

PORTLAND PUBLIC SCHOOLS

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

YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Portland Public Schools

Opinions

We have audited the accompanying 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, 2022, and the related notes to the financial statements, which collectively comprise Portland Public Schools' basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Portland Public Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary 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 accompanying 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, including the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2022 on our consideration of Portland Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Portland Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Portland Public Schools' internal control over financial reporting and compliance.

Maney Costeiman PC

September 2, 2022

PORTLAND PUBLIC SCHOOLS 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, 2022. 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 \$30 million. Total District expenditures of approximately \$31.7 million exceeded revenues by approximately \$1.7 million, before other financing sources activity. This is due to the District spending down bond proceeds issued during the 2021-2022 fiscal year. The District did issue the third installment of the voter approved bond series. Bond proceeds, including bond premiums, amounted to \$3,960,433. Total governmental fund balance increased by \$2,323,101 for the 2021-2022 fiscal year.

In 2021-2022 the District’s general fund was funded primarily with an \$8,700 per pupil State of Michigan foundation allowance. The General Fund received 87% of its revenue from state sources.

The student blended count for 2021-2022 was 2,088.

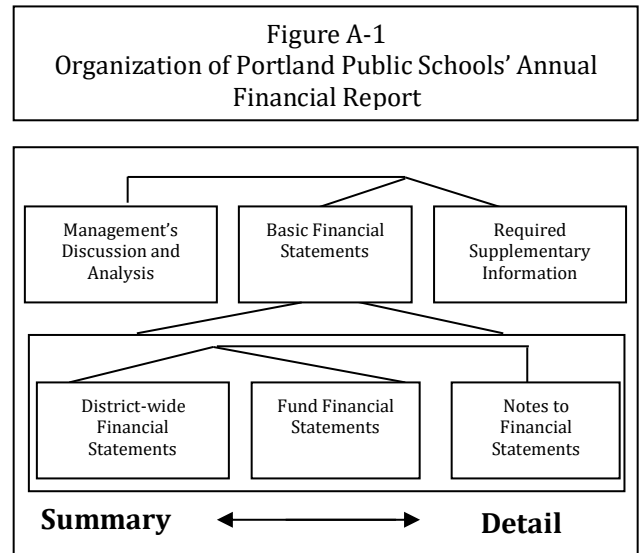
At June 30, 2022, the fund balance of the general fund was \$4,866,587. This is an increase of \$291,623 from the 2020-2021 fiscal year.

During the 2021-2022 fiscal year the District repaid \$1.96 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.



**PORTLAND PUBLIC SCHOOLS
MANAGEMENT’S DISCUSSION AND ANALYSIS**

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.

Figure A-2 Major Features of District-wide and Fund Financial Statements		
	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.

PORTLAND PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

**PORTLAND PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position - The District's combined net position at the beginning of the fiscal year was (\$20,145,893) and on June 30, 2022 was (\$16,164,991) which represents a net increase of \$3,980,902.

Table A-3		
Portland Public Schools' Net Position		
	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Current and other assets	\$ 13,726,047	\$ 10,807,927
Capital assets, net of depreciation	44,763,210	43,378,410
Total assets	<u>58,489,257</u>	<u>54,186,337</u>
Deferred outflows of resources	9,420,724	11,537,181
Long-term obligations outstanding	37,467,628	35,624,780
Other liabilities	3,869,514	3,272,186
Net pension liability	24,817,462	35,061,630
Net other postemployment benefits liability	1,608,417	5,505,110
Total liabilities	<u>67,763,021</u>	<u>79,463,706</u>
Deferred inflows of resources	16,311,951	6,405,705
Net position		
Net investment in capital assets	11,383,203	10,514,209
Restricted for food service	684,917	493,480
Restricted for debt service	307,013	380,818
Unrestricted	<u>(28,540,124)</u>	<u>(31,534,400)</u>
Total net position	<u>\$ (16,164,991)</u>	<u>\$ (20,145,893)</u>

**PORTLAND PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Table A-4 Changes to Portland Public Schools' Net Position		
	June 30, 2022	June 30, 2021
Revenues		
Program revenues		
Charges for services	\$ 726,958	\$ 427,809
Operating grants and contributions	6,977,935	6,666,542
General revenues		
Property taxes	4,595,136	4,380,161
State aid - unrestricted	16,509,179	15,691,446
Other	935,244	459,039
Total revenues	29,744,452	27,624,997
Expenses		
Instruction	12,340,697	13,614,318
Support services	9,263,393	8,883,128
Community services	810,894	700,178
Food services	1,684,104	1,646,002
Student/school activities	431,851	162,581
Interest on long-term debt	1,232,611	1,249,878
Total expenses	25,763,550	26,256,085
Change in net position	\$ 3,980,902	\$ 1,368,912

District Governmental Activities

The District's financial condition is currently stable. The District has experienced a decrease in enrollment in 2021-2022 of approximately 1.42%, or 30 students. Current enrollment is 2,088 in the current year compared to 2,118 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	\$ 4,866,587
Capital projects – building and site	\$ 2,264,613
Debt service	\$ 507,602
Nonmajor funds	\$ 2,418,320

This is a combined fund balance of \$10,057,122 compared to a fund balance of \$7,734,021 in 2020-2021.

**PORTLAND PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

General Fund and Budget Highlights:

During the 2021-2022 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 1.69%, or \$403,258. District-wide cost containment in personnel, supplies, and energy accounted for a large share of these adjustments. Revenue received was less than the final June 30, 2022 Board adopted budget by approximately -1.10%, or \$265,600. This decrease was primarily due to budgeting the full federal award amounts but not spending it all.

Capital Asset and Debt Administration

Capital Assets

The District's capital assets are as follows:

Table A-5 Portland Public Schools' Capital Assets				
	2022			2021
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 97,110	\$ -	\$ 97,110	\$ 97,110
Construction in progress	22,518,555	-	22,518,555	20,327,455
Buildings and improvements	40,664,892	20,974,104	19,690,788	20,503,224
Land improvements	2,082,294	963,601	1,118,693	1,178,142
Furniture and equipment	994,796	476,237	518,559	388,673
Buses and other vehicles	2,205,166	1,385,661	819,505	883,806
Total	<u>\$ 68,562,813</u>	<u>\$ 23,799,603</u>	<u>\$ 44,763,210</u>	<u>\$ 43,378,410</u>

**PORTLAND PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Long-term Obligations

At June 30, 2022, the District had approximately \$37.5 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, 2022, the District made principal payments in the amount of \$1.95 million.

Table A-6		
Portland Public Schools' Outstanding Long-Term Obligations		
	2022	2021
General obligation bonds	\$ 36,922,952	\$ 35,048,063
Notes from direct borrowings and direct placements	13,323	1,052
Compensated absences	531,353	575,665
Total	\$ 37,467,628	\$ 35,624,780

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 \$9,150 for the 2022-2023 fiscal year. This is an increase of \$450 from the \$8,700 per pupil foundation allowance in 2021-2022. The original budget projected a fall 2022 enrollment of 2,063 students, a decrease of 22 students from the fall of 2021.

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, 2022**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 5,418,577
Receivables	
Accounts receivable	60,883
Intergovernmental receivables	4,775,952
Inventories	16,707
Prepays	504,543
Restricted cash and cash equivalents - capital projects	2,949,385
Capital assets not being depreciated	22,615,665
Capital assets, net of accumulated depreciation	22,147,545
TOTAL ASSETS	58,489,257
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding, net of amortization	450,275
Related to other postemployment benefits	2,568,927
Related to pensions	6,401,522
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,420,724
LIABILITIES	
Accounts payable	735,951
Retainage payable	185,618
Accrued salaries and related items	1,606,391
Accrued retirement	636,542
Accrued interest	200,589
Unearned revenue	504,423
Noncurrent liabilities	
Due within one year	2,876,271
Due in more than one year	34,591,357
Net other postemployment benefits liability	1,608,417
Net pension liability	24,817,462
TOTAL LIABILITIES	67,763,021
DEFERRED INFLOWS OF RESOURCES	
Related to other postemployment benefits	6,219,805
Related to pensions	8,423,877
Related to state aid funding for pension	1,668,269
TOTAL DEFERRED INFLOWS OF RESOURCES	16,311,951
NET POSITION	
Net investment in capital assets	11,383,203
Restricted for food service	684,917
Restricted for debt service	307,013
Unrestricted	(28,540,124)
TOTAL NET POSITION	\$ (16,164,991)

See notes to financial statements.

**PORTLAND PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

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	\$ 12,340,697	\$ -	\$ 3,537,389	\$ (8,803,308)
Support services	9,263,393	105,354	943,304	(8,214,735)
Community services	810,894	564,424	235,825	(10,645)
Food services	1,684,104	57,180	1,805,153	178,229
Student/school activities	431,851	-	456,264	24,413
Interest on long-term debt	1,232,611	-	-	(1,232,611)
Total governmental activities	<u>\$ 25,763,550</u>	<u>\$ 726,958</u>	<u>\$ 6,977,935</u>	<u>(18,058,657)</u>
General revenues				
Property taxes, levied for general purposes				1,523,054
Property taxes, levied for debt service				3,072,082
Investment earnings				17,094
State sources - unrestricted				16,509,179
Intermediate sources				792,489
Other				<u>125,661</u>
Total general revenues				<u>22,039,559</u>
CHANGE IN NET POSITION				3,980,902
NET POSITION, beginning of year				<u>(20,145,893)</u>
NET POSITION, end of year				<u>\$ (16,164,991)</u>

See notes to financial statements.

**PORTLAND PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	General Fund	Capital Projects - Building and Site	Debt Service	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,645,765	\$ -	\$ 505,303	\$ 267,509	\$ 5,418,577
Receivables					
Accounts receivable	2,675	-	-	58,208	60,883
Intergovernmental receivables	4,717,051	-	2,299	56,602	4,775,952
Due from other funds	-	-	-	2,270,706	2,270,706
Inventories	-	-	-	16,707	16,707
Prepays	444,543	-	-	60,000	504,543
Cash and cash equivalents - restricted	-	2,949,385	-	-	2,949,385
TOTAL ASSETS	\$ 9,810,034	\$ 2,949,385	\$ 507,602	\$ 2,729,732	\$ 15,996,753
LIABILITIES					
Accounts payable	\$ 179,954	\$ 499,154	\$ -	\$ 56,843	\$ 735,951
Retainage payable	-	185,618	-	-	185,618
Accrued salaries and related items	1,571,238	-	-	35,153	1,606,391
Accrued retirement	629,028	-	-	7,514	636,542
Due to other funds	2,270,706	-	-	-	2,270,706
Unearned revenue	292,521	-	-	211,902	504,423
TOTAL LIABILITIES	4,943,447	684,772	-	311,412	5,939,631
FUND BALANCES					
Nonspendable					
Inventories	-	-	-	16,707	16,707
Prepays	444,543	-	-	60,000	504,543

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	\$ -	\$ -	\$ 507,602	\$ -	\$ 507,602
Capital projects - building and site	-	2,264,613	-	-	2,264,613
Food service	-	-	-	742,682	742,682
Committed for:					
Student/school activities	-	-	-	267,509	267,509
Community service	-	-	-	131,422	131,422
Capital projects	-	-	-	1,200,000	1,200,000
Assigned for:					
Subsequent year expenditures	306,316	-	-	-	306,316
Unassigned	4,115,728	-	-	-	4,115,728
TOTAL FUND BALANCES	4,866,587	2,264,613	507,602	2,418,320	10,057,122
LIABILITIES AND FUND BALANCES	\$ 9,810,034	\$ 2,949,385	\$ 507,602	\$ 2,729,732	\$ 15,996,753
Total governmental fund balances					\$ 10,057,122
Amounts reported for governmental activities in the statement of net position are different because:					
Deferred outflows of resources - charges on refunding, net of amortization					450,275
Deferred outflows of resources - related to pensions					6,401,522
Deferred outflows of resources - related to other postemployment benefits					2,568,927
Deferred inflows of resources - related to pensions					(8,423,877)
Deferred inflows of resources - related to other postemployment benefits					(6,219,805)
Deferred inflows of resources - related to state funding for pension					(1,668,269)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:					
The cost of the capital assets is				\$ 68,562,813	
Accumulated depreciation is				(23,799,603)	
					44,763,210
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 borrowings and direct placements					(36,936,275)
Compensated absences					(531,353)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid					(200,589)
Net other postemployment benefits liability					(1,608,417)
Net pension liability					(24,817,462)
Net position of governmental activities					\$ (16,164,991)

See notes to financial statements.

**PORTLAND PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022**

	General Fund	Capital Projects - Building and Site	Debt Service	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Local sources					
Property taxes	\$ 1,523,054	\$ -	\$ 3,072,082	\$ -	\$ 4,595,136
Transportation fees	18,033	-	-	-	18,033
Investment earnings	9,275	7,746	38	35	17,094
Food sales	-	-	-	56,930	56,930
Student/school activity income	87,321	-	-	456,264	543,585
Community service	6,167	-	-	558,257	564,424
Other	125,661	-	-	250	125,911
Total local sources	1,769,511	7,746	3,072,120	1,071,736	5,921,113
State sources	20,778,809	-	32,243	66,601	20,877,653
Federal sources	564,292	-	-	1,909,798	2,474,090
Intermediate districts and other	792,489	-	-	-	792,489
TOTAL REVENUES	23,905,101	7,746	3,104,363	3,048,135	30,065,345
EXPENDITURES					
Current					
Instruction	13,345,606	-	-	-	13,345,606
Supporting services	9,777,881	111,284	-	-	9,889,165
Community services	302,466	-	-	633,597	936,063
Student/school activities	-	-	-	431,851	431,851
Food service activities	-	-	-	1,612,095	1,612,095
Capital outlay	-	2,191,100	-	120,938	2,312,038
Debt service					
Principal repayment	-	-	1,955,000	-	1,955,000
Interest	-	-	1,230,080	-	1,230,080
Other	-	-	2,828	-	2,828
TOTAL EXPENDITURES	23,425,953	2,302,384	3,187,908	2,798,481	31,714,726
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	479,148	(2,294,638)	(83,545)	249,654	(1,649,381)
OTHER FINANCING SOURCES (USES)					
School loan revolving fund issuance	-	-	12,049	-	12,049
Bond issuance	-	3,740,000	-	-	3,740,000
Premium on bond issuance	-	220,433	-	-	220,433
Transfers in	14,392	-	-	201,917	216,309
Transfers out	(201,917)	-	-	(14,392)	(216,309)
TOTAL OTHER FINANCING SOURCES (USES)	(187,525)	3,960,433	12,049	187,525	3,972,482
NET CHANGE IN FUND BALANCES	291,623	1,665,795	(71,496)	437,179	2,323,101
FUND BALANCES					
Beginning of year	4,574,964	598,818	579,098	1,981,141	7,734,021
End of year	<u>\$ 4,866,587</u>	<u>\$ 2,264,613</u>	<u>\$ 507,602</u>	<u>\$ 2,418,320</u>	<u>\$ 10,057,122</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, 2022**

Net change in fund balances total governmental funds	\$ 2,323,101
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	(1,155,292)
Capital outlay	2,540,092
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	198,280
Accrued interest payable, end of the year	(200,589)
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	1,955,000
Bond issuance	(3,740,000)
Premiums on bond issuance	(220,433)
School loan revolving fund issuance	(12,049)
Interest on the school bond loan fund and school loan revolving fund	(222)
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	575,665
Accrued compensated absences, end of the year	(531,353)
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	1,725,055
Pension related items	778,321
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	1,347,376
Pension related items, end of year	(1,668,269)
Change in net position of governmental activities	\$ 3,980,902

**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, \$9,225,000 of bonds on October 9, 2019, and \$3,740,000 of bonds on November 23, 2021 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, 2022, the bonds have been determined to not be substantively completed. The cumulative revenues and expenditures recognized for the bond period are as follows:

	2018, 2019 & 2021 Bonds
Revenue and other financing sources	\$ 25,847,154
Expenditures and transfers	\$ 23,582,541

The above revenue figure does include the total bond proceeds and premium of \$25,341,544.

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 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, 2022. 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 and construction in progress, if any, are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Capital Asset Classes	Lives
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 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. The District also reports unavailable revenues from one source: leases. These amounts are long-term leases entered into by the District in which the District is the lessor. These amounts are recognized as revenue over the term of the lease agreements.

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.

**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 the computation of net invested in capital assets, school bond loan fund and school loan revolving fund principal proceeds of \$13,049 are considered capital-related debt. Accrued interest on the school bond loan fund and school loan revolving fund of \$274 has been included in the calculation of unrestricted net position.

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, 2022 the outstanding balance was \$2,830,000. 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, 2022 is \$841,106.

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, 2022, 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, 2022 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, 2022, \$1,295,421 of the District’s bank balance of \$1,795,421 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 \$1,691,895.

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	\$ 6,676,067	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	\$ 6,676,067	AAAm	Standard & Poor's

**PORTLAND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Foreign Currency Risk

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

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>\$ 6,676,067</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)

Fair Value Measurement (continued)

The following summarizes the categorization of these amounts as of June 30, 2022:

	Primary Government
Cash and cash equivalents	\$ 5,418,577
Restricted cash and cash equivalents	2,949,385
	\$ 8,367,962

NOTE 3 - CAPITAL ASSETS

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

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 97,110	\$ -	\$ -	\$ 97,110
Construction in progress	20,327,455	2,191,100	-	22,518,555
Total capital assets, not being depreciated	20,424,565	2,191,100	-	22,615,665
Capital assets, being depreciated				
Buildings and improvements	40,664,892	-	-	40,664,892
Land improvements	2,082,294	-	-	2,082,294
Furniture and equipment	781,998	231,392	18,594	994,796
Buses and other vehicles	2,392,440	117,600	304,874	2,205,166
Total capital assets, being depreciated	45,921,624	348,992	323,468	45,947,148
Accumulated depreciation				
Buildings and improvements	20,161,668	812,436	-	20,974,104
Land improvements	904,152	59,449	-	963,601
Furniture and equipment	393,325	101,506	18,594	476,237
Buses and other vehicles	1,508,634	181,901	304,874	1,385,661
Total accumulated depreciation	22,967,779	1,155,292	323,468	23,799,603
Net capital assets being depreciated	22,953,845	(806,300)	-	22,147,545
Net governmental capital assets	\$ 43,378,410	\$ 1,384,800	\$ -	\$ 44,763,210

**PORTLAND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - CAPITAL ASSETS (continued)

Depreciation expense was charged to the District as follows:

Governmental activities	
Instruction	\$ 693,175
Support services	404,352
Food service	<u>57,765</u>
Total governmental activities	<u><u>\$ 1,155,292</u></u>

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2022 consist of the following:

Governmental units	
State aid	\$ 3,885,643
Federal revenue	424,166
Intermediate districts	458,185
Municipalities	<u>7,958</u>
	<u><u>\$ 4,775,952</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, 2022:

	Compensated Absences	General Obligation Bonds	Notes from Direct Borrowings and Direct Placements	Total
Balance, July 1, 2021	\$ 575,665	\$ 35,048,063	\$ 1,052	\$ 35,624,780
Additions	1,543	3,960,433	12,271	3,974,247
Deletions	<u>(45,855)</u>	<u>(2,085,544)</u>	-	<u>(2,131,399)</u>
Balance, June 30, 2022	531,353	36,922,952	13,323	37,467,628
Due within one year	<u>106,271</u>	<u>2,770,000</u>	-	<u>2,876,271</u>
Due in more than one year	<u><u>\$ 425,082</u></u>	<u><u>\$ 34,152,952</u></u>	<u><u>\$ 13,323</u></u>	<u><u>\$ 34,591,357</u></u>

Interest expense for the year ended June 30, 2022 was approximately \$1,230,000.

**PORTLAND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

Long-term obligations at June 30, 2022 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% \$ 2,410,000

\$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

\$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

\$4,675,000 2019 Refunding Bonds, due in annual installments ranging from \$540,000 to \$580,000 through May 1, 2028, with interest ranging from 4.00% to 5.00% 2,830,000

\$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

\$3,740,000 2021 Building and Site Bonds, due in annual installments ranging from \$100,000 to \$590,000 through May 1, 2041, with interest ranging from 2.00% of 3.00% 3,740,000

Plus issuance premiums 1,342,952

Total general obligation bonds 36,922,952

Notes from Direct Borrowings and Direct Placements

Borrowings from the State of Michigan under the School Bond Loan Fund and School Loan Revolving Fund Programs, including interest at 1.19% at June 30, 2022. 13,323

Total notes from direct borrowings and direct placements 13,323

Total general obligation bonds and notes from direct borrowings and direct placements 36,936,275

Compensated absences 531,353

Total general long-term obligations \$ 37,467,628

**PORTLAND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

Borrowing from the State of Michigan - The school bond loan fund and school loan revolving 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, 2022 was 1.19% for the School Bond Loan Fund and the School Loan Revolving 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 notes 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, 2022, 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		
2023	\$ 2,770,000	\$ 1,189,680	\$ -	\$ -	\$ -	\$ 3,959,680
2024	2,525,000	1,111,480	-	-	-	3,636,480
2025	2,150,000	984,780	-	-	-	3,134,780
2026	2,190,000	876,230	-	-	-	3,066,230
2027	1,980,000	795,680	-	-	-	2,775,680
2028 - 2032	7,510,000	2,912,940	-	-	-	10,422,940
2033 - 2037	5,955,000	2,076,646	-	-	-	8,031,646
2038 - 2042	5,730,000	1,411,860	-	-	-	7,141,860
2043 - 2046	4,770,000	578,434	-	-	-	5,348,434
	35,580,000	11,937,730	-	-	-	47,517,730
Issuance premium	1,342,952	-	-	-	-	1,342,952
School bond loan fund	-	-	1,000	78	-	1,078
School loan revolving fund	-	-	12,049	196	-	12,245
Compensated absences	-	-	-	-	531,353	531,353
	<u>\$ 36,922,952</u>	<u>\$ 11,937,730</u>	<u>\$ 13,049</u>	<u>\$ 274</u>	<u>\$ 531,353</u>	<u>\$ 49,405,358</u>

**PORTLAND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPERS) (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. MPERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at 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 MPERS 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 (MPERS) who became a member of MPERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

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

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

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

Option 1 - Members voluntarily elected to increase their contributions to the pension fund as noted below and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until 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 transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service 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 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 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 5 years of credited service provided member worked through their 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

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

Member Contributions

Depending on the plan selected, member contributions range from 0% - 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, 2021 were determined as of the September 30, 2018 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2018 are amortized over an 18-year period beginning October 1, 2020 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, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

The District's pension contributions for the year ended June 30, 2022 were equal to the required contribution total. Total pension contributions were approximately \$3,734,000. Of the total pension contributions approximately \$3,620,000 was contributed to fund the Defined Benefit Plan and approximately \$114,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. Total OPEB contributions were approximately \$944,000. Of the total OPEB contributions approximately \$868,000 was contributed to fund the Defined Benefit Plan and approximately \$76,000 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, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2020 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, 2021</u>	<u>September 30, 2020</u>
Total pension liability	\$ 86,392,473,395	\$ 85,290,583,799
Plan fiduciary net position	\$ 62,717,060,920	\$ 50,939,496,006
Net pension liability	\$ 23,675,412,475	\$ 34,351,087,793
Proportionate share	0.10482%	0.10207%
Net pension liability for the District	\$ 24,817,462	\$ 35,061,630

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

For the year ended June 30, 2022, the District recognized pension expense of \$2,841,784.

At June 30, 2022, 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	\$ 1,105,778	\$ 298,998
Differences between expected and actual experience	384,433	146,145
Changes of assumptions	1,564,404	-
Net difference between projected and actual plan investments earnings	-	7,978,734
Reporting Unit's contributions subsequent to the measurement date	<u>3,346,907</u>	<u>-</u>
	<u>\$ 6,401,522</u>	<u>\$ 8,423,877</u>

\$3,346,907, 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>
2022	\$ (536,501)
2023	(1,098,401)
2024	(1,658,643)
2025	(2,075,717)

**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, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2020 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, 2021</u>	<u>September 30, 2020</u>
Total other postemployment benefit liability	\$ 12,046,393,511	\$ 13,206,903,534
Plan fiduciary net position	\$ 10,520,015,621	\$ 7,849,636,555
Net other postemployment benefit liability	\$ 1,526,377,890	\$ 5,357,266,979
Proportionate share	0.10537%	0.10276%
Net other postemployment benefit liability for the District	\$ 1,608,417	\$ 5,505,110

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

For the year ended June 30, 2022, the District recognized OPEB benefit of \$856,902.

At June 30, 2022, 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	\$ 467,960	\$ 215,203
Differences between expected and actual experience	-	4,591,113
Changes of assumptions	1,344,557	201,196
Net difference between projected and actual plan investments earnings	-	1,212,293
Reporting Unit's contributions subsequent to the measurement date	756,410	-
	<u>\$ 2,568,927</u>	<u>\$ 6,219,805</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)

\$756,410, 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
2022	\$ (1,205,199)
2023	(1,081,226)
2024	(945,466)
2025	(841,933)
2026	(294,788)
2027	(38,676)

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, 2020. 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 valuation.

**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 - Pre 65, 7.75% for year one and graded to 3.5% in year fifteen. Post 65, 5.25% 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, 2021 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%	5.4%
International Equity Pools	15.0%	7.5%
Private Equity Pools	16.0%	9.1%
Real Estate and Infrastructure Pools	10.0%	5.4%
Fixed Income Pools	10.5%	-0.7%
Absolute Return Pools	9.0%	2.6%
Real Return/Opportunistic Pools	12.5%	6.1%
Short Term Investment Pools	2.0%	-1.3%
	<u>100.0%</u>	

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

Rate of Return - For fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 27.3% and 27.14%, 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	\$ 35,482,241	\$ 24,817,462	\$ 15,975,662

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 net other postemployment benefits liability	\$ 2,988,730	\$ 1,608,417	\$ 437,025

**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, 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 net other postemployment benefits liability	\$ 391,476	\$ 1,608,417

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 2021 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, 2022 are as follows:

Receivable Fund		Payable Fund	
Nonmajor funds		Major fund	
Food service	\$ 769,038	General fund	\$ 2,270,706
Capital projects	1,200,000	Nonmajor fund	
Community service	301,668	Student/school activities	-
	\$ 2,270,706		\$ 2,270,706

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, 2022 are as follows:

Transfer In		Transfer Out	
Major fund		Major fund	
General fund	\$ 14,392	General fund	\$ 201,917
Nonmajor funds		Nonmajor funds	
Food service	1,917	Food service	11,208
Capital projects	200,000	Student/school activities	3,184
	\$ 216,309		\$ 216,309

The general fund transferred to the nonmajor capital project fund to set funds aside for future capital needs and also transferred to the food service fund for indirect cost reimbursement. 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

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.

NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2022, the District implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

Summary:

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.

There was no material impact on the District's financial statement after the adoption of GASB Statement 87.

REQUIRED SUPPLEMENTARY INFORMATION

**PORTLAND PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2022**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 1,570,564	\$ 1,667,715	\$ 1,769,511	\$ 101,796
State sources	19,579,049	20,730,457	20,778,809	48,352
Federal sources	1,281,493	1,003,629	564,292	(439,337)
Intermediate districts and other	587,994	768,900	792,489	23,589
TOTAL REVENUES	23,019,100	24,170,701	23,905,101	(265,600)
EXPENDITURES				
Current				
Instruction				
Basic programs	10,809,527	10,860,834	10,643,670	217,164
Added needs	2,676,258	2,481,040	2,328,308	152,732
Adult and continuing education	381,770	385,116	373,628	11,488
Total instruction	<u>13,867,555</u>	<u>13,726,990</u>	<u>13,345,606</u>	<u>381,384</u>
Supporting services				
Pupil	1,092,594	1,167,443	1,165,487	1,956
Instructional staff	1,311,826	1,257,322	1,233,806	23,516
General administration	410,763	418,353	386,060	32,293
School administration	1,686,840	1,703,568	1,703,117	451
Business	389,527	399,080	406,747	(7,667)
Operations and maintenance	1,704,470	2,021,095	2,064,646	(43,551)
Pupil transportation services	1,181,036	1,434,806	1,411,895	22,911
Central	620,881	646,960	648,030	(1,070)
Other	742,366	747,381	758,093	(10,712)
Total supporting services	<u>9,140,303</u>	<u>9,796,008</u>	<u>9,777,881</u>	<u>18,127</u>
Community service	282,116	306,213	302,466	3,747
TOTAL EXPENDITURES	23,289,974	23,829,211	23,425,953	403,258
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(270,874)	341,490	479,148	137,658
OTHER FINANCING SOURCES (USES)				
Transfers in	-	15,000	14,392	(608)
Transfers out	-	(155,000)	(201,917)	(46,917)
TOTAL OTHER FINANCING SOURCES (USES)	-	(140,000)	(187,525)	(47,525)
NET CHANGE IN FUND BALANCE	\$ (270,874)	\$ 201,490	291,623	\$ 90,133
FUND BALANCE				
Beginning of year			<u>4,574,964</u>	
End of year			<u>\$ 4,866,587</u>	

**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)**

	2021	2020	2019	2018	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.10482%	0.10207%	0.09906%	0.10134%	0.10268%	0.10125%	0.09446%	0.09588%
Reporting Unit's proportionate share of net pension liability	\$ 24,817,462	\$ 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	\$ 9,560,322	\$ 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 (%)	259.59%	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)	72.60%	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)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 3,620,105	\$ 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	<u>3,620,105</u>	<u>3,066,832</u>	<u>2,694,750</u>	<u>2,645,988</u>	<u>2,533,121</u>	<u>2,380,674</u>	<u>2,175,952</u>	<u>1,765,249</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 10,441,545	\$ 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	34.67%	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting Unit's proportion of net OPEB liability (%)	0.10537%	0.10276%	0.09768%	0.10035%	0.10250%
Reporting Unit's proportionate share of net OPEB liability	\$ 1,608,417	\$ 5,505,110	\$ 7,010,903	\$ 7,976,983	\$ 9,077,282
Reporting Unit's covered-employee payroll	\$ 9,560,322	\$ 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 (%)	16.82%	60.17%	81.73%	93.22%	106.50%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	87.33%	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 868,153	\$ 816,535	\$ 749,145	\$ 677,049	\$ 667,779
Contributions in relation to statutorily required contributions	<u>868,153</u>	<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>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 10,441,545	\$ 9,262,497	\$ 9,136,344	\$ 8,689,652	\$ 8,517,284
Contributions as a percentage of covered-employee payroll	8.31%	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, 2022**

NOTE 1 - PENSION INFORMATION

Benefit Changes - there were no changes of benefit terms in 2021.

Changes of Assumptions - there were no changes of assumptions in 2021.

NOTE 2 - OPEB INFORMATION

Benefit Changes - there were no changes of benefit terms in 2021.

Changes of Assumptions - the assumption changes for 2021 were:

Healthcare cost trend rate was broken into two groups, Pre 65 and Post 65. The Pre 65 rate is 7.75% Year 1 graded to 3.50% Year 15. The Post 65 rate is 5.25% Year 1 graded to 3.50% Year 15. The prior healthcare cost trend rate was reported as one group with a rate of 7.00% Year 1 graded to 3.50% Year 15.

ADDITIONAL SUPPLEMENTARY INFORMATION

**PORTLAND PUBLIC SCHOOLS
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2022**

	Special Revenue				Total Nonmajor Funds
	Food Service	Student/ School Activities	Community Services	Capital Projects	
ASSETS					
Cash and cash equivalents	\$ -	\$ 267,509	\$ -	\$ -	\$ 267,509
Accounts receivable	-	-	58,208	-	58,208
Intergovernmental receivables	56,602	-	-	-	56,602
Due from other funds	769,038	-	301,668	1,200,000	2,270,706
Inventories	16,707	-	-	-	16,707
Prepays	60,000	-	-	-	60,000
	\$ 902,347	\$ 267,509	\$ 359,876	\$ 1,200,000	\$ 2,729,732
LIABILITIES					
Accounts payable	\$ 55,915	\$ -	\$ 928	\$ -	\$ 56,843
Accrued salaries and related items	2,067	-	33,086	-	35,153
Accrued retirement	-	-	7,514	-	7,514
Unearned revenue	24,976	-	186,926.00	-	211,902
	82,958	-	228,454	-	311,412
FUND BALANCES					
Nonspendable					
Inventories	16,707	-	-	-	16,707
Prepays	60,000	-	-	-	60,000
Restricted for:					
Food service	742,682	-	-	-	742,682
Committed for:					
Student/school activities	-	267,509	-	-	267,509
Community services	-	-	131,422	-	131,422
Capital projects	-	-	-	1,200,000	1,200,000
	819,389	267,509	131,422	1,200,000	2,418,320
TOTAL LIABILITIES AND FUND BALANCES	\$ 902,347	\$ 267,509	\$ 359,876	\$ 1,200,000	\$ 2,729,732

**PORTLAND PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2022**

	Special Revenue				Total Nonmajor Funds
	Food Service	Student/ School Activities	Community Services	Capital Projects	
REVENUES					
Local sources					
Investment earnings	\$ -	\$ 35	\$ -	\$ -	\$ 35
Food sales	56,930	-	-	-	56,930
Student/school activity income	-	456,264	-	-	456,264
Community service	-	-	558,257	-	558,257
Other	250	-	-	-	250
Total local sources	57,180	456,299	558,257	-	1,071,736
State sources	66,601	-	-	-	66,601
Federal sources	1,738,552	-	171,246	-	1,909,798
TOTAL REVENUES	1,862,333	456,299	729,503	-	3,048,135
EXPENDITURES					
Current					
Salaries and wages	26,323	-	379,227	-	405,550
Employee benefits	2,014	-	128,989	-	131,003
Purchased services	793,320	-	12,652	-	805,972
Materials and supplies	789,595	-	84,622	-	874,217
Other	843	431,851	28,107	-	460,801
Capital outlay	120,938	-	-	-	120,938
TOTAL EXPENDITURES	1,733,033	431,851	633,597	-	2,798,481
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	129,300	24,448	95,906	-	249,654
OTHER FINANCING SOURCES (USES)					
Transfers in	1,917	-	-	200,000	201,917
Transfers out	(11,208)	(3,184)	-	-	(14,392)
TOTAL OTHER FINANCING SOURCES (USES)	(9,291)	(3,184)	-	200,000	187,525
NET CHANGE IN FUND BALANCES	120,009	21,264	95,906	200,000	437,179
FUND BALANCES					
Beginning of year	699,380	246,245	35,516	1,000,000	1,981,141
End of year	<u>\$ 819,389</u>	<u>\$ 267,509</u>	<u>\$ 131,422</u>	<u>\$ 1,200,000</u>	<u>\$ 2,418,320</u>

**PORTLAND PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2022**

2011 Refunding Bond

Principal Due May 1,	Interest Due			Amount
	May 1,	November 1,	June 30,	
\$ 1,180,000	\$ 48,200	\$ 48,200	2023	\$ 1,276,400
1,230,000	24,600	24,600	2024	1,279,200
<u>\$ 2,410,000</u>	<u>\$ 72,800</u>	<u>\$ 72,800</u>		<u>\$ 2,555,600</u>

**PORTLAND PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2022**

2016 Refunding Bond

Principal Due May 1,	Interest Due			Amount
	May 1,	November 1,	June 30,	
\$ -	\$ 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>\$ 572,900</u>	<u>\$ 572,900</u>		<u>\$ 6,880,800</u>

**PORTLAND PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2022**

2018 Building and Site Bonds

Principal Due May 1,	Interest Due			Amount
	May 1,	November 1,	June 30,	
\$ 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>\$ 2,807,095</u>	<u>\$ 2,807,095</u>		<u>\$ 17,254,190</u>

**PORTLAND PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2022**

2019 Refunding Bonds

Principal Due May 1,	Interest Due			Amount
	May 1,	November 1,	June 30,	
\$ -	\$ 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>\$ 2,830,000</u>	<u>\$ 170,355</u>	<u>\$ 170,355</u>		<u>\$ 3,170,710</u>

**PORTLAND PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2022**

2019 Building and Site Bonds

Principal Due May 1,	Interest Due			Amount
	May 1,	November 1,	June 30,	
\$ -	\$ 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>\$ 1,750,875</u>	<u>\$ 1,750,875</u>		<u>\$ 12,726,750</u>

**PORTLAND PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2022**

2021 Building and Site Bonds

Principal Due May 1,	Interest Due			Amount
	May 1,	November 1,	June 30,	
\$ -	\$ 46,025	\$ 46,025	2023	\$ 92,050
-	46,025	46,025	2024	92,050
200,000	46,025	46,025	2025	292,050
200,000	43,025	43,025	2026	286,050
-	40,025	40,025	2027	80,050
-	40,025	40,025	2028	80,050
-	40,025	40,025	2029	80,050
590,000	40,025	40,025	2030	670,050
590,000	31,175	31,175	2031	652,350
280,000	22,325	22,325	2032	324,650
280,000	19,525	19,525	2033	319,050
280,000	16,725	16,725	2034	313,450
280,000	13,925	13,925	2035	307,850
280,000	11,125	11,125	2036	302,250
280,000	8,325	8,325	2037	296,650
180,000	5,525	5,525	2038	191,050
100,000	3,500	3,500	2039	107,000
100,000	2,375	2,375	2040	104,750
100,000	1,188	1,187	2041	102,375
<u>\$ 3,740,000</u>	<u>\$ 476,913</u>	<u>\$ 476,912</u>		<u>\$ 4,693,825</u>

**PORTLAND PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (unearned) Revenue 7/1/2021	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (unearned) Revenue 6/30/2022
U.S. Department of Agriculture								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
Non-cash assistance (donated foods)								
Entitlement Donated Foods	10.555	N/A	\$ 121,409	\$ -	\$ -	\$ 121,409	\$ 121,409	\$ -
Cash Assistance								
COVID-19 - National School Lunch Program	10.555	220910	44,638	-	-	44,638	44,638	-
COVID-19 - National School Lunch Program		211961	147,887	-	-	147,887	147,887	-
COVID-19 - National School Lunch Program		221961	945,448	-	-	945,448	907,305	38,143
			<u>1,137,973</u>	<u>-</u>	<u>-</u>	<u>1,137,973</u>	<u>1,099,830</u>	<u>38,143</u>
Total ALN 10.555			<u>1,259,382</u>	<u>-</u>	<u>-</u>	<u>1,259,382</u>	<u>1,221,239</u>	<u>38,143</u>
COVID-19 - School Breakfast Program	10.553	211971	56,817	-	-	56,817	56,817	-
COVID-19 - School Breakfast Program		221971	376,075	-	-	376,075	357,757	18,318
Total ALN 10.553			<u>432,892</u>	<u>-</u>	<u>-</u>	<u>432,892</u>	<u>414,574</u>	<u>18,318</u>
COVID- 19 Summer Food Service Program for Children	10.559	210904	354,606	327,273	327,273	27,333	354,606	-
Total cash assistance			<u>1,925,471</u>	<u>327,273</u>	<u>327,273</u>	<u>1,598,198</u>	<u>1,869,010</u>	<u>56,461</u>
Total Child Nutrition Cluster			<u>2,046,880</u>	<u>327,273</u>	<u>327,273</u>	<u>1,719,607</u>	<u>1,990,419</u>	<u>56,461</u>
COVID-19 Child and Adult Care Food Program	10.558	221920	17,685	-	-	17,685	17,685	-
COVID-19 Child and Adult Care Food Program		222010	1,260	-	-	1,260	1,119	141
Total ALN 10.558			<u>18,945</u>	<u>-</u>	<u>-</u>	<u>18,945</u>	<u>18,804</u>	<u>141</u>
Pandemic EBT Local Level Costs	10.649	210980	614	-	-	614	614	-
Total U.S. Department of Agriculture			<u>2,066,439</u>	<u>327,273</u>	<u>327,273</u>	<u>1,739,166</u>	<u>2,009,837</u>	<u>56,602</u>

**PORTLAND PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (unearned) Revenue 7/1/2021	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (unearned) Revenue 6/30/2022
U.S. Department of Education								
Passed through Michigan Department of Education								
Adult Education	84.002	211130-211130	\$ 24,500	\$ 24,500	\$ 24,500	\$ -	\$ 24,500	\$ -
Adult Education		221130-221924	24,879	-	-	24,879	-	24,879
Total ALN 84.002			49,379	24,500	24,500	24,879	24,500	24,879
Title I Grants to Local Educational Agencies	84.010	211530-2021	155,458	145,143	145,143	219	145,362	-
Title I Grants to Local Educational Agencies		221530-2122	153,609	-	-	147,034	-	147,034
Total ALN 84.010			309,067	145,143	145,143	147,253	145,362	147,034
Title III Part A English Language Acquisition	84.365	210570-2021	690	-	-	690	690	-
Title III Part A English Language Acquisition		220570-2122	1,395	-	-	709	-	709
Total ALN 84.365			2,085	-	-	1,399	690	709
Supporting Effective Instruction State Grants	84.367	210520-2021	57,987	47,352	47,352	-	47,352	-
Supporting Effective Instruction State Grants		220520-2122	53,832	-	-	43,050	-	43,050
Total ALN 84.367			111,819	47,352	47,352	43,050	47,352	43,050
Student Support and Academic Enrichment	84.424	210750-2021	10,000	10,000	10,000	-	10,000	-
Student Support and Academic Enrichment		220750-2122	11,159	-	-	10,561	-	10,561
Total ALN 84.424			21,159	10,000	10,000	10,561	10,000	10,561
Education Stabilization Fund								
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER I Formula Funds)	84.425D	203710-1920	119,703	119,703	119,703	-	119,703	-
COVID-19 Governor's Emergency Education Relief Funds (GEER II Teacher and Support Staff Payments)	84.425C	211202-2122	39,000	-	-	34,000	34,000	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Summer Program K-8)	84.425D	213722-2122	72,600	-	-	72,600	72,600	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Credit Recovery 9-12)	84.425D	213742-2122	40,150	-	-	40,150	40,150	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III Formula Funds)	84.425U	213713-2122	1,028,628	-	-	18,527	-	18,527
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III Equalization Funds)	84.425U	213723-2122	1,286,521	-	-	120,004	-	120,004
Total ALN 84.425 and Education Stabilization Fund			2,586,602	119,703	119,703	285,281	266,453	138,531

**PORTLAND PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (unearned) Revenue 7/1/2021	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (unearned) Revenue 6/30/2022
U.S. Department of Education								
Passed through Ionia County ISD								
Special Education Cluster								
Special Education Flowthrough	84.027	220450-2122	\$ 94,779	\$ -	\$ -	\$ 51,255	\$ 48,455	\$ 2,800
Special Education Flowthrough		210450-2021	35,877	4,998	35,887	-	4,998	-
Total ALN 84.027 and Special Education Cluster			130,656	4,998	35,887	51,255	53,453	2,800
Total U.S. Department of Education			3,210,767	351,696	382,585	563,678	547,810	367,564
TOTAL FEDERAL AWARDS			\$ 5,277,206	\$ 678,969	\$ 709,858	\$ 2,302,844	\$ 2,557,647	\$ 424,166

**PORTLAND PUBLIC SCHOOLS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

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, 2022. 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 NexSys, Cash Management System and the 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, 2022:

General fund	\$ 564,292
Other nonmajor governmental funds	<u>1,909,798</u>
Total federal revenue in the fund financial statements	2,474,090
Less federal assistance funding not subject to single audit act	<u>(171,246)</u>
Expenditures per schedule of expenditures of federal awards	<u><u>\$ 2,302,844</u></u>



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**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 the 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, 2022, and the related notes to the financial statements, which collectively comprise Portland Public Schools' basic financial statements, and have issued our report thereon dated September 2, 2022.

Report on 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) as a basis for designing 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 Portland Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 2, 2022



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR 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

Opinion on Each Major Federal Program

We have audited Portland Public Schools' compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Portland Public Schools and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Portland Public Schools' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Portland Public Schools' federal programs.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Portland Public Schools' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Portland Public Schools' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Portland Public Schools' compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Portland Public Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Portland Public Schools' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Portland Public Schools' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reporting in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Portland Public Schools' response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Portland Public Schools' response was not subject to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as disclosed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-001 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal 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 Costeiman PC

September 2, 2022

**PORTLAND PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

Section I - Summary of Auditor's Results

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) ? _____ Yes X 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) ? X Yes _____ 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)? X Yes _____ No

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
10.553, 10.555, & 10.559	Child Nutrition Cluster

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

\$ 750,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Findings

None

**PORTLAND PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

Section III - Federal Award Findings and Question Costs

Finding 2022-001: Significant Deficiency (repeat finding of 2021-001)

Federal Program: Child Nutrition Cluster
CFDA #: 10.553, 10.555 and 10.559
Federal Agency: U.S. Department of Agriculture
Pass-through entity: Michigan Department of Education
Pass-through number: 220910, 211961, 221961, 211971, 221971, 210904

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 2022-2023 school year. The plan must be submitted to the Michigan Department of Education prior to implementation. Excess fund cannot be transferred to the general fund.

Question costs: None

Cause: The District participated in the Seamless Summer Option program which is causing a larger than normal increase in the food service fund balance.

Effect: At June 30, 2022, 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 2022-2023 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 developing an implementation plan and procedures to prevent this in the future.



PORTLAND PUBLIC SCHOOLS

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PORTLAND PUBLIC SCHOOLS CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2022

Portland Public Schools respectfully submits the following corrective action plan for the year ended June 30, 2022.

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

Audit Period: Year ended June 30, 2022

District Contact Person: Derrick Stair, Director of Finance

The findings from the June 30, 2022 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 2022-001 Considered a significant deficiency

Recommendation: The District should implement a budget, as well as the required corrective action plan, for the 2022-2023 school year that will adequately reduce the food service fund balance.

Action to be Taken: Management agrees with the finding and already has developed a spend down plan that has been approved by the Michigan Department of Education. We are looking at expanding food choices, expanding healthy food options, as well as needed upgrades to kitchen equipment.

Date of Completion: The District's spend down plan is anticipated to be completed by June 30, 2024. Kitchen equipment availability is severely limited due to national supply chain delays. The installation of this equipment is also limited based on times when school is not in session. These are the two primary factors why the District anticipates it will take multiple years in-order to complete its spend down plan.

**PORTLAND PUBLIC SCHOOLS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

Financial Statement Findings

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.

Status: As of fiscal year end June 30, 2022 we do not consider this issue resolved. See 2022-001.



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September 2, 2022

To the Board of Education
Portland Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Portland Public Schools for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Portland Public Schools are described in Note 1 to the financial statements. During fiscal year 2022, the District implemented Governmental Accounting Standard No. 87, *Leases*. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability. We evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate in calculating the liability for employee compensated absences. We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management’s determination of the estimated life span of the capital assets. We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 2, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. With respect to this other supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Education and management of Portland Public Schools and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

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