

**PORTLAND PUBLIC SCHOOLS**

**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary and**  
**additional supplementary information)**

**YEAR ENDED JUNE 30, 2021**

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

## ***Other Matters***

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Portland Public Schools' basic financial statements. The additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The additional supplementary 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 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 additional supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### FINANCIAL HIGHLIGHTS

Total District's governmental revenues were approximately \$27.9 million. Total District expenditures of approximately \$31.5 million exceeded revenues by approximately \$3.6 million. This is due to the District spending down bond proceeds issued during the 2019-2020 fiscal year.

In 2020-2021 the District's general fund was funded primarily with an \$8,111 per pupil State of Michigan foundation allowance. The General Fund received 86% of its revenue from state sources.

The student blended count for 2020-2021 was 2,118.

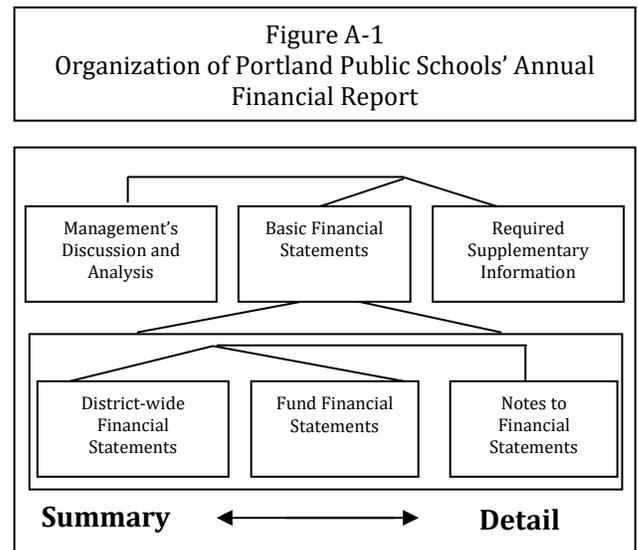
At June 30, 2021, the fund balance of the general fund was \$4,574,964. This is an increase of \$302,917 from the 2019-2020 fiscal year.

During the 2020-2021 fiscal year the District repaid \$1.81 million of principal from its long-term debt.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the District-wide statements.
- The *governmental funds* statements tell how *basic services* like regular and special education were financed in the *short-term* as well as what remains for future spending.



The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District’s budget for the year and related pension and other postemployment benefit information. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

<b>Figure A-2</b>		
<b>Major Features of District-wide and Fund Financial Statements</b>		
	District-wide Statements	Fund Financial Statements
		Governmental Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

### **DISTRICT-WIDE STATEMENTS**

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net assets include *all* of the District’s assets, deferred outflows, deferred inflows and liabilities. All of the current year’s revenues 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, deferred outflows, deferred inflows and liabilities - is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities:

- *Governmental activities* - Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

### **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds - not the District as a whole. 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 establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like food service, student/school activities and community services).

The District has two kinds of funds:

- *Governmental funds* - Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can 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 you determine whether there are more or fewer 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 District-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

Net position - The District's combined net position at the beginning of the fiscal year was (\$21,514,805) and on June 30, 2021 was (\$20,145,893) which represents a net increase of \$1,368,912.

<b>Table A-3</b>		
<b>Portland Public Schools' Net Position</b>		
	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Current and other assets	\$ 10,807,927	\$ 16,261,931
Capital assets, net of depreciation	43,378,410	38,879,979
Total assets	<u>54,186,337</u>	<u>55,141,910</u>
Deferred outflows of resources	<u>11,537,181</u>	<u>12,104,712</u>
Long-term obligations outstanding	35,624,780	37,513,577
Other liabilities	3,272,186	5,138,861
Net pension liability	35,061,630	32,804,510
Net other postemployment benefits liability	<u>5,505,110</u>	<u>7,010,903</u>
Total liabilities	<u>79,463,706</u>	<u>82,467,851</u>
Deferred inflows of resources	<u>6,405,705</u>	<u>6,293,576</u>
Net position		
Net investment in capital assets	10,514,209	9,461,135
Restricted for food service	493,480	125,597
Restricted for debt service	380,818	428,592
Unrestricted	<u>(31,534,400)</u>	<u>(31,530,129)</u>
Total net position	<u>\$ (20,145,893)</u>	<u>\$ (21,514,805)</u>

<b>Table A-4</b>		
<b>Changes to Portland Public Schools' Net Position</b>		
Revenues	2021	2020
Program revenues		
Charges for services	\$ 427,809	\$ 644,703
Operating grants and contributions	6,666,542	4,632,822
General revenues		
Property taxes	4,380,161	4,239,829
State aid - unrestricted	15,691,446	15,126,092
Other	459,039	413,486
Total revenues	<u>27,624,997</u>	<u>25,056,932</u>
Expenses		
Instruction	13,614,318	13,563,217
Support services	8,883,128	9,099,552
Community services	700,178	564,407
Food services	1,646,002	1,080,106
Student/school activities	162,581	336,601
Interest on long-term debt	1,249,878	1,230,145
Total expenses	<u>26,256,085</u>	<u>25,874,028</u>
Change in net position	<u>\$ 1,368,912</u>	<u>\$ (817,096)</u>

### **District Governmental Activities**

The District's financial condition is currently stable. The District has experienced a decrease in enrollment in 2020-2021 by of approximately 0.2%, or 5 students. Current enrollment is 2,118 in the current year compared to 2,123 in the prior year.

### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds:

#### Fund Balance

General fund	\$ 4,574,964
Capital projects – building and site	\$ 598,818
Debt service	\$ 579,098
Nonmajor funds	\$ 1,981,141

This is a combined fund balance of \$7,734,021 compared to a fund balance of \$11,333,383 in 2019-2020.

## General Fund and Budget Highlights:

During the 2020-2021 fiscal year, the District's budget was amended in the fall to reflect student count, staff changes, and teacher contract. Additional subsequent amendments were done to capture minor changes throughout the year.

Overall, the difference between the final general fund amended expenditure budget and end of the year actual figures amounted to approximately 3.7%, or \$799,325. District-wide cost containment in personnel, supplies, and energy accounted for a large share of these adjustments. Revenue received was more than the final June 30, 2021 Board adopted budget by approximately 0.43%, or \$94,009. This increase was primarily an adjustment to state funding after the budget was adopted.

## Capital Asset and Debt Administration

### Capital Assets

The District's capital assets are as follows:

	2021			2020
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 97,110	\$ -	\$ 97,110	\$ 97,110
Construction in progress	20,327,455	-	20,327,455	14,924,867
Buildings and improvements	40,664,892	20,161,668	20,503,224	22,208,976
Land improvements	2,082,294	904,152	1,178,142	344,275
Furniture and equipment	781,998	393,325	388,673	391,287
Buses and other vehicles	2,392,440	1,508,634	883,806	913,464
Total	<u>\$ 66,346,189</u>	<u>\$ 22,967,779</u>	<u>\$ 43,378,410</u>	<u>\$ 38,879,979</u>

### Long-term Obligations

At June 30, 2021, the District had approximately \$35.6 million in long-term obligations as shown in Table A-6. More detailed information is available in the notes to the financial statements.

During the year ended June 30, 2021, the District made principal payments in the amount of \$1.8 million.

**Table A-6**  
**Portland Public Schools' Outstanding Long-Term Obligations**

	2021	2020
General obligation bonds	\$ 35,048,063	\$ 36,983,607
Notes from direct borrowings and direct placements	1,052	1,021
Compensated absences	575,665	528,949
Total	<u>\$ 35,624,780</u>	<u>\$ 37,513,577</u>

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

**Foundation Allowance:** The State's per pupil foundation allowance will be \$8,700 for the 2021-2022 fiscal year. This is an increase of \$589 from the \$8,111 per pupil foundation allowance in 2020-2021. The District anticipates stable enrollment for 2021-2022. The original budget projected a fall 2021 enrollment of 2,110 students, an increase of 3 students from the fall of 2020.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our 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 information, contact the Business Office, Portland Public Schools, 1100 Ionia Rd, Portland, MI 48875.

## **BASIC FINANCIAL STATEMENTS**

**PORTLAND PUBLIC SCHOOLS  
STATEMENT OF NET POSITION  
JUNE 30, 2021**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,311,814
Receivables	
Accounts receivable	42,196
Intergovernmental receivables	4,282,620
Inventories	14,852
Prepays	467,285
Restricted cash and cash equivalents - capital projects	689,160
Capital assets not being depreciated	20,424,565
Capital assets, net of accumulated depreciation	22,953,845
TOTAL ASSETS	54,186,337
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding, net of amortization	514,600
Related to other postemployment benefits	2,941,394
Related to pensions	8,081,187
TOTAL DEFERRED OUTFLOWS OF RESOURCES	11,537,181
<b>LIABILITIES</b>	
Accounts payable	389,286
Accrued salaries and related items	1,503,920
Accrued retirement	524,190
Accrued interest	198,280
Unearned revenue	656,510
Noncurrent liabilities	
Due within one year	2,070,133
Due in more than one year	33,554,647
Net other postemployment benefits liability	5,505,110
Net pension liability	35,061,630
TOTAL LIABILITIES	79,463,706
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to other postemployment benefits	4,420,634
Related to pensions	637,695
Related to state aid funding for pension	1,347,376
TOTAL DEFERRED INFLOWS OF RESOURCES	6,405,705
<b>NET POSITION</b>	
Net investment in capital assets	10,514,209
Restricted for food service	493,480
Restricted for debt service	380,818
Unrestricted	(31,534,400)
TOTAL NET POSITION	\$ (20,145,893)

See notes to financial statements.

**PORTLAND PUBLIC SCHOOLS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 13,614,318	\$ -	\$ 3,281,899	\$ (10,332,419)
Support services	8,883,128	35,659	875,173	(7,972,296)
Community services	700,178	353,905	218,793	(127,480)
Food services	1,646,002	38,245	2,150,645	542,888
Student/school activities	162,581	-	140,032	(22,549)
Interest on long-term debt	1,249,878	-	-	(1,249,878)
Total governmental activities	<u>\$ 26,256,085</u>	<u>\$ 427,809</u>	<u>\$ 6,666,542</u>	<u>(19,161,734)</u>
General revenues				
Property taxes, levied for general purposes				1,410,988
Property taxes, levied for debt service				2,969,173
Investment earnings				7,632
State sources - unrestricted				15,691,446
Intermediate sources				203,859
Other				<u>247,548</u>
Total general revenues				<u>20,530,646</u>
CHANGE IN NET POSITION				1,368,912
NET POSITION, beginning of year				<u>(21,514,805)</u>
NET POSITION, end of year				<u>\$ (20,145,893)</u>

See notes to financial statements.

**PORTLAND PUBLIC SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2021**

	General Fund	Capital projects - Building and Site	Debt Service	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,483,084	\$ -	\$ 579,098	\$ 249,632	\$ 5,311,814
Receivables					
Accounts receivable	4,670	-	-	37,526	42,196
Intergovernmental receivables	3,955,347	-	-	327,273	4,282,620
Due from other funds	-	-	-	1,443,162	1,443,162
Inventories	-	-	-	14,852	14,852
Prepays	406,914	-	-	60,371	467,285
Cash and cash equivalents - restricted	-	689,160	-	-	689,160
TOTAL ASSETS	<u>\$ 8,850,015</u>	<u>\$ 689,160</u>	<u>\$ 579,098</u>	<u>\$ 2,132,816</u>	<u>\$ 12,251,089</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 202,752	\$ 90,342	\$ -	\$ 96,192	\$ 389,286
Accrued salaries and related items	1,486,238	-	-	17,682	1,503,920
Accrued retirement	520,271	-	-	3,919	524,190
Due to other funds	1,439,775	-	-	3,387	1,443,162
Unearned revenue	626,015	-	-	30,495	656,510
TOTAL LIABILITIES	<u>4,275,051</u>	<u>90,342</u>	<u>-</u>	<u>151,675</u>	<u>4,517,068</u>
<b>FUND BALANCES</b>					
Nonspendable					
Inventories	-	-	-	14,852	14,852
Prepays	406,914	-	-	60,371	467,285

See notes to financial statements.

	General Fund	Capital projects - Building and Site	Debt Service	Total Nonmajor Funds	Total Governmental Funds
FUND BALANCES (continued)					
Restricted for:					
Debt service	\$ -	\$ -	\$ 579,098	\$ -	\$ 579,098
Capital projects - building and site	-	598,818	-	-	598,818
Food service	-	-	-	624,528	624,528
Committed for:					
Student/school activities	-	-	-	246,245	246,245
Community service	-	-	-	35,145	35,145
Capital projects	-	-	-	1,000,000	1,000,000
Assigned for:					
Subsequent year expenditures	270,874	-	-	-	270,874
Unassigned	3,897,176	-	-	-	3,897,176
<b>TOTAL FUND BALANCES</b>	<b>4,574,964</b>	<b>598,818</b>	<b>579,098</b>	<b>1,981,141</b>	<b>7,734,021</b>
<b>LIABILITIES AND FUND BALANCES</b>	<b>\$ 8,850,015</b>	<b>\$ 689,160</b>	<b>\$ 579,098</b>	<b>\$ 2,132,816</b>	<b>\$ 12,251,089</b>
Total governmental fund balances					\$ 7,734,021
Amounts reported for governmental activities in the statement of net position are different because:					
Deferred outflows of resources - charges on refunding, net of amortization					514,600
Deferred outflows of resources - related to pensions					8,081,187
Deferred outflows of resources - related to other postemployment benefits					2,941,394
Deferred inflows of resources - related to pensions					(637,695)
Deferred inflows of resources - related to other postemployment benefits					(4,420,634)
Deferred inflows of resources - related to state funding for pension					(1,347,376)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:					
The cost of the capital assets is				\$ 66,346,189	
Accumulated depreciation is				(22,967,779)	
					43,378,410
Long-term liabilities are not due and payable in the current period and are not reported in the funds:					
General obligation bonds and notes from direct borrowing and direct placement					(35,049,115)
Compensated absences					(575,665)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid					(198,280)
Net other postemployment benefits liability					(5,505,110)
Net pension liability					(35,061,630)
<b>Net position of governmental activities</b>					<b>\$ (20,145,893)</b>

See notes to financial statements.

**PORTLAND PUBLIC SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2021**

	General Fund	Capital Projects - Building and Site	Debt Service	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>					
Local sources					
Property taxes	\$ 1,410,988	\$ -	\$ 2,969,173	\$ -	\$ 4,380,161
Transportation fees	2,175	-	-	-	2,175
Investment earnings	3,981	3,611	5	35	7,632
Food sales	-	-	-	38,195	38,195
Student/school activity income	33,484	-	-	140,032	173,516
Community service	9,519	-	-	344,386	353,905
Other	134,478	113,070	-	50	247,598
<b>Total local sources</b>	<b>1,594,625</b>	<b>116,681</b>	<b>2,969,178</b>	<b>522,698</b>	<b>5,203,182</b>
State sources	19,010,098	-	40,238	40,009	19,090,345
Federal sources	1,183,246	-	-	2,182,833	3,366,079
Intermediate districts and other	203,859	-	-	-	203,859
<b>TOTAL REVENUES</b>	<b>21,991,828</b>	<b>116,681</b>	<b>3,009,416</b>	<b>2,745,540</b>	<b>27,863,465</b>
<b>EXPENDITURES</b>					
Current					
Instruction	12,140,153	-	-	-	12,140,153
Supporting services	8,449,615	-	-	-	8,449,615
Community services	269,136	-	-	381,067	650,203
Student/school activities	-	-	-	162,581	162,581
Food service activities	-	-	-	1,580,404	1,580,404
Capital outlay	-	5,253,445	-	157,203	5,410,648
Debt service					
Principal repayment	-	-	1,805,000	-	1,805,000
Interest	-	-	1,261,880	-	1,261,880
Other	-	-	2,343	-	2,343
<b>TOTAL EXPENDITURES</b>	<b>20,858,904</b>	<b>5,253,445</b>	<b>3,069,223</b>	<b>2,281,255</b>	<b>31,462,827</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,132,924</b>	<b>(5,136,764)</b>	<b>(59,807)</b>	<b>464,285</b>	<b>(3,599,362)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	19,993	-	-	850,000	869,993
Transfers out	(850,000)	-	-	(19,993)	(869,993)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(830,007)</b>	<b>-</b>	<b>-</b>	<b>830,007</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>302,917</b>	<b>(5,136,764)</b>	<b>(59,807)</b>	<b>1,294,292</b>	<b>(3,599,362)</b>
<b>FUND BALANCES</b>					
Beginning of year	4,272,047	5,735,582	638,905	686,849	11,333,383
End of year	<u>\$ 4,574,964</u>	<u>\$ 598,818</u>	<u>\$ 579,098</u>	<u>\$ 1,981,141</u>	<u>\$ 7,734,021</u>

See notes to financial statements.

**PORTLAND PUBLIC SCHOOLS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES FO GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021**

<b>Net change in fund balances total governmental funds</b>	\$ (3,599,362)
Amounts reported for governmental activities in the statement of activities are because:	
Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(1,150,765)
Capital outlay	5,649,196
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 the year	210,313
Accrued interest payable, end of the year	(198,280)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:	
Payments on debt	1,805,000
Interest on the school bond loan fund	(31)
Amortization of deferred charges on refunding	(64,325)
Amortization of bond premium	130,544
Compensated absences 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:	
Accrued compensated absences, beginning of the year	528,949
Accrued compensated absences, end of the year	(575,665)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Other postemployment benefits related items	977,386
Pension related items	(2,105,580)
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension benefits contributions subsequent to the measurement period:	
Pension related items, beginning of year	1,108,908
Pension related items, end of year	(1,347,376)
<b>Change in net position of governmental activities</b>	<b>\$ 1,368,912</b>

**PORTLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

Reporting Entity

The Portland Public Schools (the "District") is governed by the Portland Public Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal 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 the accounting principles generally accepted in the United States of America. 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. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

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.

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

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds. Separate statements for each fund category - governmental - are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental fund:

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.

**PORTLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of Presentation - Fund Financial Statements (continued)

The District reports the following major governmental fund (continued):

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

The *capital project-building and site fund* accounts for the revenue and expenditures that are related to the net proceeds from the general obligation bonds used for school building and site purposes for Portland Public Schools.

The capital projects funds include capital projects 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.

The District issued \$11,640,000 of bonds on August 13, 2018, and \$9,225,000 of bonds on October 9, 2019 at which time all funds were available for the intended purpose of the bond issue. Beginning with the year of bond issuance, the District has reported annual construction activity in the capital projects - building and site fund. As of June 30, 2021, the bonds have been determined to be substantively completed. The cumulative revenues and expenditures recognized for the bond period are as follows:

	2018 & 2019 Bonds
Revenue and other financing sources	\$ 21,878,975
Expenditures and transfers	\$ 21,280,157

The above revenue figure does include the total bond proceeds and premium of \$21,381,111.

*Other nonmajor funds:*

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service, community service and student/school activities in the special revenue funds.

The *capital project fund* accounts for resources accumulated from transfers from the general fund for the acquisition of future capital assets of the District.

During the course of operations, the District 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, they are eliminated in the preparation of the government-wide financial statements.

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, they are eliminated in the preparation of the government-wide financial statements.

**PORTLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 process of preparing 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 expenses. 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.

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 the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are generally 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 debt 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. 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).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a state-wide 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 current year ended, the foundation allowance was based on pupil membership counts.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

**PORTLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Measurement Focus and Basis of Accounting (continued)

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 and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue. All other revenue items are generally considered to be measurable and available only when cash is received by the District.

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. The capital projects fund is appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing 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. Violations, if any, in the general fund are noted in the required supplementary information section.

**PORTLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Budgetary Information (continued)

Budgetary Basis of Accounting (continued)

4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to year ended June 30, 2021. The District does not consider these amendments to be significant.

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

*Cash and Cash Equivalents*

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

*Investments*

In accordance with Michigan Compiled Laws, the District is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

**PORTLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

*Investments (continued)*

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

*Inventories and Prepaid Items*

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments 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.

*Capital Assets*

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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. The other property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings and improvements	20 - 50
Land improvements	10 - 20
Furniture and equipment	5 - 20
Buses and other vehicles	5 - 10

**PORTLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

*Defined Benefit Plan*

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

*Deferred Outflows*

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. They are the deferred charge on refunding and pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

*Deferred Inflows*

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This 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 three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement period. The second and third items 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. The amounts are amortized over a period determined by the actuary.

*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.

In the computation of net invested in capital assets, school bond loan fund principal proceeds of \$1,000 are considered capital-related debt. Accrued interest on the school bond loan fund of \$31 has been included in the calculation of unrestricted net position.

**PORTLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

*Net Position Flow Assumption (continued)*

In addition, the District issued bonded debt in the amount of \$4,675,000 used to make principal and interest payments related to the school bond loan fund. As of June 30, 2021 the outstanding balance was \$3,605,000. Of this amount, approximately 30% of the proceeds are not considered capital related debt as this amount was used to pay off accrued interest. The allocation that is not considered capital related debt at June 30, 2021 is \$1,071,444.

*Fund Balance Flow Assumptions*

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

*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 Board of Education is the highest level of decision-making authority for the District that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education 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.

**PORTLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenues and Expenditures/Expenses**

*Program Revenues*

Amounts reported as *program revenues* 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 requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

*Property Taxes*

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual 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, 2021, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General Fund	
Non-Principal Residence Exemption (PRE)	18.00
Commercial Personal Property	6.00
Debt Service Fund	
PRE, Non-PRE, Commercial Personal Property	7.35

*Compensated Absences*

The District's policy permits employees to accumulate earned, but unused, vacation and other leave time, based on the length of service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

*Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs 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 issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**PORTLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS**

As of June 30, 2021 the District had deposits and investments subject to the following risk:

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of June 30, 2021, \$784,038 of the District’s bank balance of \$1,284,038 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$1,078,220.

**Custodial credit risk - investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

**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.

Investment Type	Fair Value	Weighted Average Maturity (years)
MILAF+ MAX Class	\$ 4,922,754	N/A

**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. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Investment Type	Fair Value	Rating	Rating Agency
MILAF+ MAX Class	\$ 4,922,754	AAAm	Standard & Poor's

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

**PORTLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

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

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The District does not have any investments subject to fair value measurement.

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.

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

	Amortized Cost
MILAF+ MAX Class	<u>\$ 4,922,754</u>

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1.

**PORTLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

The following summarizes the categorization of these amounts as of June 30, 2021:

	Primary Government
Cash and cash equivalents	\$ 5,311,814
Restricted cash and cash equivalents	689,160
	\$ 6,000,974

**NOTE 3 - CAPITAL ASSETS**

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

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 97,110	\$ -	\$ -	\$ 97,110
Construction in progress	14,924,867	5,402,588	-	20,327,455
Total capital assets, not being depreciated	15,021,977	5,402,588	-	20,424,565
Capital assets, being depreciated				
Buildings and improvements	41,558,208	-	893,316	40,664,892
Land improvements	2,082,294	-	-	2,082,294
Furniture and equipment	5,478,705	87,638	4,784,345	781,998
Buses and other vehicles	2,340,351	158,970	106,881	2,392,440
Total capital assets, being depreciated	51,459,558	246,608	5,784,542	45,921,624
Accumulated depreciation				
Buildings and improvements	19,349,232	812,436	-	20,161,668
Land improvements	1,738,019	59,449	893,316	904,152
Furniture and equipment	5,087,418	90,252	4,784,345	393,325
Buses and other vehicles	1,426,887	188,628	106,881	1,508,634
Total accumulated depreciation	27,601,556	1,150,765	5,784,542	22,967,779
Net capital assets being depreciated	23,858,002	(904,157)	-	22,953,845
Net governmental capital assets	\$ 38,879,979	\$ 4,498,431	\$ -	\$ 43,378,410

**PORTLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - CAPITAL ASSETS (continued)**

Depreciation expense was charged to the District as follows:

Governmental activities	
Instruction	\$ 690,459
Support services	402,768
Food service	<u>57,538</u>
Total governmental activities	<u><u>\$ 1,150,765</u></u>

**NOTE 4 - INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables at June 30, 2021 consist of the following:

Governmental units	
State aid	\$ 3,533,735
Federal revenue	678,969
Intermediate districts	<u>69,916</u>
	<u><u>\$ 4,282,620</u></u>

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

**NOTE 5 - LONG-TERM OBLIGATIONS**

The following is a summary of long-term obligations for the District for the year ended June 30, 2021:

	Compensated Absences	General Obligation Bonds	Notes from Direct Borrowings and Direct Placements	Total
Balance, July 1, 2020	\$ 528,949	\$ 36,983,607	\$ 1,021	\$ 37,513,577
Additions	55,314	-	31	55,345
Deletions	<u>(8,598)</u>	<u>(1,935,544)</u>	-	<u>(1,944,142)</u>
Balance, June 30, 2021	575,665	35,048,063	1,052	35,624,780
Due within one year	<u>115,133</u>	<u>1,955,000</u>	-	<u>2,070,133</u>
Due in more than one year	<u><u>\$ 460,532</u></u>	<u><u>\$ 33,093,063</u></u>	<u><u>\$ 1,052</u></u>	<u><u>\$ 33,554,647</u></u>

Interest expense for the year ended June 30, 2021 was approximately \$1,262,000.

**PORTLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM OBLIGATIONS (continued)**

Long-term obligations at June 30, 2021 are comprised of the following:

**General Obligation Bonds**

\$5,990,000 2011 Refunding Bonds due in annual installments ranging from \$1,180,000 to \$1,230,000 through May 1, 2024, with interest of 4.00%.	\$ 3,590,000
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\$5,735,000 2016 Refunding Bonds, due in annual installments ranging from \$1,135,000 to \$1,165,000 through May 1, 2029, with interest of 4.00%.	5,735,000
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\$11,640,000 2018 Building and Site Bonds, due in annual installments ranging from \$250,000 to \$1,590,000 through May 1, 2046, with interest ranging from 3.00% of 5.00%.	11,640,000
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\$4,675,000 2019 Refunding Bonds, due in annual installments ranging from \$540,000 to \$775,000 through May 1, 2028, with interest ranging from 4.00% to 5.00%.	3,605,000
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\$9,225,000 2019 Building and Site Bonds, due in annual installments ranging from \$410,000 to \$565,000 through May 1, 2046, with interest ranging from 4.00% of 5.00%.	9,225,000
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Plus issuance premiums	1,253,063
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Total general obligation bonds	<u>35,048,063</u>
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**Notes from Direct Borrowings and Direct Placements**

Borrowings from the State of Michigan under the School Bond Loan Fund Program, including interest at 3.00% at June 30, 2021.	1,052
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Total notes from direct borrowings and direct placements	<u>1,052</u>
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Total general obligation bonds and notes from direct borrowings and direct placements	35,049,115
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Compensated absences	575,665
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Total general long-term obligations	<u><u>\$ 35,624,780</u></u>
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**PORTLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM OBLIGATIONS (continued)**

Borrowing from the State of Michigan - The school bond loan fund payable represents notes payable to the State of Michigan for loans made to the school district, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. Interest rate assessed at June 30, 2021 was 3.00% for the School Bond Loan Fund notes. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 7.35 mills. The school district is required to levy 7.35 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. The District currently levies 7.35 debt mills. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the following amortization schedule. The state may apply a default late charge on the note if the District does not make the repayments, or apply the default late charge if the District fails to levy the appropriate debt mills. The state may also withhold state aid payments if the District is in default.

The annual requirements to amortize long-term obligations outstanding, exclusive of compensated absences, as of June 30, 2021, including interest are as follows:

Year Ending June 30,	General Obligation Bonds		Notes from Direct Borrowings and Direct Placements		Compensated Absences	Total
	Principal	Interest	Principal	Interest		
2022	\$ 1,955,000	\$ 1,189,680	\$ -	\$ -	\$ -	\$ 3,144,680
2023	2,770,000	1,111,480	-	-	-	3,881,480
2024	2,525,000	984,780	-	-	-	3,509,780
2025	1,950,000	876,230	-	-	-	2,826,230
2026	1,990,000	795,680	-	-	-	2,785,680
2027 - 2031	7,195,000	2,912,940	-	-	-	10,107,940
2032- 2036	4,425,000	2,076,646	-	-	-	6,501,646
2037 - 2041	5,105,000	1,411,860	-	-	-	6,516,860
2042 - 2046	5,880,000	578,434	-	-	-	6,458,434
	<u>33,795,000</u>	<u>11,937,730</u>	-	-	-	<u>45,732,730</u>
Issuance premium	1,253,063	-	-	-	-	1,253,063
School bond loan fund	-	-	1,000	52	-	1,052
Compensated absences	-	-	-	-	575,665	575,665
	<u>\$ 35,048,063</u>	<u>\$ 11,937,730</u>	<u>\$ 1,000</u>	<u>\$ 52</u>	<u>\$ 575,665</u>	<u>\$ 47,562,510</u>

**PORTLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS**

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (System) 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/orsschools](http://www.michigan.gov/orsschools).

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 option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

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

Benefits Provided - Overall

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 the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

**PORTLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Pension Reform 2010

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

Pension Reform 2012

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

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

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

Option 1 - Members voluntarily elected to increase their contributions to the pension fund as noted below and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they 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 transient 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 thereafter would include a 1.25% pension factor.

Option 3 - Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

**PORTLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Pension Reform 2012 (continued)

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 two years, 75% at three years, and 100% at four years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. 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 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 closed the Pension Plus plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 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 Pension Plus 2 plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included 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 health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

**PORTLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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 five years of credited service provided member worked through 60<sup>th</sup> birthday and has credited service in each of the last five 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% - 7% for pension and 0% - 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 pension benefits and OPEB. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

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

**PORTLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Employer Contributions (continued)

Pension and OPEB contributions made in the fiscal year ending September 30, 2020 were determined as of the September 30, 2017 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2017 are amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

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

	Pension	Other Postemployment Benefit
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%

The District's pension contributions for the year ended June 30, 2021 were equal to the required contribution total. Total pension contributions were approximately \$3,140,000. Of the total pension contributions approximately \$3,067,000 was contributed to fund the Defined Benefit Plan and approximately \$73,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2021 were equal to the required contribution total. Total OPEB contributions were approximately \$874,000. Of the total OPEB contributions approximately \$817,000 was contributed to fund the Defined Benefit Plan and approximately \$57,000 was contributed to fund the Defined Contribution Plan.

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

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

*Pension Liabilities*

The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2019 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.

**PORTLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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

*Pension Liabilities (continued)*

<u>MPERS (Plan) Non-university Employers</u>	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Total pension liability	\$ 85,290,583,799	\$ 83,442,507,212
Plan fiduciary net position	\$ 50,939,496,006	\$ 50,325,869,388
Net pension liability	\$ 34,351,087,793	\$ 33,116,637,824
Proportionate share	0.10207%	0.09906%
Net pension liability for the District	\$ 35,061,630	\$ 32,804,510

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

For the year ended June 30, 2021, the District recognized pension expense of \$5,234,732.

At June 30, 2021, the Reporting Unit 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>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 693,334	\$ 562,861
Differences between expected and actual experience	535,713	74,834
Changes of assumptions	3,885,167	-
Net difference between projected and actual plan investments earnings	147,313	-
Reporting Unit's contributions subsequent to the measurement date	<u>2,819,660</u>	<u>-</u>
	<u>\$ 8,081,187</u>	<u>\$ 637,695</u>

\$2,819,660, reported as deferred outflows of resources related to pensions resulting from District employer 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 Ending September 30,</u>	<u>Amount</u>
2021	\$ 2,001,942
2022	1,418,356
2023	874,813
2024	328,721

**PORTLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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

*OPEB Liabilities*

The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2019 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.

<u>MPERS (Plan) Non-university Employers</u>	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Total other postemployment benefit liability	\$ 13,206,903,534	\$ 13,925,860,688
Plan fiduciary net position	\$ 7,849,636,555	\$ 6,748,112,668
Net other postemployment benefit liability	\$ 5,357,266,979	\$ 7,177,748,020
Proportionate share	0.10276%	0.09768%
Net other postemployment benefit liability for the District	\$ 5,505,110	\$ 7,010,903

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

For the year ended June 30, 2021, the District recognized OPEB benefit of \$131,410.

At June 30, 2021, the Reporting Unit 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>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 370,934	\$ 318,812
Differences between expected and actual experience	-	4,101,822
Changes of assumptions	1,815,144	-
Net difference between projected and actual plan investments earnings	45,946	-
Reporting Unit's contributions subsequent to the measurement date	709,370	-
	<u>\$ 2,941,394</u>	<u>\$ 4,420,634</u>

**PORTLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)*

\$709,370, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30,	Amount
2021	\$ (637,584)
2022	(571,034)
2023	(449,591)
2024	(316,104)
2025	(214,297)

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 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% - 11.55%, including wage inflation at 2.75%.

**Inflation** - 3.0%.

**Mortality Assumptions:**

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

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

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

**Experience Study** - The annual actuarial valuation report of the System used for these statements is dated September 30, 2019. 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, 2018 Comprehensive Annual Financial Report.

**PORTLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Actuarial Assumptions (continued)

**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** - 7.0% for year one and graded to 3.5% in year fifteen.

**Additional Assumptions for Other Postemployment Benefit Only - Applies to Individuals Hired Before September 4, 2012:**

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

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

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

The target asset allocation at September 30, 2020 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	25.0%	5.6%
International Equity Pools	15.0%	7.4%
Private Equity Pools	16.0%	9.3%
Real Estate and Infrastructure Pools	10.0%	4.9%
Fixed Income Pools	10.5%	0.5%
Absolute Return Pools	9.0%	3.2%
Real Return/Opportunistic Pools	12.5%	6.6%
Short Term Investment Pools	2.0%	-1.0%
	<u>100.0%</u>	

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

**Rate of Return** - For fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.37% and 5.24% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**PORTLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Actuarial Assumptions (continued)

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

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

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the Reporting Unit'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 Reporting Unit'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
Reporting Unit's proportionate share of the net pension liability	\$ 45,381,332	\$ 35,061,630	\$ 26,508,897

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate** - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 6.95%, as well as what the Reporting Unit'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:

	Other Postemployment Benefits		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the liability	\$ 7,071,940	\$ 5,505,110	\$ 4,185,971

**PORTLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Actuarial Assumptions (continued)

**Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates** - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.0% (decreasing to 3.5%), as well as what the Reporting Unit'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:

	Other Postemployment Benefits		
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the liability	\$ 4,135,464	\$ 5,505,110	\$ 7,062,914

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2020 Comprehensive Annual Financial Report.

**Payable to the Pension and OPEB Plan** - At year end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

**NOTE 7 - RISK MANAGEMENT**

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the 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 pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including property and casualty errors and omissions, fleet and employee health and accident insurance.

**PORTLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - CONTINGENT LIABILITIES**

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

**NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund payable and receivable balance at June 30, 2021 are as follows:

Receivable Fund		Payable Fund	
Nonmajor funds		Major fund	
Food service	\$ 425,010	General fund	\$ 1,439,775
Capital projects	1,000,000	Nonmajor fund	
Community service	18,152	Student/school activities	3,387
	\$ 1,443,162		\$ 1,443,162

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 accounting system, and (3) payments between funds are made.

**NOTE 10 - TRANSFERS**

Interfund transfer balances at June 30, 2021 are as follows:

Transfer In		Transfer Out	
Major fund		Major fund	
General fund	\$ 19,993	General fund	\$ 850,000
Nonmajor funds		Nonmajor funds	
Capital projects	850,000	Food service	13,224
	\$ 869,993	Student/school activities	6,769
			\$ 869,993

The general fund transferred to the nonmajor capital project fund to set funds aside for future capital needs. The food service fund transferred to the general fund for indirect cost reimbursement. Student/school activities fund transferred to general fund for reimbursement of service provided.

**PORTLAND PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. 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. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2021-2022 fiscal year.

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION**

**PORTLAND PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Local sources	\$ 1,462,569	\$ 1,533,815	\$ 1,594,625	\$ 60,810
State sources	16,907,608	18,917,101	19,010,098	92,997
Federal sources	271,464	1,261,090	1,183,246	(77,844)
Intermediate districts and other	159,193	185,813	203,859	18,046
<b>TOTAL REVENUES</b>	<b>18,800,834</b>	<b>21,897,819</b>	<b>21,991,828</b>	<b>94,009</b>
<b>EXPENDITURES</b>				
Current				
Instruction				
Basic programs	9,644,027	9,913,284	9,845,947	67,337
Added needs	2,059,375	2,060,608	1,921,606	139,002
Adult and continuing education	358,979	377,508	372,600	4,908
Total instruction	<b>12,062,381</b>	<b>12,351,400</b>	<b>12,140,153</b>	<b>211,247</b>
Supporting services				
Pupil	896,723	948,984	903,807	45,177
Instructional staff	813,201	1,171,213	1,139,201	32,012
General administration	387,653	396,385	370,202	26,183
School administration	1,564,489	1,569,272	1,495,433	73,839
Business	328,997	316,668	338,845	(22,177)
Operations and maintenance	1,633,714	1,997,696	1,952,759	44,937
Pupil transportation services	1,075,351	1,326,618	1,056,705	269,913
Central	477,554	557,126	503,722	53,404
Other	748,585	750,428	688,941	61,487
Total supporting services	<b>7,926,267</b>	<b>9,034,390</b>	<b>8,449,615</b>	<b>584,775</b>
Community service	280,465	272,439	269,136	3,303
<b>TOTAL EXPENDITURES</b>	<b>20,269,113</b>	<b>21,658,229</b>	<b>20,858,904</b>	<b>799,325</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,468,279)</b>	<b>239,590</b>	<b>1,132,924</b>	<b>893,334</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	29,500	33,825	19,993	(13,832)
Transfers out	-	(150,000)	(850,000)	(700,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>29,500</b>	<b>(116,175)</b>	<b>(830,007)</b>	<b>(713,832)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (1,438,779)</b>	<b>\$ 123,415</b>	<b>302,917</b>	<b>\$ 179,502</b>
<b>FUND BALANCE</b>				
Beginning of year			4,272,047	
End of year			<b>\$ 4,574,964</b>	

**PORTLAND PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN  
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	2020	2019	2018	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.10207%	0.09906%	0.10134%	0.10268%	0.10125%	0.09446%	0.09588%
Reporting Unit's proportionate share of net pension liability	\$ 35,061,630	\$ 32,804,510	\$ 30,463,347	\$ 26,609,771	\$ 25,261,331	\$ 23,073,004	\$ 21,119,324
Reporting Unit's covered-employee payroll	\$ 9,148,983	\$ 8,578,414	\$ 8,556,899	\$ 8,523,502	\$ 8,773,466	\$ 7,865,628	\$ 8,171,311
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	383.23%	382.41%	356.01%	312.19%	287.93%	293.34%	258.46%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, reporting units should present information for those years for which information is available.

**PORTLAND PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN  
LAST 10 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	\$ 3,066,832	\$ 2,694,750	\$ 2,645,988	\$ 2,533,121	\$ 2,380,674	\$ 2,175,952	\$ 1,765,249
Contributions in relation to statutorily required contributions	3,066,832	2,694,750	2,645,988	2,533,121	2,380,674	2,175,952	1,765,249
Contribution deficiency (excess)	<u>\$ -</u>						
Reporting Unit's covered-employee payroll	\$ 9,262,497	\$ 9,136,344	\$ 8,689,652	\$ 8,517,284	\$ 8,549,209	\$ 8,451,717	\$ 8,171,984
Contributions as a percentage of covered-employee payroll	33.11%	29.49%	30.45%	29.74%	27.85%	25.75%	21.60%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, reporting units should present information for those years for which information is available.

**PORTLAND PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S  
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN  
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting Unit's proportion of net OPEB liability (%)	0.10276%	0.09768%	0.10035%	0.10250%
Reporting Unit's proportionate share of net OPEB liability	\$ 5,505,110	\$ 7,010,903	\$ 7,976,983	\$ 9,077,282
Reporting Unit's covered-employee payroll	\$ 9,148,983	\$ 8,578,414	\$ 8,556,899	\$ 8,523,502
Reporting Unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll (%)	60.17%	81.73%	93.22%	106.50%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	59.44%	48.46%	42.95%	36.39%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, reporting units should present information for those years for which information is available.

**PORTLAND PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN  
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 816,535	\$ 749,145	\$ 677,049	\$ 667,779
Contributions in relation to statutorily required contributions	<u>816,535</u>	<u>749,145</u>	<u>677,049</u>	<u>667,779</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 9,262,497	\$ 9,136,344	\$ 8,689,652	\$ 8,517,284
Contributions as a percentage of covered-employee payroll	8.82%	8.20%	7.79%	7.84%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, reporting units should present information for those years for which information is available.

**PORTLAND PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2021**

**NOTE 1 - PENSION INFORMATION**

Benefit changes - there were no changes of benefit terms in 2020.

Changes of assumptions - there were no changes of assumptions in 2020.

**NOTE 2 - OPEB INFORMATION**

Benefit changes - there were no changes of benefit terms in 2020.

Changes of assumptions - the assumption changes for 2020 were:

Healthcare cost trend rate decreased to 7.00% Year 1 graded to 3.50% Year 15 from 7.50% Year 1 graded to 3.50% Year 12.

## **ADDITIONAL SUPPLEMENTARY INFORMATION**

**PORTLAND PUBLIC SCHOOLS  
COMBINING BALANCE SHEETS  
NONMAJOR GOVERNMENTAL FUND TYPES  
JUNE 30, 2021**

	Special Revenue				Total Nonmajor Funds
	Food Service	Student/ School Activities	Community Services	Capital Projects	
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 249,632	\$ -	\$ -	\$ 249,632
Accounts receivable	-	-	37,526	-	37,526
Intergovernmental receivables	327,273	-	-	-	327,273
Due from other funds	425,010	-	18,152	1,000,000	1,443,162
Inventories	14,852	-	-	-	14,852
Prepays	60,000	-	371	-	60,371
	<b>\$ 827,135</b>	<b>\$ 249,632</b>	<b>\$ 56,049</b>	<b>\$ 1,000,000</b>	<b>\$ 2,132,816</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 95,366	\$ -	\$ 826	\$ -	\$ 96,192
Accrued salaries and related items	1,894	-	15,788	-	17,682
Accrued retirement	-	-	3,919	-	3,919
Due to other funds	-	3,387	-	-	3,387
Unearned revenue	30,495	-	-	-	30,495
	<b>127,755</b>	<b>3,387</b>	<b>20,533</b>	<b>-</b>	<b>151,675</b>
<b>FUND BALANCES</b>					
Nonspendable					
Inventories	14,852	-	-	-	14,852
Prepays	60,000	-	371	-	60,371
Restricted for:					
Food service	624,528	-	-	-	624,528
Committed for:					
Student/school activities	-	246,245	-	-	246,245
Community services	-	-	35,145	-	35,145
Capital projects	-	-	-	1,000,000	1,000,000
	<b>699,380</b>	<b>246,245</b>	<b>35,516</b>	<b>1,000,000</b>	<b>1,981,141</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 827,135</b>	<b>\$ 249,632</b>	<b>\$ 56,049</b>	<b>\$ 1,000,000</b>	<b>\$ 2,132,816</b>

**PORTLAND PUBLIC SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 2021**

	Special Revenue				Total Nonmajor Funds
	Food Service	Student/ School Activities	Community Services	Capital Projects	
<b>REVENUES</b>					
Local sources					
Investment earnings	\$ -	\$ 35	\$ -	\$ -	\$ 35
Food sales	38,195	-	-	-	38,195
Student/school activity income	-	140,032	-	-	140,032
Community service	-	-	344,386	-	344,386
Other	50	-	-	-	50
Total local sources	38,245	140,067	344,386	-	522,698
State sources	40,009	-	-	-	40,009
Federal sources	2,110,636	-	72,197	-	2,182,833
TOTAL REVENUES	2,188,890	140,067	416,583	-	2,745,540
<b>EXPENDITURES</b>					
Current					
Salaries and wages	20,808	-	250,523	-	271,331
Employee benefits	1,619	-	81,370	-	82,989
Purchased services	709,795	-	3,918	-	713,713
Materials and supplies	846,912	-	10,378	-	857,290
Other	1,270	162,581	34,878	-	198,729
Capital outlay	157,203	-	-	-	157,203
TOTAL EXPENDITURES	1,737,607	162,581	381,067	-	2,281,255
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>					
	451,283	(22,514)	35,516	-	464,285
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	850,000	850,000
Transfers out	(13,224)	(6,769)	-	-	(19,993)
TOTAL OTHER FINANCING SOURCES (USES)	(13,224)	(6,769)	-	850,000	830,007
<b>NET CHANGE IN FUND BALANCES</b>					
	438,059	(29,283)	35,516	850,000	1,294,292
<b>FUND BALANCES</b>					
Beginning of year	261,321	275,528	-	150,000	686,849
End of year	\$ 699,380	\$ 246,245	\$ 35,516	\$ 1,000,000	\$ 1,981,141

**PORTLAND PUBLIC SCHOOLS  
BONDED DEBT  
JUNE 30, 2021**

2011 Refunding Bond

Principal Due May 1,	Interest Due		June 30,	Amount
	May 1,	November 1,		
\$ 1,180,000	\$ 71,800	\$ 71,800	2022	\$ 1,323,600
1,180,000	48,200	48,200	2023	1,276,400
<u>1,230,000</u>	<u>24,600</u>	<u>24,600</u>	2024	<u>1,279,200</u>
<u><u>\$ 3,590,000</u></u>	<u><u>\$ 144,600</u></u>	<u><u>\$ 144,600</u></u>		<u><u>\$ 3,879,200</u></u>

**PORTLAND PUBLIC SCHOOLS  
BONDED DEBT  
JUNE 30, 2021**

2016 Refunding Bond

Principal Due May 1,	Interest Due			Amount
	May 1,	November 1,	June 30,	
\$ -	\$ 114,700	\$ 114,700	2022	\$ 229,400
-	114,700	114,700	2023	229,400
-	114,700	114,700	2024	229,400
1,140,000	114,700	114,700	2025	1,369,400
1,165,000	91,900	91,900	2026	1,348,800
1,150,000	68,600	68,600	2027	1,287,200
1,145,000	45,600	45,600	2028	1,236,200
1,135,000	22,700	22,700	2029	1,180,400
<u>\$ 5,735,000</u>	<u>\$ 687,600</u>	<u>\$ 687,600</u>		<u>\$ 7,110,200</u>

**PORTLAND PUBLIC SCHOOLS  
BONDED DEBT  
JUNE 30, 2021**

2018 Building and Site Bonds

Principal Due May 1,	Interest Due			Amount
	May 1,	November 1,	June 30,	
\$ -	\$ 225,416	\$ 225,416	2022	\$ 450,832
1,590,000	225,416	225,416	2023	2,040,832
255,000	185,666	185,666	2024	626,332
255,000	179,291	179,291	2025	613,582
250,000	172,916	172,916	2026	595,832
250,000	166,666	166,666	2027	583,332
250,000	160,416	160,416	2028	570,832
-	154,166	154,166	2029	308,332
400,000	154,166	154,166	2030	708,332
405,000	148,466	148,466	2031	701,932
410,000	141,838	141,838	2032	693,676
425,000	135,175	135,175	2033	695,350
440,000	128,269	128,269	2034	696,538
455,000	121,119	121,119	2035	697,238
470,000	113,441	113,441	2036	696,882
490,000	105,509	105,509	2037	701,018
505,000	96,934	96,934	2038	698,868
525,000	88,097	88,097	2039	701,194
545,000	78,909	78,909	2040	702,818
565,000	69,031	69,031	2041	703,062
585,000	58,791	58,791	2042	702,582
605,000	48,188	48,188	2043	701,376
630,000	36,844	36,844	2044	703,688
655,000	25,031	25,031	2045	705,062
680,000	12,750	12,750	2046	705,500
<u>\$ 11,640,000</u>	<u>\$ 3,032,511</u>	<u>\$ 3,032,511</u>		<u>\$ 17,705,022</u>

**PORTLAND PUBLIC SCHOOLS  
BONDED DEBT  
JUNE 30, 2021**

2019 Refunding Bonds

Principal Due May 1,	Interest Due			Amount
	May 1,	November 1,	June 30,	
\$ 775,000	\$ 61,515	\$ 61,515	2022	\$ 898,030
-	46,015	46,015	2023	92,030
540,000	46,015	46,015	2024	632,030
555,000	35,215	35,215	2025	625,430
575,000	24,115	24,115	2026	623,230
580,000	12,615	12,615	2027	605,230
580,000	6,380	6,380	2028	592,760
<u>\$ 3,605,000</u>	<u>\$ 231,870</u>	<u>\$ 231,870</u>		<u>\$ 4,068,740</u>

**PORTLAND PUBLIC SCHOOLS  
BONDED DEBT  
JUNE 30, 2021**

2019 Building and Site Bonds

Principal Due May 1,	Interest Due			Amount
	May 1,	November 1,	June 30,	
\$ -	\$ 121,409	\$ 121,409	2022	\$ 242,818
-	121,409	121,409	2023	242,818
500,000	121,409	121,409	2024	742,818
-	108,909	108,909	2025	217,818
-	108,909	108,909	2026	217,818
-	108,909	108,909	2027	217,818
-	108,909	108,909	2028	217,818
475,000	108,909	108,909	2029	692,818
410,000	97,034	97,034	2030	604,068
415,000	92,934	92,934	2031	600,868
425,000	88,784	88,784	2032	602,568
435,000	84,534	84,534	2033	604,068
445,000	79,913	79,913	2034	604,826
455,000	75,184	75,184	2035	605,368
465,000	70,066	70,066	2036	605,132
475,000	64,834	64,834	2037	604,668
485,000	59,491	59,491	2038	603,982
495,000	53,731	53,731	2039	602,462
505,000	47,853	47,853	2040	600,706
515,000	41,541	41,541	2041	598,082
525,000	35,103	35,103	2042	595,206
535,000	28,541	28,541	2043	592,082
545,000	21,853	21,853	2044	588,706
555,000	14,700	14,700	2045	584,400
565,000	7,416	7,416	2046	579,832
<u>\$ 9,225,000</u>	<u>\$ 1,872,284</u>	<u>\$ 1,872,284</u>		<u>\$ 12,969,568</u>

**PORTLAND PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (unearned) Revenue 7/1/2020	(Memo Only) Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Cash Receipts	Accrued (unearned) Revenue 6/30/2021
<b><u>U.S. Department of Agriculture</u></b>									
Passed through Michigan Department of Education									
Child Nutrition Cluster									
Non-cash assistance (donated foods)									
Entitlement Donated Foods	10.555	N/A	\$ 144,688	\$ -	\$ -	\$ -	\$ 144,688	\$ 144,688	\$ -
Entitlement Donated Foods - Bonus		N/A	7,356	-	-	-	7,356	7,356	-
Total non-cash assistance			152,044	-	-	-	152,044	152,044	-
Cash Assistance									
National School Lunch Program	10.555	201960	284,416	81,908	-	(81,908)	-	-	-
COVID-19 - National School Lunch Program		200902	128,755	-	-	128,755	-	128,755	-
			413,171	81,908	-	46,847	-	128,755	-
Total CFDA #10.555			565,215	81,908	-	46,847	152,044	280,799	-
School Breakfast Program	10.553	201970	108,697	46,847	-	(46,847)	-	-	-
COVID- 19 Summer Food Service Program for Children	10.559	210904	1,840,056	-	-	-	1,840,056	1,512,783	327,273
Summer Food Service Program for Children		200904	118,535	-	-	-	118,536	118,536	-
Total CFDA #10.559			1,958,591	-	-	-	1,958,592	1,631,319	327,273
Total cash assistance			2,480,459	128,755	-	-	1,958,592	1,760,074	327,273
Total Child Nutrition Cluster			2,632,503	128,755	-	-	2,110,636	1,912,118	327,273
Total U.S. Department of Agriculture			2,632,503	128,755	-	-	2,110,636	1,912,118	327,273
<b><u>U.S. Department of Education</u></b>									
Passed through Michigan Department of Education									
Adult Education	84.002	211130-211924	24,500	-	-	-	24,500	-	24,500
Adult Education		201130-201924	146,264	17,370	17,370	-	-	17,370	-
Total CFDA #84.002			170,764	17,370	17,370	-	24,500	17,370	24,500
Title I Grants to Local Educational Agencies	84.010	211530-2021	155,458	-	-	-	145,143	-	145,143
Title I Grants to Local Educational Agencies		201530-1920	146,264	135,869	135,869	-	-	135,869	-
Total CFDA #84.010			301,722	135,869	135,869	-	145,143	135,869	145,143
Supporting Effective Instruction State Grants	84.367	210520-2021	57,987	-	-	-	47,352	-	47,352
Supporting Effective Instruction State Grants		200520-1920	42,617	26,026	26,026	-	-	26,026	-
Total CFDA #84.367			100,604	26,026	26,026	-	47,352	26,026	47,352
Student Support and Academic Enrichment	84.424	210750-2021	10,000	-	-	-	10,000	-	10,000
Student Support and Academic Enrichment		200750-1920	11,168	11,168	11,168	-	-	11,168	-
Total CFDA #84.424			21,168	11,168	11,168	-	10,000	11,168	10,000
Education Stabilization Fund									
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER I)	84.425D	203710-1920	119,703	-	-	-	119,703	-	119,703

**PORTLAND PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (unearned) Revenue 7/1/2020	(Memo Only) Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Cash Receipts	Accrued (unearned) Revenue 6/30/2021
<u>U.S. Department of Education</u>									
Passed through Ionia County ISD Special Education Cluster Special Education Flowthrough	84.027	210450-2021	\$ 35,877	\$ -	\$ -	\$ -	\$ 35,877	\$ 30,879	\$ 4,998
Total U.S. Department of Education			749,838	190,433	190,433	-	382,575	221,312	351,696
<u>U.S. Department of Health and Human Services</u>									
Passed through Michigan Department of Education CCDF Cluster COVID-19 Child Care and Development Block Grant	93.575	N/A	12,600	12,600	-	-	-	12,600	-
<u>U.S. Department of Treasury</u>									
Passed through Michigan Department of Education COVID-19 Coronavirus Relief Funds	21.019	11(p)	742,913	-	-	-	742,913	742,913	-
COVID-19 Coronavirus Relief Funds		103(2)	26,150	-	-	-	26,150	26,150	-
Total Passed through Michigan Department of Education			769,063	-	-	-	769,063	769,063	-
Passed through MAISA/Copper County ISD COVID-19 Coronavirus Relief Funds - MiConnect Connectivity Funding	21.019	N/A	31,608	-	-	-	31,608	31,608	-
Total CFDA #21.019			800,671	-	-	-	800,671	800,671	-
Total U.S. Department of Treasury			800,671	-	-	-	800,671	800,671	-
<b>TOTAL FEDERAL AWARDS</b>			<b>\$ 4,195,612</b>	<b>\$ 331,788</b>	<b>\$ 190,433</b>	<b>\$ -</b>	<b>\$ 3,293,882</b>	<b>\$ 2,946,701</b>	<b>\$ 678,969</b>

**PORTLAND PUBLIC SCHOOLS  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Portland Public Schools under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Portland Public Schools, it is not intended to and does not present the financial position or changes in net position of Portland Public Schools.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Portland Public Schools has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Management has utilized the Cash Management System (CMS) and Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. The District does not pass through federal awards.

**NOTE 3 - RECONCILING WITH AUDITED FINANCIAL STATEMENTS**

Federal expenditures are reported as revenue in the following funds in the financial statements for the year ending June 30, 2021:

General fund	\$ 1,183,246
Other nonmajor governmental funds	<u>2,182,833</u>
Total federal revenue in the fund financial statements	3,366,079
Less federal assistance funding not subject to single audit act	<u>(72,197)</u>
Expenditures per schedule of expenditures of federal awards	<u><u>\$ 3,293,882</u></u>

**NOTE 4 - ADJUSTMENTS**

Adjustments were made to CFDA #10.555 and 10.553 for prior year June meal requests that were reimbursed under a different grant number due to the funding under the unanticipated school closure.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education  
Portland Public Schools

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Portland Public Schools as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Portland Public Schools' basic financial statements and have issued our report thereon dated September 1, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Portland Public Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Portland Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of the Portland Public Schools' internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. We did identify certain deficiencies in internal control as described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (2021-001).

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Portland Public Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as item 2021-001.

## **Portland Public Schools' Response to Findings**

Portland Public Schools' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Decatur Public Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Maney Costeiran PC*

September 1, 2021

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education  
Portland Public Schools

**Report on Compliance for Each Major Federal Program**

We have audited Portland Public Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Portland Public Schools' major federal programs for the year ended June 30, 2021. Portland Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Portland Public Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Portland Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our unmodified opinion on compliance for major federal programs. However, our audit does not provide a legal determination of Portland Public Schools' compliance.

***Opinion on Each Major Federal Program***

In our opinion, Portland Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

## Report on Internal Control Over Compliance

Management of Portland Public Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Portland Public Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Portland Public Schools' internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Maney Costeiran PC*

September 1, 2021

**PORTLAND PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Section I - Summary of Auditor's Results**

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**Financial Statements**

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

*Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified ? \_\_\_\_\_ Yes      X      None
- Significant deficiency(ies) identified that are not considered to be material weakness(es) ?   X   Yes    \_\_\_\_\_    None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes      X      None

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified: \_\_\_\_\_ Yes      X      None
- Significant deficiency(ies) identified that are not considered to be material weakness(es) ? \_\_\_\_\_ Yes      X      None reported

Type of auditor's report issued on compliance for major programs:

*Unmodified*

Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)?

\_\_\_\_\_ Yes      X      No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
21.019	Coronavirus Relief Funds

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

  X   Yes    \_\_\_\_\_    No

**PORTLAND PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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**Section II - Financial Statement Findings**

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**Finding 2021-001:** Considered a significant deficiency

**Criteria:** The District's fund balance in the food service fund is required to be less than three months of food service expenditures.

**Condition:** Portland Public Schools currently has more than the allowable fund balance in the non-profit food service fund. As a result, the District will be required to develop a spending plan to reduce the balance to an acceptable level during 2021-2022 school year. The plan must be submitted to the Michigan Department of Education prior to implementation. Excess fund balance cannot be transferred to the general fund.

**Cause:** The District participated in the unanticipated closure meal reimbursements causing a larger than normal increase in the food service fund balance.

**Effect:** At June 30, 2021, the District's food service fund balance was greater than three months of expenditures.

**Recommendation:** The District should implement a budget, as well as the required corrective action plan, for the 2021-2022 school year that will adequately reduce the food service fund balance.

**District's Response:** The District concurs with the facts of this finding and is implementing procedures to prevent this in the future.

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**Section III - Federal Award Findings and Question Costs**

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None



# PORTLAND PUBLIC SCHOOLS

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**William Heath**  
Superintendent

**Gerrit Bond**  
Director of Operations

**Derrick Stair**  
Director of Finance

**Natalie Fuller**  
Special Education Supervisor

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## PORTLAND PUBLIC SCHOOLS CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2021

Portland Public Schools respectfully submits the following corrective action plan for the year ended June 30, 2021.

**Auditor:** Maner Costerisan  
2425 E. Grand River Ave., Suite 1  
Lansing, Michigan 48912

**Audit Period:** Year ended June 30, 2021

**District contact person:** Derrick Stair, Director of Finance

The findings from the June 30, 2021 schedule of findings and responses are discussed below. The findings are numbered consistently with the number assigned in the schedule.

### **Finding - Financial statement audit**

**Finding 2021-001** Considered a significant deficiency

**Recommendation:** The District should implement a budget, as well as the required corrective action plan, for the 2021-2022 school year that will adequately reduce the food service fund balance.

**Action to be taken:** Management agrees with the finding and we are in the process of developing a spend down plan. We are looking at expanding food choices, expanding healthy food options, as well as needed upgrades to equipment.

**PORTLAND PUBLIC SCHOOLS  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Financial Statement Findings**

**Finding 2020-001** Considered a significant deficiency

**Criteria:** Compliance with the Uniform Budgeting and Accounting Act. MCL (Michigan Compile Laws) 141.437 states that if it becomes apparent during the year that the probable revenues will be less than the budgeted revenues an amendment should be adopted to prevent expenditures from exceeding available revenues including prior year fund balance.

**Conditions:** The District's budget reflects estimated revenues higher than actual.

**Effect:** At June 30, 2020, the District's final budget anticipated adding \$785,072 to the District's fund balance. The actual result has the District adding \$489,846 to fund balance. This created a negative budget to actual variance of \$295,226.

**Cause:** The primary reason was not properly budgeting revenues due to a funding adjustment by the state after the District's final budget amendment was passed and the fiscal year concluded. This adjustment resulted in the District receiving \$371,457 less in state funding than anticipated by the District at the time the final budget amendment was approved.

**Recommendation:** The District should implement budgeting procedures to budget more conservatively for revenues.

**District's Response:** The District concurs with the facts of this finding and is implementing procedures to prevent this in the future.

**Status:** As of fiscal year end June 30, 2021 we consider this issue resolved.