primarily due to an increase in revenues from the prior year, mostly from state aid as well as a decrease in expenditures in supporting services for school administration, operation and maintenance of plant, and pupil transportation services. Of the fund balance of \$1,379,639, \$88,645 is nonspendable for prepaid expenditures, \$79,683 is committed for retirement contracts, \$246,622 is assigned for subsequent year budget shortfall, and \$964,689 is unassigned.
- The Food Service Fund increased its fund balance by \$12,601 for an ending balance of \$313,219. The District operates a “Community Eligibility Provision” program which is highly effective and continues to have high participation. In spite of the mandated spend down plans, the District’s Food Service fund balance continues to increase. Of the fund balance of \$313,219, \$36,115 is nonspendable for inventory and \$277,104 is restricted for food service.
- 2020 Debt Retirement Fund increased its fund balance by \$3,205. The increase is due to the face value of debt received exceeding the debt payments. The entire fund balance is restricted for debt service.

WHITE CLOUD PUBLIC SCHOOLS

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2020

- 2020 School Building and Site Fund increased its fund balance by \$2,644,857 for an ending balance of \$2,644,857. This increase is due to this being a new fund this year. The fund balance is the result of the issuance of bonds to pay for future projects within the District.
- The Student Activities Fund increased its fund balance by \$28,311 for an ending balance of \$80,944. This fund was created in the 2019-2020 fiscal year as the result of GASB Statement No. 84. The fund accounts for revenues and expenditures related to enhancing student experiences at the District. The increase in fund balance is due to a decrease in total expenditures due to the unexpected school closures due to COVID-19 and the activities not being able to use up their funds by the end of the year. The entire fund balance of \$80,944 is assigned for student activities.
- The Debt Retirement Funds increased their fund balance by \$35,020 for an ending balance of \$260,183. The increase in the Debt Retirement Funds can be attributed to tax revenues exceeding planned debt payments. The entire fund balance of \$260,183 is restricted for debt service.

G. General Fund Budgetary Highlights

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

For the 2019-2020 fiscal year, the District amended the general fund budget various times throughout the year. The following schedule shows a comparison of the original general fund budget to actual totals from operations:

	<u>ORIGINAL</u> <u>BUDGET</u>	<u>FINAL</u> <u>BUDGET</u>	<u>ACTUAL</u>
<u>TOTAL REVENUES</u>	<u>\$ 9,714,943</u>	<u>\$ 9,439,754</u>	<u>\$ 10,045,800</u>
<u>EXPENDITURES</u>			
Instruction	\$ 6,523,861	\$ 6,342,314	\$ 6,387,533
Supporting Services	3,826,145	3,550,914	3,592,264
Community Activities	4,600	1,595	1,591
Total Expenditures	<u>\$ 10,354,606</u>	<u>\$ 9,894,823</u>	<u>\$ 9,981,388</u>

The revenue budget was amended as it became clearer on the amounts the District would receive for State and Federal Funding. The revenue variance between budget and actual was due to receiving more revenue than anticipated from the State as well as various insurance reimbursements that were not budgeted for.

The expenditures were amended as it became clearer on the amounts that the District was going to be expending during the fiscal year. The expenditure variance between final budgeted to actual was due to the District’s expenditures being above budget on various functions, as well as in whole. The largest variance was related to Basic Programs (within Instruction) that was over budget by \$35,565.

WHITE CLOUD PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2020

H. Capital Asset and Debt Administration

1. Capital Assets

At June 30, 2020, the District has \$31,502,490 in a broad range of capital assets, including school buildings and facilities, school buses, and various types of equipment. Depreciation expense for the year amounted to \$1,180,851, bringing the accumulated depreciation to \$11,782,005 as of June 30, 2020.

Additions of capital assets consisted of upper gymnasium roof construction in an amount of \$64,810.

Deletions of capital assets primarily consisted of the disposal of various vehicles and buses.

The District has committed \$354,295 to complete various roof projects at the elementary school, cafeteria, and the library. The District also committed to complete work on the fire panel at the elementary school in an amount of \$57,875.

Additional information on the District's capital assets can be found in the notes to this report.

2. Long-Term Obligations

At the end of this year, the District had \$43,512,798 in long-term debt outstanding versus \$38,307,005 in the previous year. This represents an increase of \$5,205,793 from the prior year. The majority of this debt consists of bonds payable of \$21,235,000. Other obligations include amounts borrowed from the School Loan Revolving Fund of \$198,223, employee compensated absences and retirement contracts estimated at \$598,991, net pension liability of \$17,634,043, and net other postemployment benefits liability of \$3,846,541.

Additional information on the District's long-term obligations can be found in the notes to this report.

I. Factors Bearing on the District's Future

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future:

- The District, like many in the State, has seen declining enrollment over recent years, and understands the potential loss in State funding for the 2020-2021 fiscal year.
- As with other employers, the District continues to face increases in rates paid for employee benefits, particularly health insurance and retirement.
- With phase II of the bond, the District will concentrate the funds on new technology, infrastructure needs, and other possible building and grounds improvements.
- Future vision of potentially demolishing the JDJ building for the use of athletic facilities.

WHITE CLOUD PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2020

- The District has settled contracts with all staff members. This means the District will increase Wage and Benefits and provide stability throughout the 2020-2021 fiscal year.
- The District will also be looking at the impact of remote learning and offering more options as needed, as well as how all students needs will be met during the time of the Covid-19 pandemic and beyond.

J. Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Department, 555 Wilcox Street, White Cloud, Michigan 49349.

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WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2020

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 1,726,098
Restricted Cash	2,648,072
Due from Other Governmental Units	1,393,100
Prepaid Expenses	88,645
Inventory	36,115
	<hr/>
Total Current Assets	5,892,030
	<hr/>
<u>NON CURRENT ASSETS</u>	
Capital Assets	31,502,490
Less Accumulated Depreciation	(11,782,005)
	<hr/>
Total Non Current Assets	19,720,485
	<hr/>
Total Assets	25,612,515
	<hr/>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Charges on Refunding	101,902
Deferred Outflows of Resources Related to Pensions	5,178,312
Deferred Outflows of Resources Related to Other Postemployment Benefits	1,268,855
	<hr/>
Total Deferred Outflows of Resources	6,549,069
	<hr/>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	56,410
Accrued Expenses	95,587
Accrued Interest Payable	121,863
Due to Other Governmental Units	198,406
Unearned Revenue	3,435
Salaries & Benefits Payable	856,145
Current Portion of Non Current Liabilities	1,375,142
	<hr/>
Total Current Liabilities	2,706,988
	<hr/>

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

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2020

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>NON CURRENT LIABILITIES</u>	
Bonds Payable - Net	22,487,887
School Bond Loan Fund Loan	198,223
Compensated Absences and Retirement Contracts	598,991
Net Pension Liability	17,634,043
Net Other Postemployment Benefits	3,846,541
Accrued Interest on School Loan Revolving Fund	1,174
Less Current Portion of Non Current Liabilities	<u>(1,375,142)</u>
 Total Non Current Liabilities	 <u>43,391,717</u>
 Total Liabilities	 <u>46,098,705</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Inflows of Resources Related to Pensions	1,600,662
Deferred Inflows of Resources Related to Other Postemployment Benefits	<u>1,679,105</u>
 Total Deferred Inflows of Resources	 <u>3,279,767</u>
 <u>NET POSITION</u>	
Net Investment in Capital Assets	2,905,090
Unrestricted - (Deficit)	<u>(20,121,978)</u>
 TOTAL NET POSITION - (DEFICIT)	 <u>\$ (17,216,888)</u>

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

WHITE CLOUD PUBLIC SCHOOLS

WHITE CLOUD, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>GOVERNMENTAL</u>
		<u>CHARGES FOR</u>	<u>OPERATING</u>	<u>ACTIVITIES</u>
		<u>SERVICES</u>	<u>GRANTS</u>	<u>NET (EXPENSES)</u>
				<u>REVENUES AND</u>
				<u>CHANGE IN</u>
				<u>NET POSITION</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction	\$ 7,322,205	\$ 125,000	\$ 1,541,670	\$ (5,655,535)
Supporting Services	3,130,452	38,585	1,035,972	(2,055,895)
Community Services	1,591	0	1,591	0
Student Activities	72,961	0	101,272	28,311
Food Service	914,965	28,691	675,642	(210,632)
Interest on Long-Term Debt	616,553	0	0	(616,553)
Other Transactions	166,338	0	0	(166,338)
Unallocated Depreciation	1,180,851	0	0	(1,180,851)
TOTAL GOVERNMENTAL ACTIVITIES	\$13,405,916	\$ 192,276	\$ 3,356,147	(9,857,493)
<u>GENERAL REVENUES</u>				
Property Taxes - Levied for General Purposes				1,579,553
Property Taxes - Levied for Debt Service				1,839,397
Investment Earnings				18,061
State Sources				5,612,032
Gain on Sale of Capital Assets				5,153
Other				109,747
Total General Revenues				9,163,943
Change in Net Position				(693,550)
<u>NET POSITION</u> - Beginning of Year, As Restated - (Deficit)				(16,523,338)
<u>NET POSITION</u> - End of Year - (Deficit)				\$ (17,216,888)

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

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2020

	GENERAL FUND	FOOD SERVICE FUND	2020 DEBT RETIREMENT FUND	2020 SCHOOL BUILDING AND SITE FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash	\$1,128,351	\$265,477	\$ 1,000	\$ 0	\$ 331,270	\$ 1,726,098
Restricted Cash	0	0	0	2,648,072	0	2,648,072
Due from Other Funds	1,140	22,943	3,205	0	9,987	37,275
Due from Other Governmental Units	1,393,100	0	0	0	0	1,393,100
Prepaid Expenditures	88,645	0	0	0	0	88,645
Inventory	0	36,115	0	0	0	36,115
TOTAL ASSETS	\$2,611,236	\$324,535	\$ 4,205	\$2,648,072	\$ 341,257	\$ 5,929,305
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 46,215	\$ 10,195	\$ 0	\$ 0	\$ 0	\$ 56,410
Accrued Expenses	95,587	0	0	0	0	95,587
Due to Other Funds	32,930	0	1,000	3,215	130	37,275
Due to Other Governmental Units	198,406	0	0	0	0	198,406
Unearned Revenue	2,314	1,121	0	0	0	3,435
Salaries & Benefits Payable	856,145	0	0	0	0	856,145
Total Liabilities	1,231,597	11,316	1,000	3,215	130	1,247,258
FUND BALANCES						
Nonspendable						
Inventory	0	36,115	0	0	0	36,115
Prepaid Expenditures	88,645	0	0	0	0	88,645
Restricted for:						
Debt Service	0	0	3,205	0	260,183	263,388
Food Service	0	277,104	0	0	0	277,104
Capital Projects	0	0	0	2,644,857	0	2,644,857
Committed for:						
Retirement Contracts	79,683	0	0	0	0	79,683
Assigned for:						
Subsequent Year Budget Shortfall	246,622	0	0	0	0	246,622
Student Activities					80,944	80,944
Unassigned	964,689	0	0	0	0	964,689
Total Fund Balances	1,379,639	313,219	3,205	2,644,857	341,127	4,682,047
TOTAL LIABILITIES AND FUND BALANCES	\$2,611,236	\$324,535	\$ 4,205	\$2,648,072	\$ 341,257	\$ 5,929,305

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

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

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

JUNE 30, 2020

Total Governmental Fund Balances	\$ 4,682,047
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
The cost of the capital assets is	\$ 31,502,490
Accumulated depreciation is	<u>(11,782,005)</u>
	19,720,485
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	
Bonds Payable	(21,235,000)
School Bond Loan Fund Loan	(198,223)
Compensated Absences and Retirement Contracts	(598,991)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid.	(123,037)
Bond discounts for bonds issued after June 30, 2002, are expenditures at the modified accrual fund level, but are capitalized and written off over the life of the bonds payable at the district-wide full accrual level.	
Deferred Loss on Refunding	101,902
Bond Discount (Premium)	(1,252,887)
Some liabilities, including net pension and OPEB obligations, are not due payable in the current period and, therefore, are not reported in the	
Net Pension Liability	(17,634,043)
Net OPEB Liability	(3,846,541)
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.	
Deferred Outflows of Resources Related to Pensions and OPEB	6,447,167
Deferred Inflow of Resources Related to Pensions and OPEB	<u>(3,279,767)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES - (DEFICIT)	<u>\$ (17,216,888)</u>

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

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

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

YEAR ENDED JUNE 30, 2020

	GENERAL FUND	FOOD SERVICE FUND	2020 DEBT RETIREMENT FUND	2020 SCHOOL BUILDING AND SITE FUND FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>						
Local Sources	\$ 1,826,663	\$ 30,799	\$ 0	\$ 0	\$ 1,942,151	\$ 3,799,613
State Sources	7,422,602	22,191	0	0	10,259	7,455,052
Federal Sources	582,849	661,909	0	0	0	1,244,758
Other Transactions	213,686	0	0	7,394	0	221,080
Total Revenues	10,045,800	714,899	0	7,394	1,952,410	12,720,503
<u>EXPENDITURES</u>						
Instruction						
Basic Programs	4,327,436	0	0	0	0	4,327,436
Added Needs	2,060,097	0	0	0	0	2,060,097
Supporting Services						
Pupil	416,759	0	0	0	0	416,759
Instructional Staff	117,217	0	0	0	0	117,217
General Administration	278,061	0	0	0	0	278,061
School Administration	500,322	0	0	0	0	500,322
Business	229,101	0	0	0	0	229,101
Operation and Maintenance of Plant	962,817	0	0	0	0	962,817
Pupil Transportation Services	689,129	0	0	0	0	689,129
Support Service Technology	207,691	0	0	0	0	207,691
Athletic Activities	191,167	0	0	0	0	191,167
Student Activities	0	0	0	0	72,961	72,961
Food Service	0	649,298	0	0	0	649,298
Community Services						
Community Activities	1,591	0	0	0	0	1,591
Debt Service						
Principal	0	0	5,364,489	0	1,530,000	6,894,489
Interest and Fiscal Charges	0	0	2,982,688	0	461,450	3,444,138
Other Transactions	0	0	111,795	54,043	500	166,338
Total Expenditures	9,981,388	649,298	8,458,972	54,043	2,064,911	21,208,612
Excess (Deficiency) of Revenues Over Expenditures						
	64,412	65,601	(8,458,972)	(46,649)	(112,501)	(8,488,109)
<u>OTHER FINANCING SOURCES (USES)</u>						
Proceeds from School Loan Revolving Fund	0	0	97,177	0	175,832	273,009
Face Value of Debt	0	0	8,365,000	2,470,000	0	10,835,000
Premium on Issuance of Bonds	0	0	0	221,506	0	221,506
Proceeds from Sale of Capital Assets	5,153	0	0	0	0	5,153
Transfers In (Out)	53,000	(53,000)	0	0	0	0
Total Other Financing Sources (Uses)	58,153	(53,000)	8,462,177	2,691,506	175,832	11,334,668
Net Change in Fund Balance	122,565	12,601	3,205	2,644,857	63,331	2,846,559
<u>FUND BALANCE - Beginning of Year, As Restated</u>	1,257,074	300,618	0	0	277,796	1,835,488
<u>FUND BALANCE - End of Year</u>	\$ 1,379,639	\$ 313,219	\$ 3,205	\$ 2,644,857	\$ 341,127	\$ 4,682,047

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

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

Net Change in Fund Balances Total Governmental Funds \$ 2,846,559

Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures. In the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation. Additionally, the gain or loss on sale or disposal of capital assets is recorded in the statement of activities.

Depreciation Expense	(1,180,851)
Capital Outlay	64,810

Accrued interest on bonds is recorded in the Statement of Activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	2,823,079
Accrued Interest Payable - End of Year	(123,037)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available.

	5,364,489
Repayment of Debt	(10,835,000)
Bond Premium	(221,506)
Repayment of Bond Principal	1,530,000
Proceeds from School Loan Revolving Fund	(273,009)
Amortization of Deferred Charges and Bond Issuance Premium	127,543

Accumulated Sick Pay and Retirement Buyout are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accumulated Sick Pay and Other Vested Benefits- Beginning of Year	622,784
Accumulated Sick Pay and Other Vested Benefits- End of Year	(454,166)
Retirement Buyout - Beginning of Year	178,044
Retirement Buyout - End of Year	(144,825)

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.

Changes in Pension Related Items	(1,316,863)
Changes in OPEB Related Items	311,689

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

Change in State Aid Funding for Pension	<u>(13,290)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (693,550)</u>
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The notes to the financial statements are an integral part of this statement.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the White Cloud Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The School District (“the District”) is located in Newaygo County with its administrative offices located in White Cloud, Michigan. The District operates under an elected 7-member board of education and provides services to its 945 students in elementary, middle school, high school, special education instruction, guidance, health, transportation, food service, and athletics. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

B. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The District does not have any business-type activities or component units.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

The District reports the following major governmental funds:

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

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

The debt retirement (*2020 Debt Retirement*) *fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of government funds.

The *capital projects (2020 School Building and Site) fund* accounts for expenditures related to the 2020 bond issue.

Other Non-Major Funds:

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

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

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

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

E. Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term obligations and acquisitions under capital leases are reported as other financing sources.

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

F. Budgetary Information

1. Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a) Prior to July 1, the business office submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- b) A public hearing is conducted during June to obtain taxpayer comments.
- c) Prior to June 30, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

- d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
- e) For purposes of meeting emergency needs of the school district, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
- g) Budgeted amounts are as originally adopted on June 24, 2019, or as amended by the School Board of Education throughout the year.

2. *Excess of Expenditures Over Appropriations*

General Fund

Instruction

- a) Basic Programs expenditures of \$4,327,436 exceeded appropriations by \$35,565.
- b) Added Needs expenditures of \$2,060,097 exceeded appropriations by \$9,654.

Supporting Services

- a) Pupil expenditures of \$416,759 exceeded appropriations by \$11,015.
- b) Instructional Staff expenditures of \$117,217 exceeded appropriations by \$2,249.
- c) School Administration expenditures of \$500,322 exceeded appropriations by \$12,571.
- d) Business expenditures of \$229,101 exceeded appropriations by \$13,734.
- e) Pupil Transportation Services expenditures of \$689,129 exceeded appropriations by \$14,167.
- f) Support Service Technology expenditures of \$207,691 exceeded appropriations by \$338.
- g) Athletic Activities expenditures of \$191,167 exceeded appropriations by \$4,658.

In addition, total General Fund expenditures of \$9,981,388 exceeded appropriations by \$86,565.

Food Service expenditures of \$649,298 exceeded appropriations by \$9,316.

These overages were funded by savings in other expenditure areas compared to budget.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

1. Cash and Cash Equivalents

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

2. Investments

Investments are carried at amortized cost which approximates fair value. The District complies with State statutes regarding investment of funds.

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

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States.
- (b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States.
- (e) United States government or federal agency obligation repurchase agreements.
- (f) Bankers' acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation (FDIC).
- (g) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- (h) Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

The District's deposits and investments are held separately by several of the School District's funds.

3. Inventory and Prepaid Items

Inventory is valued at cost using the first-in/first-out method. Inventory consists of expendable supplies held for consumption, which are recorded as expenditures when consumed rather than when purchased.

Certain payments made to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

4. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their acquisition value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Land is not depreciated and construction in progress is not depreciated until the underlying assets are placed in service upon completion of the project. At that time, the asset costs are reclassified out of construction in progress and into the appropriate depreciable category.

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

Buildings, Additions and Improvements	20-50 years
Furniture, Vehicles and Equipment	5-15 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000 and aggregate purchases of similar items purchased at the same time, such as textbooks for a classroom.

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. One is the deferred charge on refunding reported in the government-wide *Statement of Net Position*. A deferred charge on refunding results from the difference in the carrying value of refunded obligation and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding obligation. The other deferred outflows relate to the pension plan and other postemployment benefits for its employees. Details can be found in footnotes 3.E and 3.F.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. They are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. Details can be found in footnotes 3.E and 3.F.

6. Defined Benefit Plans

For purposes of measuring the net pension and other postemployment benefits liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

benefits, and pension and other postemployment benefits expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

7. *Unearned and Unavailable Revenue*

Unearned revenue arises when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The District has unearned revenue related to state and local grants received and unspent due to restrictions on how they can be spent.

Unavailable revenue arises when resources that the government has a legal claim to are received or expected to be received after 60 days from the current fiscal year end. At the modified accrual level, unavailable resources do not meet both the revenue recognition criteria since they are not considered available. There is no unavailable revenue at the end of the fiscal year.

8. *Long-Term Obligations*

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related obligation.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. *Net Position Flow Assumption*

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

10. *Fund Balance Flow Assumption*

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

11. Fund Balance Policies

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

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

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

12. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

H. Revenues and Expenditures/Expenses

1. State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2020 the foundation allowance was based on pupil membership counts taken in February of 2019 and October of 2019. For fiscal year ended June 30, 2020, the per pupil foundation allowance was \$8,111 for White Cloud Public Schools.

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The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2019 to August 2020. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

2. Federal Revenue

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

3. Program Revenues

Amounts reported as program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, state foundation aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenue but instead as *general revenues*.

4. Property Taxes

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

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

<u>Fund</u>	<u>Mills</u>
General Fund - Non-Principal Residence Exemption (PRE)	18.0000
General Fund - Commercial Personal Property	6.0000
Debt Service Funds - PRE, Non-PRE, Commercial Personal Property	9.5000

5. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick pay, vacation time and other benefits. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability is recorded in the statement of net position for such amounts. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note 1.F.2, on the Excess of Expenditures Over Appropriations, describes a budgetary violation that occurred for the year ended June 30, 2020. Also, the District did not adopt a budget for the Student Activities Fund which is in violation of state law.

NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2020, \$3,366 of the District's bank balance of \$4,556,833 was exposed to custodial credit risk because it was uninsured and uncollateralized. The risk is spread amongst the District's funds. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSOs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the investments.

Fair Market Value Disclosure - The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in

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active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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

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

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There are two types of valuation techniques most commonly used and vary depending on the level of investment. These two techniques are the market approach and income approach. The market approach uses prices and other relevant information generated by the market transactions involving identical or similar assets and liabilities. The income approach discounts future amounts to a single current amount and the discount rate used in the process should reflect current market expectations about risks associated with those future cash flows. The District does not have any investments subject to the fair value measurement.

The carrying amount of deposits and investments is as follows:

	<u>Total</u>
Deposits	<u>\$ 4,374,170</u>

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

	<u>Total</u>
Cash - District-Wide	\$ 1,726,098
Restricted Cash - District Wide	<u>2,648,072</u>
	<u>\$ 4,374,170</u>

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B. Receivables

The Districts receivables as of year-end are as follows:

Receivables	<u>General</u>
Due from Other Governmental Units	<u>\$ 1,393,100</u>

Amounts due from other governments include amounts due from federal, state, and local sources for various projects and programs.

No allowance for doubtful accounts has been recorded.

C. Capital Assets

Capital assets activity for the year ended June 30, 2020, was as follows:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Assets Not Being Depreciated				
Land	\$ 177,656	\$ 0	\$ 0	\$ 177,656
Other Capital Assets:				
Land Improvements	1,147,356	0	0	1,147,356
Buildings and Additions	24,622,507	64,810	0	24,687,317
Furniture and Equipment	4,958,514	0	0	4,958,514
Textbooks and Library Books	55,285	0	0	55,285
Other Vehicles	187,025	0	74,469	112,556
Buses	437,543	0	73,737	363,806
Subtotal	<u>31,408,230</u>	<u>64,810</u>	<u>148,206</u>	<u>31,324,834</u>
Less Accumulated Depreciation for:				
Land Improvements	636,915	47,209	0	684,124
Buildings and Additions	7,502,345	557,611	0	8,059,956
Furniture and Equipment	2,025,482	558,110	0	2,583,592
Textbooks and Library Books	55,285	0	0	55,285
Other Vehicles	119,834	11,803	74,469	57,168
Buses	409,499	6,118	73,737	341,880
Accumulated Depreciation	<u>10,749,360</u>	<u>1,180,851</u>	<u>148,206</u>	<u>11,782,005</u>
Net Other Capital Assets	<u>20,658,870</u>	<u>(1,116,041)</u>	<u>0</u>	<u>19,542,829</u>
Net Capital Assets	<u>\$ 20,836,526</u>	<u>\$ (1,116,041)</u>	<u>\$ 0</u>	<u>\$ 19,720,485</u>

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Depreciation for the fiscal year ended June 30, 2020, amounted to \$1,180,851. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

D. Retirement and Post-Employment Benefits

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

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

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

Benefits Provided- Overall

Introduction

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the plans offered by MPSERS is as follows:

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided – Pension

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

Prior to pension reform of 2010 there were two plans commonly referred to as Basic and Member Investment Plan (MIP). Basic plan member’s contributions range from 0% to 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990 contribute at a

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permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later, including Pension Plus plan members, contribute at various graduated permanently fixed contribution rates from 3.0% to 7.0%.

Pension Reform 2010

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

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

An amount determined by the member's election of Option 1, 2, 3, or 4 described below.

Option 1 – Members voluntarily elected to increase their contributions to the pension fund as noted below and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until terminate public school employment.

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 – Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service their after would include a 1.25% pension factor.

Option 3 – Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as

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of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 – Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 accounts. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and a Defined Contribution Plan that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) – Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the transition date.

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan is 6%. Further, the law provides that, under certain conditions, the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided – Other postemployment benefit (OPEB)

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other

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Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

Eligibility – A basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

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

Member Contributions

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

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree other postemployment benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

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Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

For the pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2018 are amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

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

The District's pension contributions for the year ended June 30, 2020 were equal to the required contribution total. Pension contributions were approximately \$1,495,789, with \$1,480,025 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2020 were equal to the required contribution total. OPEB benefits were approximately \$388,731, with \$368,234 specifically for the Defined Benefit Plan.

These amounts, for both pension and OPEB, include contributions funded from state revenue Section 147c restricted to fund MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

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

Pension Liabilities

At June 30, 2020, the District reported a liability of \$17,634,043 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2018 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2019 and 2018, the District's proportion was 0.05324829% and 0.0536959%.

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MPERS (Plan) Non-University Employers Net Pension Liability

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

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

For the year ended June 30, 2020, the District recognized total pension expense of \$2,796,888.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 79,041	\$ 73,532
Section 147c revenue related to District Pension contributions subsequent to measurement date	0	589,978
Changes of assumptions	3,452,758	0
Net difference between projected and actual earnings on pension plan investments	0	565,141
Changes in proportion and differences between District contributions and proportionate share of contributions	258,152	372,011
District contributions subsequent to the measurement date	<u>1,388,361</u>	<u>0</u>
Total	<u>\$ 5,178,312</u>	<u>\$ 1,600,662</u>

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\$1,388,361 reported as deferred outflows of resources and \$589,978 reported as deferred inflows or resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2020	\$ 1,218,728
2021	829,169
2022	508,166
2023	223,204
	\$ 2,779,267

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

OPEB Liabilities

At June 30, 2020, the District reported a liability of \$3,846,541 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2018 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2019 and 2018, the District's proportion was 0.05358980% and 0.0521392%.

MPSERS (Plan) Non-University Employers Net OPEB Liability

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

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

For the year ended June 30, 2020, the District recognized total OPEB expense of \$56,545.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 1,411,405
Changes of assumptions	833,468	0
Net difference between projected and actual earnings on OPEB plan investments	0	66,893
Changes in proportion and differences between District contributions and proportionate share of contributions	107,972	200,807
District contributions subsequent to the measurement date	327,415	0
Total	<u>\$ 1,268,855</u>	<u>\$ 1,679,105</u>

\$327,415 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2020	\$ (211,324)
2021	(211,324)
2022	(178,247)
2023	(104,955)
2024	(31,815)
	<u>\$ (737,665)</u>

G. Actuarial Assumptions

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

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

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

Inflation – 3.0%.

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NOTES TO FINANCIAL STATEMENTS
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Mortality assumptions –

Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Active: RP-2014 Male and Female Employee Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Disabled Retirees: RP-2014 Male and Female Disabled Employee Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2018. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2017 valuation.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 6.80% (MIP, Basic, and Pension Plus Plan) and 6.00% for Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Cost of Living Pension Adjustments – 3.0% annual non-compounded for MIP members.

Healthcare cost trend rate for other postemployment benefit – 7.5% for year one and graded to 3.5% to year twelve.

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

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

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

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

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

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

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

Rate of return

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

Pension Discount Rate

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

OPEB Discount Rate

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

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

The following presents the District's proportionate share of the net pension liability calculated using a single discount rate of 6.80% (6.00% for the Pension Plus 2 Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

Pension		
1% Decrease	Discount Rate	1% Increase
\$ 22,925,384	\$ 17,634,043	\$ 13,247,339

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

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

OPEB		
1% Decrease	Discount Rate	1% Increase
\$ 4,718,360	\$ 3,846,541	\$ 3,114,455

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

The following presents the District's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.5%), as well as what the District's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

OPEB		
1% Decrease	Healthcare Cost Trend Rates	1% Increase
\$ 3,083,417	\$ 3,846,541	\$ 4,718,257

H. Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2019 Comprehensive Annual Financial Report.

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NOTES TO FINANCIAL STATEMENTS
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I. Payables to the Pension and OPEB Plan

As of June 30, 2020, the District is current on all required pension and OPEB plan payments. As of June 30, 2020, the District reported payables in the amount of \$267,523 to the pension and OPEB plan. These amounts represent current payments for June wages paid in July, accruals for summer pay primarily for teachers and also the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

J. Risk Management

White Cloud Public Schools is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees.

The District participates in a distinct pool of education institutions within the State of Michigan for various risks of loss, including general liability, property and casualty, employee health and accident insurance, and workers' disability compensation. The pool is considered a public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

K. Lease Information

Operating Leases. The District is committed under various noncancelable leases for office equipment and school buses. The leases are operating leases with no contingent lease payments. The equipment may be purchased at the end of the lease for fair market value. For the year ended June 30, 2020, rental expenditures were \$235,751. The District entered into an agreement in June 2020 to rent office equipment with the fees charged based on usage instead of a flat monthly fee. The future payments for the office equipment are not in the table below because the amounts cannot be determined. Future minimum lease payments are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>AMOUNT</u>
2021	\$ 204,839
2022	190,200
2023	171,607
	<u>\$ 566,646</u>

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

L. Short-Term Obligations

Note from Direct Borrowing

On August 14, 2019, the District issued a Cash Flow Line of Credit in an amount not to exceed \$500,000. The line of credit matures no later than June 30, 2020, with interest at 2.95%. The District pledged its State Aid revenue for payment of this liability at maturity. In an event of a default on the note, the state may impose a penalty interest rate and at the state's discretion, accelerate the repayment terms. The purpose of the note was to provide for cash flow needs at the beginning of the school year. Interest expense for the year was \$1,659. As of September 16, 2020, The District has approved a Cash Flow Line of Credit in an amount not to exceed \$550,000 for the fiscal year ending June 30, 2021.

The following is a summary of the Short-Term Obligation transactions for the District for the year ended June 30, 2020:

Short-Term Debt at July 1, 2019	\$ 0
New Debt Issued	250,000
Debt Retired and Paid	<u>(250,000)</u>
Short-Term Debt at June 30, 2020	<u><u>\$ 0</u></u>

M. Long-Term Obligations

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

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

	BORROWINGS & DIRECT PLACEMENTS	GENERAL OBLIGATION BONDS	ABSENCES AND RETIREMENT CONTRACTS	NET PENSION LIABILITY	NET OPEB LIABILITY	TOTAL
Balance at July 1, 2019	\$ 5,289,703	\$ 11,930,000	\$ 800,828	\$ 16,141,951	\$ 4,144,523	\$ 38,307,005
Additions	273,009	10,835,000	32,584	2,906,653	0	14,047,246
Deletions	<u>(5,364,489)</u>	<u>(1,530,000)</u>	<u>(234,421)</u>	<u>(1,414,561)</u>	<u>(297,982)</u>	<u>(8,841,453)</u>
Balance at June 30, 2020	198,223	21,235,000	598,991	17,634,043	3,846,541	43,512,798
Less Current Portion	<u>0</u>	<u>1,310,000</u>	<u>65,142</u>	<u>Unknown</u>	<u>Unknown</u>	<u>1,375,142</u>
Net Long-Term Obligations	<u><u>\$ 198,223</u></u>	<u><u>\$ 19,925,000</u></u>	<u><u>\$ 533,849</u></u>	<u><u>\$ 17,634,043</u></u>	<u><u>\$ 3,846,541</u></u>	<u><u>\$ 42,137,656</u></u>

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At June 30, 2020, the District's debt obligations consisted of the following issues:

Notes from Direct Borrowings & Direct Placements

School Loan Revolving Fund Loan beginning April 26, 2002. This is a loan from the State of Michigan pursuant to P.A. 108 of 1961. The District's debt retirement millage is limited to 9.50 mills. As long as the tax revenue from this millage is insufficient to make current debt service payments on the District's bonds, additional loans can be obtained in amounts sufficient to make bond and interest payments. No payments are due on the School Loan Revolving Fund loan or accrued interest until such time as tax revenues exceed bond debt service requirements. Interest rates on these loans are variable, the rate at June 30, 2020, was 3.11836%, and the accrued interest was \$1,174 which is not included in the total.

\$ 198,223

General Obligation Bonds

\$7,620,000 2015 Refunding Bonds due in annual installments of \$500,000 through May 1, 2031; Interest at 4.000%.

5,500,000

\$6,310,000 2016 School Building and Site Bonds due in annual installments of \$425,000 to \$450,000 through May 1, 2031; Interest at 4.000%

4,900,000

\$8,365,000 2020 Refunding Bonds due in annual installments of \$100,000 to \$1,610,000 through May 1, 2031; Interest at 1.982% to 2.740%

8,365,000

\$2,470,000 2020 School Building and Site Bonds due in annual installments of \$385,000 to \$605,000 through May 1, 2025; Interest at 4.000%

2,470,000

Accumulated Unpaid Compensated Absences and Retirement Contracts

598,991

Net Pension Liability

17,634,043

Net Other Postemployment Benefit Liability

3,846,541

\$ 43,512,798

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$198,223 contains provisions that in the event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentations is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

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The annual requirements to amortize all long-term obligations outstanding except compensated absences, net pension and OPEB liabilities, and the School Loan Revolving Fund loan as of June 30, 2020, are as follows:

YEAR ENDING JUNE 30,	RETIREMENT PAYABLE		BONDS PAYABLE		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2021	\$ 65,142	\$ 0	\$ 1,310,000	\$ 731,170	\$ 2,106,312
2022	50,055	0	1,465,000	678,770	2,193,825
2023	16,594	0	1,575,000	622,180	2,213,774
2024	6,517	0	1,690,000	561,812	2,258,329
2025	6,517	0	1,790,000	497,504	2,294,021
2026-2030	0	0	10,845,000	1,492,512	12,337,512
2031-2035	0	0	2,560,000	82,596	2,642,596
	<u>\$ 144,825</u>	<u>\$ 0</u>	<u>\$ 21,235,000</u>	<u>\$ 4,666,544</u>	<u>\$ 26,046,369</u>

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

Compensated absences, retirement contracts, net pension liability, and OPEB liability will be paid by the fund in which the employee worked, including the general fund and other governmental funds. Accrued interest on School Loan Revolving Fund of \$1,174 is treated as a long-term liability because it is not known when it will actually be paid.

N. Interfund Receivables and Payables

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

Receivable Fund	Payable Fund	Amount
2020 Debt Retirement	2020 Building & Site Fund	\$ 3,205
General Fund	2020 Building & Site Fund	10
2013 Debt Retirement	General Fund	3,551
2015 Debt Retirement	General Fund	3,455
2016 Debt Retirement	General Fund	2,981
Food Service Fund	General Fund	22,943
General Fund	2020 Debt Retirement	1,000
General Fund	Student Activities Fund	130
		<u>\$ 37,275</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the

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accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2020, are expected to be repaid within one year.

O. Interfund Transfers

Interfund transfers are as shown in the individual fund financial statements at June 30, 2020, were:

<u>Fund Transferred To</u>	<u>Funds Transferred From</u>	<u>Amount</u>
General Fund	Food Service Fund	<u>\$ 53,000</u>

Transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

P. Other Information

1. Commitments and Contingencies

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District.

In addition, the District has committed \$354,295 to complete various roof repairs at the elementary school, cafeteria, and the library. The District has also committed to complete work on the fire panel at the elementary school in an amount of \$57,875.

2. Single Audit

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

3. Building and Site Fund

The 2020 School Building and Site Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Revised School Code.

Q. Statement No. 77 – Tax Abatement Disclosures

The District received reduced property tax revenue as a result of Industrial Facilities Tax (IFT) exemptions granted by governmental entities within the District. The City of White Cloud and Everett Township are the only governmental entities within the District with IFT abatements. Industrial facility exemptions are intended

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to promote construction of new industrial facilities, acquisition of personal property or to rehabilitate historical facilities.

For the fiscal year ended June 30, 2020, (tax year 2019) the District's property tax revenues were reduced by approximately \$51,185 under this program.

The District is considered to be an "in-formula" district. The taxes abated for the General Fund operating millage are considered by the State of Michigan when determining the District's section 22 funding of the State School Aid Act. The District received approximately \$33,467 from the State of Michigan's determination.

R. Subsequent Events

The District approved a line of credit with Independent Bank not to exceed \$550,000.

No adjustments was made to the financial statements as a result of this subsequent event.

In August 2020, the District received a new allowance line item called "11p – CORONAVIRUS RELIEF FUNDS" equating to \$350 per pupil. Although these funds are coming through State Aid, they are restricted federal funds (making up a portion of Federal Coronavirus Relief Fund (CRF) (CFDA 21.019) usage authorized by Public Act 146 of 2020 signed into law on July 31, 2020). The District received \$330,880.

Additionally, in July 2020, the District received a new allowance line item called "103(2) - DISTRICT COVID COSTS" equating to approximately \$12.32 per pupil. Although these funds are coming through State Aid, they are restricted federal funds (making up a portion of Federal Coronavirus Relief Fund (CRF) (CFDA 21.019) usage authorized by Public Act 123 of 2020 signed into law on July 1, 2020). The District received \$11,647.

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

In conjunction with the items described above, a per-pupil reduction of \$175 was applied to the District's August State Aid payment under the line item "11d – SAF REVENUE SHORTFALL REDUCTION". The amount of the state aid reduction for the District was \$165,440.

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

S. 2020 Refunding Bonds

On January 9, 2020, the District issued \$8,365,000 in General Obligation Bonds with interest rates from 1.982% to 2.74% to refund \$5,364,489 of a combination of School Bond Loan Fund (SBLF) and School Loan Revolving Fund (SLRF) obligations, plus accrued interest of \$2,885,571 (total \$8,250,000) with interest at 3.11836%. As a result, \$5,364,489 of a combination of SBLF and SLRF obligations are paid off and the liability for those obligations has been removed from the non-current liabilities of the District.

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The District refunded a portion of its SBLF and SLRF obligations to reduce its total future debt service payments and resulted in an economic gain. The total amount of the reduced future debt service payments and economic gain are unknown because of the SBLF and SLRF had variable interest rates currently at 3.11836%. However, the 2020 Refunding Bonds have an average fixed interest rate of 2.622% interest.

NOTE 4 – NEW ACCOUNTING STANDARD

For the year ended June 30, 2020, the District implemented the following new pronouncement: GASB Statement No. 84, Fiduciary Activities.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and is effective for the District’s 2020 year end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

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

	<u>Fund Balance</u>	
	Student Activities Fund	Total Governmental Funds
Fund Balances as of July 1, 2019, as previously stated	\$ 0	\$ 1,782,855
Adjustment Related to Adoption of GASB Statement 84	<u>52,633</u>	<u>52,633</u>
Fund Balance as of July 1, 2019, as restated	<u>\$ 52,633</u>	<u>\$ 1,835,488</u>
		<u>Net Position</u>
		Governmental Activities
Net Position as of July 1, 2019, as previously stated		<u>\$ (16,575,971)</u>
Adjustment Related to Adoption of GASB Statement 84		<u>52,633</u>
Net Position as of July 1, 2019, as restated		<u>\$ (16,523,338)</u>

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 – UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the District's 2022 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

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REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2020

	GENERAL FUND			FOOD SERVICE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>						
Local Sources	\$ 1,841,287	\$ 1,812,648	\$ 1,826,663	\$ 41,000	\$ 33,723	\$ 30,799
State Sources	7,171,834	6,846,301	7,422,602	14,010	28,424	22,191
Federal Sources	573,722	654,805	582,849	565,000	656,148	661,909
Other Transactions	128,100	126,000	213,686	0	0	0
Total Revenues	9,714,943	9,439,754	10,045,800	620,010	718,295	714,899
<u>EXPENDITURES</u>						
Instruction						
Basic Programs	4,365,998	4,291,871	4,327,436	0	0	0
Added Needs	2,157,863	2,050,443	2,060,097	0	0	0
Supporting Services						
Pupil	421,906	405,744	416,759	0	0	0
Instructional Staff	124,085	114,968	117,217	0	0	0
General Administration	204,520	287,411	278,061	0	0	0
School Administration	676,882	487,751	500,322	0	0	0
Business	231,377	215,367	229,101	0	0	0
Operation and Maintenance of Plant	970,715	970,759	962,817	0	0	0
Pupil Transportation Services	795,983	674,962	689,129	0	0	0
Support Service Technology	224,653	207,353	207,691	0	0	0
Athletic Activities	176,024	186,599	191,167	0	0	0
Community Services						
Community Activities	2,300	1,570	1,567	0	0	0
Welfare Activities	2,300	25	24	0	0	0
Food Service	0	0	0	620,164	639,982	649,298
Total Expenditures	10,354,606	9,894,823	9,981,388	620,164	639,982	649,298
Excess (Deficiency) of Revenues Over Expenditures	(639,663)	(455,069)	64,412	(154)	78,313	65,601
<u>OTHER FINANCING SOURCES (USES)</u>						
Proceeds from Sale of Capital Assets	0	0	5,153	0	0	0
Transfers In (Out)	25,000	25,000	53,000	(30,000)	(28,000)	(53,000)
Total Other Financing Sources (Uses)	25,000	25,000	58,153	(30,000)	(28,000)	(53,000)
Net Change in Fund Balance	(614,663)	(430,069)	122,565	(30,154)	50,313	12,601
<u>FUND BALANCE</u> - Beginning of Year	1,273,774	1,273,774	1,257,074	273,694	273,694	300,618
<u>FUND BALANCE</u> - End of Year	\$ 659,111	\$ 843,705	\$ 1,379,639	\$ 243,540	\$ 324,007	\$ 313,219

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)
JUNE 30, 2020

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)					0.05325%	0.05370%	0.05540%	0.05357%	0.05011%	0.05203%
District's proportionate share of net pension liability					\$ 17,634,043	\$ 16,141,951	\$ 14,356,153	\$ 13,365,953	\$ 12,240,382	\$ 11,461,180
District's covered payroll					4,681,618	4,443,142	4,629,790	4,637,657	4,147,750	4,412,038
District's proportionate share of net pension liability as a percentage of its covered payroll					376.67%	363.30%	310.08%	288.20%	295.11%	259.77%
Plan fiduciary net position as a percentage of total pension liability					60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS

MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

JUNE 30, 2020

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions					\$ 1,480,025	\$ 1,402,780	\$ 1,349,836	\$ 1,296,202	\$ 1,183,046	\$ 980,571
Contributions in relation to statutorily required contributions *					1,480,025	1,402,780	1,349,836	1,296,202	1,183,046	980,571
Contribution deficiency (excess)					\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered payroll					\$ 4,759,886	\$ 4,603,564	\$ 4,342,621	\$ 4,628,926	\$ 4,340,947	\$ 4,196,793
Contributions as a percentage of covered payroll					31.09%	30.47%	31.08%	28.00%	27.25%	23.36%

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

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OTHER POSTEMPLOYMENT BENEFIT LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)
JUNE 30, 2020

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of net OPEB liability (%)								0.05359%	0.05214%	0.05524%
District's proportionate share of net OPEB liability								\$ 3,846,541	\$ 4,144,523	\$ 4,891,908
District's covered payroll								4,681,618	4,443,142	4,629,790
District's proportionate share of net OPEB liability as a percentage of its covered payroll								82.16%	93.28%	105.66%
Plan fiduciary net position as a percentage of total OPEB liability								48.46%	42.95%	36.39%

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2020

	2027	2026	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contributions								\$ 368,234	\$ 352,661	\$ 311,465
Contributions in relation to statutorily required contributions *								368,234	352,661	311,465
Contribution deficiency (excess)								\$ 0	\$ 0	\$ 0
Covered payroll								\$ 4,759,886	\$ 4,603,564	\$ 4,342,621
Contributions as a percentage of covered payroll								7.74%	7.66%	7.17%

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

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

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

Pension Plan

1. Changes of Benefit Terms

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

2. Changes of Assumptions

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

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

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

Other Post-Employment Benefits Plan

1. Changes of Benefit Terms

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

2. Changes of Assumptions

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

A) Discount rate decreased to 6.95% from 7.15%.

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

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2020

	<u>STUDENT</u> <u>ACTIVITIES</u> <u>FUND</u>	<u>DEBT</u> <u>RETIREMENT</u> <u>FUNDS</u>	<u>TOTAL</u> <u>NONMAJOR</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>
<u>ASSETS</u>			
Cash	\$ 81,074	\$ 250,196	\$ 331,270
Due from Other Funds	0	9,987	9,987
	<hr/>		
TOTAL ASSETS	\$ 81,074	\$ 260,183	\$ 341,257
<hr/>			
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Due to Other Funds	\$ 130	\$ 0	\$ 130
<hr/>			
<u>FUND BALANCES</u>			
Restricted for:			
Debt Service	0	260,183	260,183
Assigned for Student Activities	80,944	0	80,944
	<hr/>		
Total Fund Balances	80,944	260,183	341,127
<hr/>			
TOTAL LIABILITIES AND FUND BALANCES	\$ 81,074	\$ 260,183	\$ 341,257
<hr/>			

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

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

YEAR ENDED JUNE 30, 2020

	STUDENT ACTIVITIES FUND	DEBT RETIREMENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>REVENUES</u>			
Local Sources	\$ 101,272	\$ 1,840,879	\$ 1,942,151
State Sources	0	10,259	10,259
	<hr/>		
Total Revenues	101,272	1,851,138	1,952,410
<hr/>			
<u>EXPENDITURES</u>			
Student Activities	72,961	0	72,961
Debt Service			
Principal	0	1,530,000	1,530,000
Interest and Fiscal Charges	0	461,450	461,450
Other Transactions	0	500	500
	<hr/>		
Total Expenditures	72,961	1,991,950	2,064,911
<hr/>			
Excess (Deficiency) of Revenues Over Expenditures	28,311	(140,812)	(112,501)
<hr/>			
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from School Loan Revolving Fund	0	175,832	175,832
	<hr/>		
Net Change in Fund Balance	28,311	35,020	63,331
<hr/>			
<u>FUND BALANCE</u> - Beginning of Year, As Restated	52,633	225,163	277,796
<hr/>			
<u>FUND BALANCE</u> - End of Year	\$ 80,944	\$ 260,183	\$ 341,127
<hr/>			

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

DEBT RETIREMENT FUNDS
COMBINED BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2020

	2013 REFUNDING DEBT RETIREMENT FUND	2015 REFUNDING DEBT RETIREMENT FUND	2016 DEBT RETIREMENT FUND	TOTAL NONMAJOR FUND
<u>ASSETS</u>				
Cash	\$ 82,010	\$ 91,379	\$ 76,807	\$ 250,196
Due from Other Funds	3,552	3,455	2,980	9,987
 TOTAL ASSETS	 \$ 85,562	 \$ 94,834	 \$ 79,787	 \$ 260,183
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>	\$ 0	\$ 0	\$ 0	\$ 0
<u>FUND BALANCE</u>				
Restricted for Debt Retirement	85,562	94,834	79,787	260,183
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 85,562	 \$ 94,834	 \$ 79,787	 \$ 260,183

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

DEBT RETIREMENT FUNDS

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

YEAR ENDED JUNE 30, 2020

	2013 REFUNDING DEBT RETIREMENT FUND	2015 REFUNDING DEBT RETIREMENT FUND	2016 DEBT RETIREMENT FUND	TOTAL NONMAJOR FUND
<u>REVENUES</u>				
Local Sources	\$ 601,958	\$ 670,212	\$ 568,709	\$ 1,840,879
State Sources	3,348	3,726	3,185	10,259
Total Revenues	<u>605,306</u>	<u>673,938</u>	<u>571,894</u>	<u>1,851,138</u>
<u>EXPENDITURES</u>				
Debt Service				
Redemption of Principal	630,000	500,000	400,000	1,530,000
Interest	9,450	240,000	212,000	461,450
Other Transactions	0	500	0	500
Total Expenditures	<u>639,450</u>	<u>740,500</u>	<u>612,000</u>	<u>1,991,950</u>
Excess (Deficiency) of Revenues Over Expenditures	(34,144)	(66,562)	(40,106)	(140,812)
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds from School Loan Revolving Fund	44,716	77,306	53,810	175,832
Net Change in Fund Balance	10,572	10,744	13,704	35,020
<u>FUND BALANCE</u> - Beginning of Year	<u>74,990</u>	<u>84,090</u>	<u>66,083</u>	<u>225,163</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 85,562</u>	<u>\$ 94,834</u>	<u>\$ 79,787</u>	<u>\$ 260,183</u>

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

2013 REFUNDING BONDS
JUNE 30, 2020

<u>TITLE OF ISSUE</u>	2013 Refunding Bonds	
<u>PURPOSE</u>	To refund a portion of a prior bond issue of the School District and the costs of issuing the bonds.	
<u>DATE OF ISSUE</u>	March 12, 2013	
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year	
<u>AMOUNT OF ISSUE</u>		\$ 3,505,000
<u>AMOUNT REDEEMED</u>		
Current Year	\$ 630,000	
Prior Years	2,875,000	3,505,000
		<hr style="border-top: 1px solid black;"/>
<u>BALANCE OUTSTANDING - June 30, 2020</u>		<u>\$ 0</u>
<u>DENOMINATION</u>	\$5,000 each, or any integral multiple thereof not exceeding the aggregate principal amount for each maturity.	
<u>REDEMPTION PRIOR TO MATURITY</u>	The bonds of this issue are not subject to redemption prior to maturity.	

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

2015 REFUNDING BONDS
JUNE 30, 2020

<u>TITLE OF ISSUE</u>	2015 Refunding Bonds		
<u>PURPOSE</u>	To refund a portion of two prior bond issues of the School District and the costs of issuing the bonds.		
<u>DATE OF ISSUE</u>	March 19, 2015		
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year		
<u>AMOUNT OF ISSUE</u>		\$	7,620,000
<u>AMOUNT REDEEMED</u>			
Current Year		\$	500,000
Prior Years			1,620,000
			2,120,000
<u>BALANCE OUTSTANDING - June 30, 2020</u>		\$	5,500,000

<u>DUE DATES</u>	<u>INTEREST</u> <u>RATES</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
November 1 2020			\$ 110,000	\$ 110,000
May 1 2021	4.000%	\$ 500,000	110,000	610,000
November 1 2021			100,000	100,000
May 1 2022	4.000%	500,000	100,000	600,000
November 1 2022			90,000	90,000
May 1 2023	4.000%	500,000	90,000	590,000
November 1 2023			80,000	80,000
May 1 2024	4.000%	500,000	80,000	580,000
November 1 2024			70,000	70,000
May 1 2025	4.000%	500,000	70,000	570,000
November 1 2025			60,000	60,000
May 1 2026	4.000%	500,000	60,000	560,000
November 1 2026			50,000	50,000
May 1 2027	4.000%	500,000	50,000	550,000
November 1 2027			40,000	40,000
May 1 2028	4.000%	500,000	40,000	540,000
November 1 2028			30,000	30,000
May 1 2029	4.000%	500,000	30,000	530,000
November 1 2029			20,000	20,000

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

2015 REFUNDING BONDS
JUNE 30, 2020

<u>DUE DATES</u>	INTEREST RATES	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
May 1 2030	4.000%	500,000	20,000	520,000
November 1 2030			10,000	10,000
May 1 2031	4.000%	500,000	10,000	510,000
		<u>\$ 5,500,000</u>	<u>\$ 1,320,000</u>	<u>\$ 6,820,000</u>

DENOMINATION

\$5,000 each, or any integral multiple thereof not exceeding the aggregate principal amount for each maturity.

REDEMPTION PRIOR TO MATURITY

Bonds, or portions of bonds maturing on or after May 1, 2026, are subject to redemption at the option of the issuer in multiples of \$5,000 in such order as the issuer may determine, by lot within any maturity, on any interest payment date occurring on or after May 1, 2025, at par and accrued interest to the date fixed for redemption.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

2016 BUILDING AND SITE BONDS, SERIES I
JUNE 30, 2020

<u>TITLE OF ISSUE</u>	2016 Building and Site Bonds, Series I		
<u>PURPOSE</u>	Remodeling, installing security measures for, equipping and re-equipping and furnishing and refurbishing school buildings; acquiring and installing instructional technology and instructional technology equipment for school buildings; and developing and improving parking areas, an athletic track and facility and sites		
<u>DATE OF ISSUE</u>	August 2, 2016		
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year		
<u>AMOUNT OF ISSUE</u>		\$	6,310,000
<u>AMOUNT REDEEMED</u>			
Current Year		\$	400,000
Prior Years			1,010,000
			1,410,000
<u>BALANCE OUTSTANDING - June 30, 2020</u>		\$	4,900,000

<u>DUE DATES</u>		INTEREST	<u>REQUIREMENTS</u>		
		RATES	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
November 1	2020			\$ 98,000	\$ 98,000
May 1	2021	4.000%	\$ 425,000	98,000	523,000
November 1	2021			89,500	89,500
May 1	2022	4.000%	425,000	89,500	514,500
November 1	2022			81,000	81,000
May 1	2023	4.000%	450,000	81,000	531,000
November 1	2023			72,000	72,000
May 1	2024	4.000%	450,000	72,000	522,000
November 1	2024			63,000	63,000
May 1	2025	4.000%	450,000	63,000	513,000
November 1	2025			54,000	54,000
May 1	2026	4.000%	450,000	54,000	504,000
November 1	2026			45,000	45,000
May 1	2027	4.000%	450,000	45,000	495,000
November 1	2027			36,000	36,000
May 1	2028	4.000%	450,000	36,000	486,000
November 1	2028			27,000	27,000
May 1	2029	4.000%	450,000	27,000	477,000
November 1	2029			18,000	18,000

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

2016 BUILDING AND SITE BONDS, SERIES I
JUNE 30, 2020

<u>DUE DATES</u>		INTEREST RATES	REQUIREMENTS		
			PRINCIPAL	INTEREST	TOTAL
May 1	2030	4.000%	450,000	18,000	468,000
November 1	2030			9,000	9,000
May 1	2031	4.000%	450,000	9,000	459,000
			\$ 4,900,000	\$ 1,185,000	\$ 6,085,000

DENOMINATION

\$5,000 each, or any integral multiple thereof not exceeding the aggregate principal amount for each maturity.

REDEMPTION PRIOR TO MATURITY

Bonds or portions of bonds in multiples of \$5,000 maturing on or after May 1, 2027, are subject to redemption at the option of the School District in such order as the School District may determine by lot within any maturity, on any interest payment date occurring on or after May 1, 2026, at par and accrued interest to the date fixed for redemption.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

2020 SCHOOL BUILDING AND SITE BONDS, SERIES II
JUNE 30, 2020

<u>TITLE OF ISSUE</u>	2020 School Building and Site Bonds, Series II		
<u>PURPOSE</u>	Remodeling, installing security measurers for, equipping and re-equipping and furnishing and refurbishing school buildings; acquiring and installing instructional technology and instructional technology equipment for school buildings; and developing and improving parking areas, an athletic track facility and sites.		
<u>DATE OF ISSUE</u>	January 9, 2020		
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year		
<u>AMOUNT OF ISSUE</u>		\$	2,470,000
<u>AMOUNT REDEEMED</u>			
Current Year	\$	0	
Prior Years		0	0
<u>BALANCE OUTSTANDING - June 30, 2020</u>		\$	<u>2,470,000</u>

<u>DUE DATES</u>	INTEREST	<u>REQUIREMENTS</u>		
	<u>RATES</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
November 1 2020			\$ 49,400	\$ 49,400
May 1 2021	4.000%	\$ 385,000	49,400	434,400
November 1 2021			41,700	41,700
May 1 2022	4.000%	440,000	41,700	481,700
November 1 2022			32,900	32,900
May 1 2023	4.000%	485,000	32,900	517,900
November 1 2023			23,200	23,200
May 1 2024	4.000%	555,000	23,200	578,200
November 1 2024			12,100	12,100
May 1 2025	4.000%	605,000	12,100	617,100
		<u>\$ 2,470,000</u>	<u>\$ 318,600</u>	<u>\$ 2,788,600</u>

DENOMINATION \$5,000 each, or any integral multiple thereof not exceeding the aggregate principal amount for each maturity.

REDEMPTION PRIOR TO MATURITY The bonds are not subject to redemption prior to maturity.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

2020 REFUNDING BONDS
JUNE 30, 2020

<u>TITLE OF ISSUE</u>	2020 Refunding Bonds		
<u>PURPOSE</u>	To refund a portion of a prior bond issue of the School District and the costs of issuing the bond.		
<u>DATE OF ISSUE</u>	January 9, 2020		
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year		
<u>AMOUNT OF ISSUE</u>		\$	8,365,000
<u>AMOUNT REDEEMED</u>			
Current Year		\$	0
Prior Years		0	0
			0
<u>BALANCE OUTSTANDING - June 30, 2020</u>		\$	<u>8,365,000</u>

<u>DUE DATES</u>	<u>INTEREST</u>	<u>REQUIREMENTS</u>		
	<u>RATES</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
November 1 2020			\$ 108,185	\$ 108,185
May 1 2021			108,185	108,185
November 1 2021			108,185	108,185
May 1 2022	1.982%	\$ 100,000	108,185	208,185
November 1 2022			107,190	107,190
May 1 2023	2.098%	140,000	107,190	247,190
November 1 2023			105,706	105,706
May 1 2024	2.198%	185,000	105,706	290,706
November 1 2024			103,652	103,652
May 1 2025	2.334%	235,000	103,652	338,652
November 1 2025			100,879	100,879
May 1 2026	2.434%	975,000	100,879	1,075,879
November 1 2026			88,887	88,887
May 1 2027	2.490%	1,095,000	88,887	1,183,887
November 1 2027			75,090	75,090
May 1 2028	2.540%	1,215,000	75,090	1,290,090
November 1 2028			59,477	59,477
May 1 2029	2.560%	1,340,000	59,477	1,399,477
November 1 2029			41,923	41,923
May 1 2030	2.640%	1,470,000	41,923	1,511,923

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

2020 REFUNDING BONDS
JUNE 30, 2020

<u>DUE DATES</u>		INTEREST	REQUIREMENTS		
		RATES	PRINCIPAL	INTEREST	TOTAL
November 1	2030			22,298	22,298
May 1	2031	2.740%	1,610,000	22,298	1,632,298
			<u>\$ 8,365,000</u>	<u>\$ 1,842,944</u>	<u>\$ 10,207,944</u>

DENOMINATION

\$5,000 each, or any integral multiple thereof not exceeding the aggregate principal amount for each maturity.

REDEMPTION PRIOR TO MATURITY

The Bonds are not subject to redemption prior to maturity.

