

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021



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 NORWAY, MICHIGAN
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NORWAY, MICHIGAN
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INDEPENDENT AUDITORS' REPORT

Board of Education
Norway-Vulcan Area School District
Norway, Michigan

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As described in Note 4.E., during 2021, The District adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. As a result, the District identified activities previously reported as fiduciary activities that no longer meet the definition of a fiduciary activity. In prior years, these amounts were reported in the agency fund. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 and the schedules relating to pensions and OPEB on pages 55 through 57 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The 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 budgetary comparison information and combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audits 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 budgetary comparison information and combining nonmajor fund financial statements 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 October 13, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Green Bay, Wisconsin
October 13, 2021



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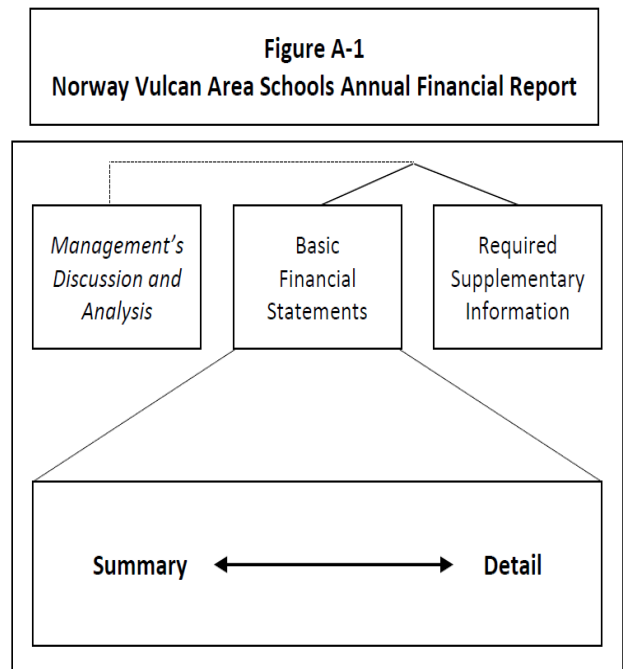
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Norway Vulcan Area Schools (the “District”) annual financial report presents a discussion and analysis of the District’s financial performance during the fiscal year that ended June 30, 2021. The intent of this Management Discussion and Analysis (MD & A) is to assist the reader to focus on significant financial issues, provide an overview of the District’s financial activity, and identify changes in the District’s financial position including its ability to address the next and subsequent years’ challenges. It is to be read in conjunction with the District’s financial statements, which immediately follows the Report of Independent Certified Public Accountants on these financial statements. This is a requirement of the Governmental Accounting Standards Board (GASB) Statement #34 (GASB 34) “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.”

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.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others.



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. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



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**Figure A-2
Major Features of District-Wide and Fund Financial Statements**

	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as general education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> ❖ Statement of net position ❖ Statement of net activities 	<ul style="list-style-type: none"> ❖ Balance sheet ❖ Statement of revenues, expenditures, and changes in fund balance 	<ul style="list-style-type: none"> ❖ Statement of fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Economic measurement focus, accrual basis of accounting for purposes of assets and liabilities.
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	All assets and liabilities, both short-term and long-term, District's funds do not currently contain capital assets, although they can
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 good or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

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 the management's discussion and analysis highlights the structure and contents of each of the statements.



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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 position include *all* of the District's assets, deferred outflows, liabilities and deferred inflows. All of the current year's revenues and expenses are accounted for in the statements of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net position* and how it has changed. Net position, the difference between the District's assets, deferred outflows, liabilities and deferred inflows, is one way to measure the District's financial health or *position*.

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

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:

- a. Some funds are required by State law and by bond covenants.
- b. The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenue.

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 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 district-wide statements, additional information is provided with the governmental funds statements that explain the relationship (or differences) between them. The following funds are maintained by the District:
 - General Fund – used primarily to account for the general education requirements of the District.
 - Athletic Fund – used to account for revenues and expenditures of the various sports run by the District.



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- Food Service Fund – used to account for revenues and expenditures related to the food service department of the District.
- Student Activity Fund – used to account for revenues and expenditures related to student activities.
- Debt Retirement Fund – used to record the funding and payment of principal and interest on bonded debt.
- Capital Projects Fund – used to account for financial resources to be used for the acquisition, construction, or improvements of major capital facilities.
- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as the scholarship fund and employee benefit trust fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Summary of Net Position (provides a perspective of the District as a whole)

Table A-3

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Assets		
Current Assets	\$ 3,122,068	\$ 2,783,731
Capital Assets, Net Book Value	<u>7,423,795</u>	<u>7,898,305</u>
Total Assets	10,545,863	10,682,036
Deferred Outflows		
Cash Outflows Related to Future Periods (Pension/OPEB)	3,476,594	4,044,572
Liabilities		
Current Liabilities	623,012	675,739
Long-Term Liabilities	<u>17,484,391</u>	<u>18,633,190</u>
Total Liabilities	18,107,403	19,308,929
Deferred Inflows		
Cash Inflows Related To Future Periods (Pension/OPEB)	2,114,555	2,206,478
Net Position		
Net Investment In Capital Assets	4,392,473	4,293,305
Restricted	384,373	244,242
Unrestricted	<u>(10,976,347)</u>	<u>(11,326,346)</u>
Total Net Position	<u>\$ (6,199,501)</u>	<u>\$ (6,788,799)</u>



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Summary of Activities (provides a perspective of the District as a whole)

Table A-4

	June 30, 2021	June 30, 2020
REVENUES		
Property Taxes, Levied for General Purposes	\$ 1,098,608	\$ 1,046,678
Property Taxes, Levied for Debt Service	759,185	739,678
Other Taxes	172,246	161,007
State Aid not Restricted to Specific Purposes	4,040,191	4,093,424
State Aid Restricted to Specific Purposes	1,149,787	507,376
Interest and Other Revenues	7,489	9,000
Gain on Disposal of Capital Assets	750	-
Miscellaneous	60,128	59,090
Operating Grants	949,378	830,934
Charges for Services	220,074	205,084
Total Revenues	<u>8,457,836</u>	<u>7,652,271</u>
EXPENSES		
Instruction	4,286,523	4,453,646
Support Services	2,476,192	2,441,313
Community Services	132,100	112,579
Athletics	178,494	188,772
Food Services	257,178	263,326
Other Expenditures	2,448	1,957
Interest on Debt	65,353	79,494
Depreciation, Unallocated	577,107	568,058
Total Expenses	<u>7,975,395</u>	<u>8,109,145</u>
CHANGE IN NET POSITION	482,441	(456,874)
NET POSITION - BEGINNING OF YEAR	(6,788,799)	(6,331,925)
Cumulative Effect of Change in Accounting Principle	106,857	-
Net Position - Beginning of Year, as Restated	<u>(6,681,942)</u>	<u>(6,331,925)</u>
NET POSITION - END OF YEAR	<u>\$ (6,199,501)</u>	<u>\$ (6,788,799)</u>

State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance.
- b. Student Enrollment – Blended at 90 percent of current year’s fall count and 10 percent of current year’s winter count.
- c. The District’s non-homestead levy.



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Per Student, Foundation Allowance

Annually, the State of Michigan establishes the per student foundation allowance. The Norway Vulcan Area School District's foundation allowance for the 2020-2021 school year was \$8,111 per student.

Student Enrollment

The District's pupil enrollment for state aid membership for the 2020-2021 fiscal year was 647.46. The District's enrollment decreased somewhat from the prior year's student count. The following summarizes the state aid membership (student enrollments) for the past five years:

	<u>Student FTE</u>
2020-2021	647.46
2019-2020	641.43
2018-2019	666.38
2017-2018	705.35
2016-2017	712.69

Property Taxes Levied for General Operations (General Fund Non-Homestead)

The District levies 17.9442 mills of property taxes for operations (General Fund) on non-homestead properties. Under Michigan law, the taxable levy is based on taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at a rate of the prior year's CPI increase, or five percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 5 percent of the market value.

The District's non-homestead property tax revenue for the 2020-2021 fiscal year was \$1,083,584. The non-homestead property tax levy increased by \$36,907 over the prior year. The following summarizes the District's non-homestead property tax levy for the past five years:

	<u>Non-Homestead Tax Levy</u>	<u>Percent Increase From Prior Year</u>
2020-2021	\$ 1,083,585	3.53
2019-2020	\$ 1,046,678	0.95
2018-2019	\$ 1,036,836	2.32
2017-2018	\$ 1,013,297	1.28
2016-2017	\$ 1,000,522	(1.22)

Average increase over last five years: 1.37%

Debt Service Fund Levy

The District's debt service fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties – both homestead and non-homestead. For the fiscal year ended June 30, 2021, the District's debt millage levy was 4.2 mills, which generated revenue of \$759,185.



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FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year; its governmental funds reported *combined* fund balances of \$2,512,810, an increase of \$388,089 from last year's ending fund balances of \$2,124,721.

General Fund Budgetary Highlights – over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. General fund budgetary highlights are as follows:

- a. Amendments were made to account for final enrollment counts, staffing assignments and changes, as well as changes in grant funding since the original budget had been adopted.
- b. While the District's final budget for the general fund anticipated that revenues and expenditures would reflect an increase of \$131,288, the actual results of the year show that the increase came in at \$263,809.
- b. Actual revenues were \$7,280,316, which was an increase from the final budget in the amount of \$38,430
- c. Actual expenditures and transfers out were \$7,037,611, which was \$91,956 under budget.



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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – a summary of the District’s net investment in capital assets is as follows:

Table A-5

	Balance as of June 30, 2020	Additions	Deletions	Balance as of June 30, 2021
Capital Assets	\$ 20,219,080	\$ 102,846	\$ (39,265)	\$ 20,282,661
Less: Accumulated Depreciation	(12,320,775)	(577,107)	39,016	(12,858,866)
Net Investment in Capital Assets	\$ 7,898,305	\$ (474,261)	\$ (249)	\$ 7,423,795

Long-term Debt – a summary of the District’s long-term debt activity is as follows:

Table A-6

	Balance as of July 1, 2020	Issued (Additions)	Retired (Deletions)	Balance as of June 30, 2021
General Obligation Debt Bonds	\$ 3,605,000	\$ -	\$ 685,000	\$ 2,920,000
Debt Premium	143,369	-	32,047	111,322
Early Retirement Incentive	55,000	-	40,000	15,000
Compensated Absences	104,686	-	4,451	100,235
Total Long Term Obligations	\$ 3,908,055	\$ -	\$ 761,498	\$ 3,146,557

MAJOR ACCOMPLISHMENTS, GOALS, AND PRIORITIES

On the heels of one of the most challenging school years in U.S. history, our students and staff continued to perform well in the classroom. On M-Step exams saw Norway students ahead of their ISD peers in many areas and beating the state averages consistently. On the SAT, NVAS students were bested by less than ten points by only one other district in our ISD. As with last year (along with the rest of the nation) we are still dealing with the effects of the pandemic. "Normal" has not yet returned to U.S. schools and already we are seeing new challenges, i.e. supply chain issues, pop up. As they did last year, NVAS students, families, and staff will persevere through this and come out optimistic on the other side.



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CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District's citizens, taxpayers, customers, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact:

Norway Vulcan Area Schools
School Business Office
300 Section Street
Norway, MI 49870

BASIC FINANCIAL STATEMENTS

NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
STATEMENT OF NET POSITION
JUNE 30, 2021

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 2,132,926
Receivables:	
Taxes	6,300
Accounts	8,495
Due from Other Governments	965,044
Inventories and Prepaid Items	9,303
Capital Assets:	
Nondepreciable	6,000
Depreciable	7,417,795
Total Assets	10,545,863
 DEFERRED OUTFLOWS OF RESOURCES	
Pension Related Amounts	2,584,406
Other Postemployment Related Amounts	892,188
Total Deferred Outflows of Resources	3,476,594
 LIABILITIES	
Accounts Payable	23,992
Accrued and Other Current Liabilities	473,875
Accrued Interest Payable	13,754
Unearned Revenues	111,391
Long-Term Obligations:	
Due in One Year	752,071
Due in More than One Year	2,394,486
Other Postemployment Benefits Liability	1,936,775
Net Pension Liability	12,401,059
Total Liabilities	18,107,403
 DEFERRED INFLOWS OF RESOURCES	
Pension Related Amounts	497,029
Other Postemployment Related Amounts	1,617,526
Total Deferred Inflows of Resources	2,114,555
 NET POSITION	
Net Investment In Capital Assets	4,392,473
Restricted	384,373
Unrestricted	(10,976,347)
Total Net Position	\$ (6,199,501)

See accompanying Notes to Basic Financial Statements.

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 4,286,523	\$ 65,088	\$ 561,216	\$ (3,660,219)
Support Services	2,476,192	52,553	84,585	(2,339,054)
Community Services	132,100	84,062	3,722	(44,316)
Athletic Activities	178,494	16,174	9,228	(153,092)
Food Service	257,178	2,197	290,627	35,646
Other Expenditures	2,448	-	-	(2,448)
Interest and Fiscal Charges	65,353	-	-	(65,353)
Depreciation - Unallocated	577,107	-	-	(577,107)
Total Governmental Activities	<u>\$ 7,975,395</u>	<u>\$ 220,074</u>	<u>\$ 949,378</u>	(6,805,943)
General Revenues:				
Property Taxes				1,842,769
Other Taxes				187,270
State Aid - Unrestricted				4,040,191
State Aid - Restricted				1,149,787
Interest and Investment Earnings				7,489
Gain on Disposal of Capital Assets				750
Miscellaneous				60,128
Total General Revenues				<u>7,288,384</u>
CHANGE IN NET POSITION				482,441
Net Position - July 1, as Originally Stated				(6,788,799)
Cumulative Effect of Change in Accounting Principle				<u>106,857</u>
Net Position - July 1, as Restated				<u>(6,681,942)</u>
NET POSITION - JUNE 30				<u><u>\$ (6,199,501)</u></u>

See accompanying Notes to Basic Financial Statements.

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

ASSETS	General	Debt Service	Capital Projects	Other Governmental Funds	Total
Cash and Investments	\$ 1,018,310	\$ 220,407	\$ 729,228	\$ 164,981	\$ 2,132,926
Receivables:					
Taxes	2,148	4,152	-	-	6,300
Accounts	8,476	-	-	19	8,495
Due from Other Funds	-	-	296,801	-	296,801
Due from Other Governments	963,419	-	-	1,625	965,044
Inventories and Prepaid Items	6,942	-	-	2,361	9,303
Total Assets	<u>\$ 1,999,295</u>	<u>\$ 224,559</u>	<u>\$ 1,026,029</u>	<u>\$ 168,986</u>	<u>\$ 3,418,869</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 22,853	\$ -	\$ -	\$ 1,139	\$ 23,992
Accrued and Other Current Liabilities	473,750	-	-	125	473,875
Due to Other Funds	296,801	-	-	-	296,801
Unearned Revenues	101,348	-	-	10,043	111,391
Total Liabilities	894,752	-	-	11,307	906,059
FUND BALANCES					
Nonspendable	6,942	-	-	2,361	9,303
Restricted	-	224,559	18,250	155,318	398,127
Committed	-	-	1,007,779	-	1,007,779
Unassigned	1,097,601	-	-	-	1,097,601
Total Fund Balances	<u>1,104,543</u>	<u>224,559</u>	<u>1,026,029</u>	<u>157,679</u>	<u>2,512,810</u>
Total Liabilities and Fund Balances	<u>\$ 1,999,295</u>	<u>\$ 224,559</u>	<u>\$ 1,026,029</u>	<u>\$ 168,986</u>	<u>\$ 3,418,869</u>

See accompanying Notes to Basic Financial Statements.

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
RECONCILIATION TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	2021
Total Fund Balances as Shown on Previous Page	\$ 2,512,810
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	7,423,795
Deferred Outflows Related to Pensions	2,584,406
Deferred Inflows Related to Pensions	(497,029)
Deferred Outflows Related to Other Postemployment Benefits	892,188
Deferred Inflows Related to Other Postemployment Benefits	(1,617,526)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds and Notes Payable	(2,920,000)
Premium on Debt	(111,322)
Compensated Absences	(100,235)
Early Retirement Incentive	(15,000)
Other Postemployment Benefits Liability	(1,936,775)
Net Pension Liability	(12,401,059)
Accrued Interest on Long-Term Obligations	(13,754)
Net Position of Governmental Activities as Reported on the Statement of Net Position (see Page 14)	\$ (6,199,501)

See accompanying Notes to Basic Financial Statements.

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total
REVENUES					
Local Sources	\$ 1,292,275	\$ 802,729	\$ 2,202	\$ 70,925	\$ 2,168,131
State Sources	5,098,502	-	-	35,018	5,133,520
Federal Sources	719,866	-	-	264,837	984,703
Other Local Sources	169,673	-	-	-	169,673
Other Sources	-	1,809	-	-	1,809
Total Revenues	<u>7,280,316</u>	<u>804,538</u>	<u>2,202</u>	<u>370,780</u>	<u>8,457,836</u>
EXPENDITURES					
Instruction	4,267,422	-	-	-	4,267,422
Support Services	2,487,626	-	-	53,885	2,541,511
Community Services	132,562	-	-	-	132,562
Athletic Activities	-	-	-	175,403	175,403
Food Service	-	-	-	252,224	252,224
Capital Outlay	-	-	19,659	-	19,659
Debt Service:					
Principal	-	685,000	-	-	685,000
Interest and Fiscal Charges	-	100,375	-	-	100,375
Total Debt Service	<u>-</u>	<u>785,375</u>	<u>-</u>	<u>-</u>	<u>785,375</u>
Nonprogram:					
Adjustments and Refunds	-	2,448	-	-	2,448
Total Expenditures	<u>6,887,610</u>	<u>787,823</u>	<u>19,659</u>	<u>481,512</u>	<u>8,176,604</u>
Excess of Revenues Over (Under) Expenditures	392,706	16,715	(17,457)	(110,732)	281,232
OTHER FINANCING SOURCES (USES)					
Transfers In	21,104	-	-	150,001	171,105
Transfers Out	(150,001)	-	-	(21,104)	(171,105)
Total Other Financing Sources (Uses)	<u>(128,897)</u>	<u>-</u>	<u>-</u>	<u>128,897</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	263,809	16,715	(17,457)	18,165	281,232
Fund Balances - July 1, as Originally Stated	840,734	207,844	1,043,486	32,657	2,124,721
Cumulative Effect of Change in Accounting Principle	-	-	-	106,857	106,857
Fund Balances - July 1, as Restated	<u>840,734</u>	<u>207,844</u>	<u>1,043,486</u>	<u>139,514</u>	<u>2,231,578</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,104,543</u>	<u>\$ 224,559</u>	<u>\$ 1,026,029</u>	<u>\$ 157,679</u>	<u>\$ 2,512,810</u>

See accompanying Notes to Basic Financial Statements.

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
RECONCILIATION TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021**

	2021
Net Change in Fund Balances as Shown on Previous Page	\$ 281,232
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital assets reported as capital outlay reported in governmental fund statements	102,846
Depreciation expense reported in the Statement of Activities	(577,107)
Net book value of disposals	(249)
<p>Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>	
Principal Repaid	685,000
<p>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:</p>	
Accrued Interest on Long-Term Debt	2,975
Amortization of Debt Premium	32,047
Compensated Absences	4,451
Early Retirement Incentive	40,000
Net Pension Liability	(254,082)
Deferred Outflows of Resources Related to Pensions	(703,875)
Deferred Inflows of Resources Related to Pensions	489,626
Other Postemployment Benefits	641,383
Deferred Outflows of Resources Related to Other Postemployment Benefits	135,897
Deferred Inflows of Resources Related to Other Postemployment Benefits	(397,703)
Change in Net Position of Governmental Activities as Reported in the Statement of Activities (see Page 15)	\$ 482,441

See accompanying Notes to Basic Financial Statements.

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Local Sources	\$ 1,223,034	\$ 1,284,230	\$ 1,292,275	\$ 8,045
State Sources	4,735,059	5,070,403	5,098,502	28,099
Federal Sources	223,342	716,700	719,866	3,166
Other Local Sources	129,098	170,553	169,673	(880)
Total Revenues	<u>6,310,533</u>	<u>7,241,886</u>	<u>7,280,316</u>	<u>38,430</u>
EXPENDITURES				
Instruction	4,120,281	4,337,200	4,267,422	69,778
Support Services	2,388,362	2,505,761	2,487,626	18,135
Community Services	94,327	133,869	132,562	1,307
Total Expenditures	<u>6,602,970</u>	<u>6,976,830</u>	<u>6,887,610</u>	<u>89,220</u>
Excess of Revenues Over (Under) Expenditures	(292,437)	265,056	392,706	127,650
OTHER FINANCING SOURCES (USES)				
Transfers In	-	18,969	21,104	2,135
Transfers Out	(141,475)	(152,737)	(150,001)	2,736
Total Other Financing Sources (Uses)	<u>(141,475)</u>	<u>(133,768)</u>	<u>(128,897)</u>	<u>4,871</u>
NET CHANGE IN FUND BALANCE	(433,912)	131,288	263,809	132,521
Fund Balances - Beginning of Year	<u>840,734</u>	<u>840,734</u>	<u>840,734</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 406,822</u>	<u>\$ 972,022</u>	<u>\$ 1,104,543</u>	<u>\$ 132,521</u>

See accompanying Notes to Basic Financial Statements.

**NORWAY-VULCAN AREA SCHOOL DISTRICT
 NORWAY, MICHIGAN
 STATEMENT OF NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2021**

	Private Purpose Trust	Employee Benefit Trust	Total 2021
ASSETS			
Cash and Investments	\$ 557,202	\$ 22,087	\$ 579,289
LIABILITIES			
Due to Student Organizations	\$ -	\$ -	\$ -
Total Liabilities	-	-	-
NET POSITION			
Restricted	\$ 557,202	\$ 22,087	\$ 579,289

See accompanying Notes to Basic Financial Statements.

**NORWAY-VULCAN AREA SCHOOL DISTRICT
 NORWAY, MICHIGAN
 STATEMENT OF CHANGES IN NET POSITION
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2021**

	Private Purpose Trust	Employee Benefit Trust	Total <u>2021</u>
ADDITIONS			
Gifts and Contributions	<u>\$ 26,143</u>	<u>\$ -</u>	<u>\$ 26,143</u>
DEDUCTIONS			
Scholarships Awarded	<u>80,600</u>	<u>-</u>	<u>80,600</u>
CHANGE IN NET POSITION	(54,457)	-	(54,457)
Net Position - Beginning of Year	<u>611,659</u>	<u>22,087</u>	<u>633,746</u>
NET POSITION - END OF YEAR	<u><u>\$ 557,202</u></u>	<u><u>\$ 22,087</u></u>	<u><u>\$ 579,289</u></u>

See accompanying Notes to Basic Financial Statements.

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Norway-Vulcan Area School District, Norway, Michigan (the District), have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below:

A. Reporting Entity

The District is organized as a common school district. The District, governed by an elected seven member board, operates grades K through 12 and is comprised of all or parts of two taxing districts. In accordance with U.S. GAAP, the basic financial statements are required to include the District and any separate component units that have a significant operational or financial relationship with the District. The District has not identified any component units that are required to be included in the basic financial statements in accordance with standards.

B. District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services. The District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Governmental funds include general, special revenue, debt service and capital projects funds. The District has no proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. District-Wide and Fund Financial Statements (Continued)

The District reports the following major governmental funds:

General Fund – This is the District's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of government funds.

Capital Projects Fund – This fund accounts for the acquisition or construction of major capital facilities.

Additionally, the District reports the following fund types:

- The *private purpose trust fund* is used to account for resources legally held in trust for scholarship awards. Only earnings on the invested resources may be used to support the scholarships.
- The *employee benefit trust fund* is used to account for resources legally held in trust for other postemployment benefits.

C. Measurement Focus and Basis of Accounting

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

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 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.

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Property taxes are recognized as revenue in the fiscal year for which taxes have been levied. Tuition, grants, fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the District.

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and fees and fines, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

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

1. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

2. Property Taxes

Property taxes are recognized as revenue in the General and Debt Service funds on a levy year basis. The 2020 levy amounts are recognized as current property tax revenue to the extent that they are collected during the year or within sixty days after year end. Property taxes levied by the District are collected by the City of Norway, Norway Township, Waucedah Township, and Faithorn Township 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 becomes a lien of the first day of the levy year. For the year ended June 30, 2021, the District levied the following amounts per \$1,000 of assessed valuation.

Funds	Mills
General Fund - Operating	17.9280
Debt Service Fund - Homestead and Non Homestead	4.2000

3. Accounts Receivable

Accounts receivable are recorded at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

4. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements.

5. Inventories

Inventories are recorded at cost, which approximates market, using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

Inventories of governmental funds in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

6. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items and are accounted for on the consumption method.

Prepaid items of governmental funds in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

7. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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 asset lives are not capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Governmental Activities</u>
Buildings and Improvements	20 to 50 Years
Site Improvements	6 to 18 Years
Furniture and Equipment	5 to 20 Years
Vehicles	5 to 10 Years

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

8. Compensated Absences

The District's policy allows teachers upon termination of employment due to retirement or death to be paid out the sick days accumulated. The sick days are paid on a sliding scale based on the number of sick days accumulated, compensated at the highest rate they are eligible to receive. To qualify, a teacher must have a minimum of seven years of service with the District. Noninstructional employees and support personnel received benefits based on the number of sick days accumulated. The benefits range from \$10 to \$30 per day for each sick day accumulated. With 20 years of service to the District, the retiree will be eligible for \$25 per year for each year of service upon retirement. All sick leave is accrued when incurred in the district-wide financial statements.

9. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net position by the government that is applicable to a future reporting period. The recognition of those outflows and inflows as expenses or expenditures and revenues are deferred until the future periods to which the outflows and inflows are applicable.

10. Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental funds 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.

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

11. Pensions

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

12. Other Postemployment Benefits Other Than Pensions (OPEB)

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

13. Fund Equity

Governmental Fund Financial Statements

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 following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- **Nonspendable Fund Balance.** Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- **Restricted Fund Balance.** Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

13. Fund Equity (Continued)

Governmental Fund Financial Statements (Continued)

- **Committed Fund Balance.** Amounts that are constrained for specific purposes by action of the Board of Education. These constraints can only be removed or changed by the Board of Education using the same action that was used to create them.
- **Assigned Fund Balance.** Amounts that are constrained for specific purposes by action of District management. The Board of Education has authorized the financial manager to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- **Unassigned Fund Balance.** Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The District has not adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. When a policy does not specify the spend-down policy, GASB Statement No. 54 indicates that restricted funds would be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

District-Wide and Proprietary Fund Statements

Equity is classified as net position and displayed in three components:

- **Net Investment in Capital Assets.** Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- **Restricted Net Position.** Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position.** Net position that is neither classified as restricted nor as net investment in capital assets.

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 2 STEWARDSHIP AND COMPLIANCE

A. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General and Special Revenue funds. All annual appropriations lapse at fiscal year-end.

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

- a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is approved by the Board of Education.
- d. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are as originally adopted, or as amended by the Board of Education.

B. Excess of Expenditures Over Budget Appropriations

The District actual expenditures and budgeted expenditures have been shown on an activity basis. The approved budgets were done on an activity level. The total actual expenditures for the following activities exceed the final amended budget allocations.

Fund	Excess Expenditures
General Fund:	
Support Services:	
Guidance	\$ 1,642
Instruction Related Technology	5,502

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Invested cash consists of deposits and investments that are restricted by Michigan Statutes to the following:

Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days' notice or, if not so payable, shall have maturity dates not more than five years after the purchase dates.

Certificates of deposit insured by a state or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this state.

Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.

Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

External Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The carrying amount of the District's cash and investments totaled \$2,712,215 on June 30, 2021 as summarized below:

Petty Cash and Cash on Hand	\$ 250
Deposits with Financial Institutions	<u>2,711,965</u>
Total	<u><u>\$ 2,712,215</u></u>

Reconciliation to the basic financial statements:

Government-Wide Statement of Net Position:	
Cash and Investments	\$ 2,132,926
Fiduciary Fund Statement of Net Position:	
Private Purpose Trust	557,202
Employee Benefit Trust	<u>22,087</u>
Total	<u><u>\$ 2,712,215</u></u>

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The District currently has no investments that are subject to fair value measurement.

Deposits and investments of the District are subject to various risks. Presented below is a discussion of the District's deposits and investments and the related risks.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The District does not have an additional custodial credit policy.

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Custodial Credit Risk (Continued)

Deposits with financial institutions within the state of Michigan are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the state of Michigan are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution.

As of June 30, 2021, \$2,276,940 of the District's deposits with financial institutions were in excess of federal depository insurance limits. No amounts were collateralized.

B. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Nondepreciable:				
Land	\$ 6,000	\$ -	\$ -	\$ 6,000
Capital Assets, Depreciable:				
Buildings and Improvements	18,059,513	17,439	-	18,076,952
Site Improvements	726,136	-	-	726,136
Furniture and Equipment	1,314,829	85,407	39,265	1,360,971
Vehicles	112,602	-	-	112,602
Subtotals	20,213,080	102,846	39,265	20,276,661
Less: Accumulated Depreciation for:				
Buildings and Improvements	10,449,259	448,217	-	10,897,476
Site Improvements	680,368	4,485	-	684,853
Furniture and Equipment	1,128,224	108,110	39,016	1,197,318
Vehicles	62,924	16,295	-	79,219
Subtotals	12,320,775	577,107	39,016	12,858,866
Total Capital Assets, Depreciable, Net	7,892,305	(474,261)	249	7,417,795
Governmental Activities Capital Assets, Net	\$ 7,898,305	\$ (474,261)	\$ 249	7,423,795
Less: Capital Related Debt				2,920,000
Less: Premium on Debt				111,322
Net Investment in Capital Assets				\$ 4,392,473

The District's capital assets are shared by many governmental functions. Accordingly, it was not considered practical to allocate depreciation expense.

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Interfund Receivables, Payables, and Transfers

Interfund receivables and payables between individual funds of the District, as reported in the fund financial statements, as of June 30, 2021 are detailed below:

	Interfund Receivables	Interfund Payables
Operating Accounts Between Funds		
Operating Cash Deficits		
Governmental Funds:		
General	\$ -	\$ 296,801
Capital Projects	296,801	-
Total	\$ 296,801	\$ 296,801

Interfund transfers for the year ended June 30, 2021 were as follows:

Fund	Transfer In	Transfer Out
General	\$ 21,104	\$ 150,001
Athletic Activity	150,001	-
Food Service	-	21,104
	\$ 171,105	\$ 171,105

Interfund transfers were made for the following purposes:

General Fund to Athletic Activity Fund to Cover Deficit	
Fund Balance	\$ 150,001
Food Service to General Fund to Recover	
Indirect Costs	21,104
Total	\$ 171,105

D. Long-Term Obligations

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

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Debt:					
Bonds	\$ 3,605,000	\$ -	\$ 685,000	\$ 2,920,000	\$ 700,000
Debt Premium	143,369	-	32,047	111,322	32,047
Early Retirement Incentive	55,000	-	40,000	15,000	10,000
Compensated Absences	104,686	-	4,451	100,235	10,024
Governmental Activities Long-Term Obligations	\$ 3,908,055	\$ -	\$ 761,498	\$ 3,146,557	\$ 752,071

Total interest paid during the year on long-term debt totaled \$100,375.

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations (Continued)

For governmental activities, the other long-term liabilities are generally funded by the General Fund.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 06/30/21
General Obligation Bonds	2/14/2013	5/1/2025	2.00 - 3.00%	\$ 4,980,000	\$ 1,905,000
General Obligation Bonds	3/10/2015	5/1/2025	2.00 - 2.50%	2,535,000	1,015,000
Total Outstanding General Obligation Debt					<u>\$ 2,920,000</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$2,920,000 on June 30, 2021 are detailed below:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 700,000	\$ 82,525	\$ 782,525
2023	720,000	62,825	782,825
2024	740,000	42,500	782,500
2025	760,000	21,550	781,550
Total	<u>\$ 2,920,000</u>	<u>\$ 209,400</u>	<u>\$ 3,129,400</u>

Early Retirement Incentive

In accordance with an agreement with the Norway-Vulcan Education Association, the District offered teachers an Early Retirement Incentive or Termination Benefit, consisting of payment of a payment of \$5,000 for three years commencing on January 1, 2019. Seven teachers accepted the benefit, and the balance at June 30, 2021 is \$15,000.

E. Pension Plan

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiemployer, state-wide, defined benefit public employee retirement plan governed by the state of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of 12 members – 11 appointed by the governor and the state superintendent of instruction, who serves as an ex-officio member.

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plan (Continued)

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits for are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB member plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2019 valuation will be amortized over a 19-year period beginning October 1, 2018 and ending September 30, 2038.

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plan (Continued)

Contributions (Continued)

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

Benefit Structure	Pension Contribution Rates		
	Employee	Employer	
		Universities	Non-Universities
Basic	0.0 - 4.0%	26.03%	19.41%
Member Investment Plan	3.0 - 7.0%	26.03%	19.41%
Pension Plus	3.0 - 6.4%	N/A	16.46%
Pension Plus 2	6.2%	N/A	19.59%
Defined Contribution	0.0%	19.74%	13.39%

Required contributions to the pension plan from the District were \$992,100 for the year ended September 30, 2020.

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

At June 30, 2021, the District reported a liability of \$12,401,059 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2019. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the System during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2020, the District's proportion was .03610090%, which was a decrease of .00057484% from its proportion measured as of September 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$1,572,924.

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plan (Continued)

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Actual and Expected Experience	\$ 189,478	\$ 26,468
Changes of Assumptions	1,374,157	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	52,104	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	470,561
Employer Contributions Subsequent to the Measurement Date	968,667	-
Total	<u>\$ 2,584,406</u>	<u>\$ 497,029</u>

\$968,667 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Expense</u>
2022	\$ 515,798
2023	351,130
2024	185,866
2025	65,916
Total	<u>\$ 1,118,710</u>

Actuarial Assumptions

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

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plan (Continued)

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

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

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4892
- Recognition period for assets in years: 5.000.
- Full actuarial assumptions are available in 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plan (Continued)

Long-Term Expected Return on Plan Assets – The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2020, are summarized in the following table:

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

* Long-term rates of return are net of administrative expenses and 2.3% inflation.

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

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plan (Continued)

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.0% for the Pension Plus 2 plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease to (Non-Hybrid/Hybrid) <u>5.80%/ 5.80%/ 5.0%</u>	Current Single Discount Rate (Non-Hybrid/Hybrid) <u>6.80%/ 6.80%/ 6.0%</u>	1% Increase to (Non-Hybrid/Hybrid) <u>7.80%/ 7.80%/ 7.0%</u>
District's Proportionate Share of the Net Pension Liability	\$ 16,051,067	\$ 12,401,059	\$ 9,376,016

Michigan Public School Employees' Retirement System (MPERS) Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in MPERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

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

At June 30, 2021, the District reported a payable of \$166,185 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2021.

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Postemployment Benefits Other than Pensions (OPEB)

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiemployer, state-wide, defined benefit public employee retirement plan governed by the state of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental, and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Postemployment Benefits Other than Pensions (OPEB) (Continued)

Benefits Provided (Continued)

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 absences on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

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

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2019 valuation will be amortized over a 20-year period beginning October 1, 2019 and ending September 30, 2038.

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Postemployment Benefits Other than Pensions (OPEB) (Continued)

Contributions (Continued)

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

Benefit Structure	OPEB Contribution Rates		
	Member	Employer	
		Universities	Non-Universities
Premium Subsidy	3.00%	6.57%	8.09%
Personal Healthcare Fund (PHF)	0.00%	5.99%	7.57%

Required contributions to the OPEB plan from the District were \$255,425 for the year ended September 30, 2020.

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

At June 30, 2021, the District reported a liability of \$1,936,775 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2019. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the System during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2020, the District's proportion was 0.03615230%, which was an increase of 0.00023354% from its proportion measured as of October 1, 2019.

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Postemployment Benefits Other than Pensions (OPEB) (Continued)

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

For the year ending June 30, 2021, the District recognized OPEB expense of \$(103,847). At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Actual and Expected Experience	\$ -	\$ 1,443,078
Changes of Assumptions	638,593	-
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	16,165	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	19,832	174,448
Employer Contributions Subsequent to the Measurement Date	217,598	-
Total	\$ 892,188	\$ 1,617,526

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Expense</u>
2022	\$ (264,371)
2023	(241,997)
2024	(197,138)
2025	(142,046)
2026	(97,384)
Total	\$ (942,936)

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Postemployment Benefits Other than Pensions (OPEB) (Continued)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Valuation Date:	September 30, 2019
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate	2.75%
Investment Rate of Return:	6.95%
Projected Salary Increases:	2.75 - 11.55%, Including wage inflation at 2.75%
Healthcare Cost Trend Rate:	7.0% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions:	
Opt Out Assumption	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents.

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Postemployment Benefits Other than Pensions (OPEB) (Continued)

Actuarial Assumptions (Continued)

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.6018 for nonuniversity employers.
- Recognition period for assets in years: 5.0000.
- Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2019, are summarized in the following table:

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

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

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Postemployment Benefits Other than Pensions (OPEB) (Continued)

Rate of Return

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

Discount Rate

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

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

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

	1% Decrease to Discount Rate (5.95%)	Current Discount Rate (6.95%)	1% Increase to Discount Rate (7.95%)
District's Proportionate Share of Net OPEB Liability	\$ 2,488,007	\$ 1,936,775	\$ 1,472,683

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Postemployment Benefits Other than Pensions (OPEB) (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate

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

	1% Decrease to Healthcare Cost Trend Rate	Current Healthcare Cost Trend Rate	1% Increase to Healthcare Cost Trend Rate
District's Proportionate Share of Net OPEB Liability	\$ 1,454,914	\$ 1,936,775	\$ 2,484,832

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2020 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payable to the OPEB Plan

At June 30, 2021, the District reported no payable to the defined OPEB Plan.

G. Fund Equity

Nonspendable Fund Balance

In the fund financial statements, portions of the governmental fund balances are amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact. At June 30, 2021, nonspendable fund balance was as follows:

General Fund:	
Nonspendable:	
Prepaid Items	\$ 6,942
Special Revenue Fund:	
Food Service:	
Nonspendable Inventories	2,361
Total Nonspendable Fund Balance	\$ 9,303

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Fund Equity (Continued)

Restricted Fund Balance

In the fund financial statements, portions of governmental fund balances are not available for appropriation or are legally restricted for use for a specific purpose. At June 30, 2021, restricted fund balance was as follows:

Special Revenue Fund:		
Restricted for:		
Food Service	\$	49,792
Student Activities		105,526
Debt Service Fund:		
Restricted for:		
Debt Service		224,559
Capital Projects Fund:		
Restricted for:		
Capital Projects		<u>18,250</u>
Total Restricted Fund Balance	<u>\$</u>	<u>398,127</u>

Committed Fund Balance

In the fund financial statements, portions of government fund balances are committed by District Board action. At June 30, 2021, committed fund balance was committed as follows:

Capital Projects Fund:		
Committed for:		
Capital improvements	<u>\$</u>	<u>1,007,779</u>

Net Position

The District reports restricted net position at June 30, 2021 as follows:

Governmental Activities:		
Restricted for:		
Debt Service	\$	210,805
Capital Projects		18,250
Student Activity		105,526
Food Service		<u>49,792</u>
Total Governmental Activities Restricted Net Position	<u>\$</u>	<u>384,373</u>

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Fund Equity (Continued)

Net Position (Continued)

Fiduciary Funds:

Restricted for:

Scholarships	\$ 557,202
Postemployment Benefits	22,087
Total Restricted Fiduciary Net Position	\$ 579,289

NOTE 4 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The District completes an annual review of its insurance coverage to ensure adequate coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

B. Contingencies

The District participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

From time to time, the District is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial position or results of operations.

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Risks and Uncertainties

The Coronavirus Disease 2019 (COVID-19) has affected global markets, supply chains, employees of organizations, and local communities. Specific to the District, COVID-19 may impact various parts of its 2021-2022 operations and financial results. Management believes the District is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of October 13, 2021.

D. Upcoming Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*. The statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement is effective for reporting periods beginning after June 15, 2021. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

E. Restatement

During fiscal year ended June 30, 2021 the District adopted GASB Statement No. 84 *Fiduciary Activities*. As a result of the implementation of this standard, the District reported a restatement for the change in accounting principle of \$106,857. The funds were previously reported as a fiduciary fund.

	<u>Governmental Activities</u>	<u>Student Activity</u>
Fund Balance/Net Position, Beginning of Year, as Previously Reported	\$ 6,788,799	\$ -
Change in Accounting Principle	106,857	106,857
Fund Balance/Net Position End of Year, as Restated	<u>\$ 6,895,656</u>	<u>\$ 106,857</u>

REQUIRED SUPPLEMENTARY INFORMATION

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND
SCHEDULE OF CONTRIBUTIONS – OTHER POSTEMPLOYMENT BENEFIT PLAN –
MICHIGAN PUBLIC SCHOOLS EMPLOYEES' RETIREMENT PLAN
LAST 10 MEASUREMENT PERIODS**

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Plan Fiscal Year Ending	Proportion of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability	Covered Payroll	Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
9/30/2017	0.03918384%	\$ 3,469,914	\$ 3,237,333	107.18%	36.39%
9/30/2018	0.03776345%	3,001,798	3,208,512	93.56%	42.95%
9/30/2019	0.03591876%	2,578,158	3,135,178	82.23%	48.46%
9/30/2020	0.03615230%	1,936,775	3,201,137	60.50%	59.44%

SCHEDULE OF CONTRIBUTIONS - OTHER POSTEMPLOYMENT BENEFIT PLAN

District Fiscal Year Ending	Statutorily Required OPEB Contributions	OPEB Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2018	\$ 248,044	\$ 248,044	-	\$ 3,184,130	7.79%
6/30/2019	244,800	244,800	-	3,142,518	7.79%
6/30/2020	246,621	246,621	-	3,192,417	7.73%
6/30/2021	276,143	276,143	-	3,375,254	8.18%

See accompanying Notes to Required Supplementary Information.

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND
SCHEDULE OF CONTRIBUTIONS – PENSION PLAN –
MICHIGAN PUBLIC SCHOOLS EMPLOYEES' RETIREMENT PLAN
LAST 10 MEASUREMENT PERIODS**

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Plan Fiscal Year Ending	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
9/30/2014	0.03904000%	\$ 8,598,116	\$ 3,325,005	258.59%	66.20%
9/30/2015	0.04016091%	9,809,313	3,330,168	294.56%	63.17%
9/30/2016	0.04015635%	10,018,681	3,372,059	297.11%	63.01%
9/30/2017	0.03917307%	10,151,408	3,237,333	313.57%	64.21%
9/30/2018	0.03830970%	11,516,572	3,208,512	358.94%	62.36%
9/30/2019	0.03667938%	12,146,977	3,135,178	387.44%	60.31%
9/30/2020	0.03610090%	12,401,059	3,201,137	387.40%	59.72%

SCHEDULE OF CONTRIBUTIONS - PENSION PLAN

District Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2015	\$ 606,242	\$ 606,242	\$ -	\$ 3,325,005	18.23%
6/30/2016	774,756	774,756	-	3,330,168	23.26%
6/30/2017	901,732	901,732	-	3,372,059	26.74%
6/30/2018	898,880	898,880	-	3,184,130	28.23%
6/30/2019	974,030	974,030	-	3,142,518	31.00%
6/30/2020	974,402	974,402	-	3,192,417	30.52%
6/30/2021	1,105,990	1,105,990	-	3,375,254	32.77%

See accompanying Notes to Required Supplementary Information.

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

NOTE 1 MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiemployer, state-wide, defined benefit public employee retirement plan, which provides retirement and postemployment healthcare benefits to District retirees.

NOTE 2 PENSION PLAN

Changes of Benefit Terms. There were no changes of benefit terms in fiscal year 2020.

Changes of Benefit Assumptions. There were no changes of benefit assumptions in fiscal year 2020.

NOTE 3 OTHER POSTEMPLOYMENT BENEFITS

Changes of Benefit Terms. There were no changes of benefit terms in fiscal year 2020.

Changes of Benefit Assumptions. There were no changes of benefit assumptions in fiscal year 2020.

The District is required to present the last 10 fiscal years of data; however accounting standards allow the presentation of as many years as are available until 10 fiscal years are presented.

SUPPLEMENTARY INFORMATION

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
DETAIL SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
LOCAL SOURCES				
Property Taxes	\$ 1,046,833	\$ 1,096,460	\$ 1,098,608	\$ 2,148
Interest and Penalties	5,601	5,414	5,414	-
Tuition	53,000	60,550	60,177	(373)
Interest Income	3,800	3,244	3,482	238
Community Schools Charges	78,500	79,923	84,062	4,139
Rentals	15,000	13,531	14,661	1,130
Donations and Contributions	300	6,266	6,267	1
Miscellaneous Revenue	20,000	18,842	19,604	762
Total Local Sources	<u>1,223,034</u>	<u>1,284,230</u>	<u>1,292,275</u>	<u>8,045</u>
STATE SOURCES				
Unrestricted Grants	3,874,391	4,082,949	4,082,670	(279)
Restricted Grants	860,668	987,454	1,015,832	28,378
Total State Sources	<u>4,735,059</u>	<u>5,070,403</u>	<u>5,098,502</u>	<u>28,099</u>
FEDERAL SOURCES				
Title I	94,148	110,643	110,643	-
Title II	19,311	21,940	21,940	-
Flowthrough	16,116	18,328	18,328	-
Title IV	10,000	6,807	6,807	-
COVID Relief	83,767	558,982	562,148	3,166
Total Federal Sources	<u>223,342</u>	<u>716,700</u>	<u>719,866</u>	<u>3,166</u>
OTHER LOCAL SOURCES				
Special Education Millage from ISD	98,490	123,288	123,288	-
Payments Received from Other				
Districts	30,608	15,746	14,866	(880)
Other Revenue	-	30,769	30,769	-
Sale of Property	-	750	750	-
Total Other Local Sources	<u>129,098</u>	<u>170,553</u>	<u>169,673</u>	<u>(880)</u>
Total Revenues	6,310,533	7,241,886	7,280,316	38,430
OTHER FINANCING SOURCES				
Transfer From Food Service	-	18,969	21,104	2,135
Total Revenues and Other Financing Sources	<u>\$ 6,310,533</u>	<u>\$ 7,260,855</u>	<u>\$ 7,301,420</u>	<u>\$ 40,565</u>

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
DETAIL SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
INSTRUCTION				
Elementary School	\$ 1,458,855	\$ 1,563,454	\$ 1,543,706	\$ 19,748
Middle School	618,725	648,659	626,208	22,451
High School	1,167,349	1,211,354	1,187,863	23,491
Pre-Kindergarten	41,880	35,838	35,838	-
Special Education	478,584	516,887	516,093	794
Compensatory Education	354,888	361,008	357,714	3,294
Total Instruction	<u>4,120,281</u>	<u>4,337,200</u>	<u>4,267,422</u>	<u>69,778</u>
SUPPORT SERVICES				
Guidance	107,737	120,298	121,940	(1,642)
Speech	76,812	76,314	76,314	-
Social Work	108,580	116,952	116,728	224
Library	36,886	39,601	39,601	-
School Improvement	27,188	25,302	25,301	1
Instruction Related Technology	30,205	23,089	28,591	(5,502)
Staff Supervision	3,438	2,979	2,979	-
Online Facilitator	-	14,078	14,078	-
Board of Education	33,740	29,811	26,305	3,506
Executive Administration	281,777	276,397	274,410	1,987
Office of Principals	479,977	479,200	474,019	5,181
Business Services	111,851	109,668	107,041	2,627
Insurance	27,400	16,150	15,950	200
Buildings and Grounds	632,806	649,006	644,624	4,382
Pupil Transportation	257,299	212,240	211,890	350
Communications	2,500	400	362	38
Workshops	4,300	510	510	-
Technical Support	118,898	258,069	251,786	6,283
Central Support	46,968	55,697	55,197	500
Total Support Services	<u>2,388,362</u>	<u>2,505,761</u>	<u>2,487,626</u>	<u>18,135</u>
COMMUNITY SERVICES				
Community Recreation	10,262	5,740	4,780	960
Community Services	1,458	1,488	1,488	-
Daycare	82,607	106,182	105,835	347
Title I	-	20,459	20,459	-
Total Community Services	<u>94,327</u>	<u>133,869</u>	<u>132,562</u>	<u>1,307</u>
Total Expenditures	<u>6,602,970</u>	<u>6,976,830</u>	<u>6,887,610</u>	<u>89,220</u>
OTHER FINANCING USES				
Transfer to Athletics	141,475	151,369	150,001	1,368
Total Expenditures and Other Financing Uses	<u>\$ 6,744,445</u>	<u>\$ 7,128,199</u>	<u>\$ 7,037,611</u>	<u>\$ 90,588</u>

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021**

	Special Revenue			Total Nonmajor Governmental Funds
	Athletic Activity	Student Activity	Food Service	
ASSETS				
Cash and Investments	\$ 1,264	\$ 105,526	\$ 58,191	\$ 164,981
Receivables:				
Accounts	-	-	19	19
Due from Other Governments	-	-	1,625	1,625
Inventories and Prepaid Items	-	-	2,361	2,361
	-	-	2,361	2,361
Total Assets	\$ 1,264	\$ 105,526	\$ 62,196	\$ 168,986
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 1,139	\$ -	\$ -	\$ 1,139
Accrued and Other Current Liabilities	125	-	-	125
Unearned Revenues	-	-	10,043	10,043
Total Liabilities	1,264	-	10,043	11,307
FUND BALANCES				
Nonspendable	-	-	2,361	2,361
Restricted	-	105,526	49,792	155,318
Total Fund Balances	-	105,526	52,153	157,679
Total Liabilities and Fund Balances	\$ 1,264	\$ 105,526	\$ 62,196	\$ 168,986

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021**

	Special Revenue			Total Nonmajor Governmental Funds
	Athletic Activity	Student Activity	Food Service	
REVENUES				
Local Sources	\$ 16,174	\$ 52,554	\$ 2,197	\$ 70,925
State Sources	9,228	-	25,790	35,018
Federal Sources	-	-	264,837	264,837
Total Revenues	25,402	52,554	292,824	370,780
EXPENDITURES				
Other Support Services	-	53,885	-	53,885
Athletic Activities	175,403	-	-	175,403
Food Service	-	-	252,224	252,224
Total Expenditures	175,403	53,885	252,224	481,512
Excess of Revenues Over (Under) Expenditures	(150,001)	(1,331)	40,600	(110,732)
OTHER FINANCING SOURCES (USES)				
Transfers In	150,001	-	-	150,001
Transfers Out	-	-	(21,104)	(21,104)
Total Other Financing Sources (Uses)	150,001	-	(21,104)	128,897
NET CHANGE IN FUND BALANCES	-	(1,331)	19,496	18,165
Fund Balances - July 1, as Originally Stated	-	-	32,657	32,657
Cumulative Effect of Change in Accounting Principle	-	106,857	-	106,857
Fund Balances - July 1, as Restated	-	106,857	32,657	139,514
FUND BALANCES - END OF YEAR	\$ -	\$ 105,526	\$ 52,153	\$ 157,679

**ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR BASIC FINANCIAL STATEMENTS**



**INDEPENDENT AUDITORS' 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***

Board of Education
Norway-Vulcan Area School District
Norway, Michigan

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 the Norway-Vulcan Area School District, Norway, Michigan (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 13, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s 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*.

Norway-Vulcan Area School District’s Response to Findings

The District’s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District’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 District’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Green Bay, Wisconsin
October 13, 2021

FEDERAL AWARDS



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

Board of Education
Norway-Vulcan Area School District
Norway, Michigan

Report on Compliance for Each Major Federal Program

We have audited Norway-Vulcan Area School District, Norway, Michigan's (the District's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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



CliftonLarsonAllen LLP

Green Bay, Wisconsin
October 13, 2021

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

Grantor Agency/Federal Program Title	CFDA Number	Pass-Through Agency	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 7/1/20	Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/21	Total Expenditures	Subrecipient Payments
U.S. DEPARTMENT OF TREASURY								
COVID-19 Coronavirus Relief Funds	21.019	MDE	Unknown	\$ -	\$ 280,621	\$ -	\$ 280,621	\$ -
U.S. DEPARTMENT OF AGRICULTURE								
Child Nutrition Cluster								
National School Lunch Program								
Snack Reimbursement	10.555	MDE	Unknown	\$ -	\$ 1,984	\$ -	\$ 1,984	\$ -
Meal Reimbursement	10.555	MDE	Unknown	(24,106)	24,106	-	-	-
Donated Commodities	10.555	MDE	Unknown	-	16,896	-	16,896	-
Total National School Lunch Program				(24,106)	42,986	-	18,880	-
COVID-19 Summer Food Service Program for Children	10.559	MDE	Unknown	-	245,957	-	245,957	-
Total Child Nutrition Cluster and U.S. Department of Agriculture				(24,106)	288,943	-	264,837	-
U.S. DEPARTMENT OF EDUCATION								
Title I Grants to Local Educational Agencies	84.010	MDE	2015301920	(14,413)	14,413	-	-	-
Title I Grants to Local Educational Agencies	84.010	MDE	2115302021	-	96,112	14,531	110,643	-
Subtotal				(14,413)	110,525	14,531	110,643	-
Special Education Cluster (IDEA)								
Special Education Grants to States	84.027	DIISD	Unknown	-	18,328	-	18,328	-
U.S. DEPARTMENT OF EDUCATION (CONTINUED)								
Improving Teacher Quality State Grants	84.367	MDE	2105202021	\$ -	\$ 21,940	\$ -	\$ 21,940	\$ -
Student Support and Academic Enrichment Program	84.424	MDE	2007501920	(353)	353	-	-	-
Student Support and Academic Enrichment Program	84.424	MDE	2007501920	-	6,807	-	6,807	-
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425	MDE	2037101920	-	90,647	-	90,647	-
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425	MDE	2137122021	-	155,742	3,542	159,284	-
Total U.S. Department of Education				(14,766)	404,342	18,073	407,649	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
COVID-19 Child Care and Development Block Grant	93.575	MDE	Unknown	-	39,400	(7,804)	31,596	-
Total Federal Awards				\$ (38,872)	\$ 1,013,306	\$ 10,269	\$ 984,703	\$ -

RECONCILIATION TO THE BASIC FINANCIAL STATEMENTS

Federal Sources Included in General Fund	\$ 719,866
Federal Sources Included in Food Service Fund	264,837
Total	<u>\$ 984,703</u>

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2021**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) for the Norway-Vulcan Area School District is presented in accordance with the 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).

The Schedule includes all federal awards of the District. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Revenues and expenditures in the Schedule are presented in accordance with the modified accrual basis of accounting and are generally in agreement with revenues and expenditures reported in the District's 2021 fund financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards with the exception of CFDA 21.019, which follows criteria determined by the Department of Treasury or allowability of costs. Unless these principles, certain types of expenditures are not allowable or are limited to reimbursement. Accrued revenue at year-end consists of federal program expenditures scheduled for reimbursement to the District in the succeeding year while unearned revenue represents advances for federal programs that exceed recorded District expenditures. Because of subsequent program adjustments, these amounts may differ from the prior year's ending balances.

The District has not elected to charge a de minimis rate of 10% of modified total costs.

NOTE 3 FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

NOTE 4 OVERSIGHT AGENCIES

The federal oversight agencies for the District are as follows:

- Federal – U.S. Department of Education

NOTE 5 PASS THROUGH ENTITIES

Federal awards have been passed through the following entities:

- MDE – Michigan Department of Education
- DIISD – Dickinson-Iron ISD

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

Section I – Summary of the Auditors' Results

Basic Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? x yes _____ none reported
3. Noncompliance material to basic financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

CFDA Number(s)

Name of Federal Program or Cluster

10.555
10.559
21.019

Child Nutrition Cluster
School Breakfast Program
Summer School Food Service Program for Children
Coronavirus Relief Funds

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

\$ 750,000

Auditee qualified as low-risk auditee?

_____ yes x no

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

Section II – Financial Statement Findings

2021-001

**Control Deficiencies
Preparation of Annual Financial Report**

Type of Finding

Significant deficiency over financial reporting.

Condition

Management and the Board of the District share the ultimate responsibility for the District's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The District's personnel have not monitored recent accounting developments to the extent necessary to enable them to prepare the District's financial statements and related disclosures, to provide a high level of assurance that potential omissions or other errors that are material would be identified and corrected on a timely basis.

Context

The District engages CLA to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, CLA cannot be considered part of the District's internal control system. As part of its internal control over the preparation of its financial statements, including disclosures, the District has implemented a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of accounting principles generally accepted in the United States of America and knowledge of the District's activities and operations.

Criteria

The preparation and review of the annual financial report by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or notes or other required state financial reports.

Cause

District management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.

Effect

Without our involvement, the District may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.

**NORWAY-VULCAN AREA SCHOOL DISTRICT
NORWAY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

Section II – Financial Statement Findings (Continued)

Prior Year Finding

No

Recommendation

We recommend the District continue reviewing the annual financial report. Such review procedures should be performed by an individual possessing a thorough understanding of accounting principles generally accepted in the United States of America and knowledge of the District's activities and operations. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the District is necessary to obtain a complete and adequate understanding of the District's annual financial report.

Views of Reasonable Officials

There is no disagreement with the audit finding. Please refer to the management response in the District's corrective action plan.

Section III – Federal Award Findings and Questioned Costs

Our audit did not disclose any matters required to be reported in accordance with Uniform Guidance.



CliftonLarsonAllen LLP
CLAconnect.com

Board of Education
Norway-Vulcan Area School District
Norway, Michigan

This Executive Audit Summary and Board Communications presents information which we believe is important to you as members of the Board of Education. We encourage you to review the sections of this report, the audited financial statements, and the auditors' reports.

We would be pleased to furnish additional information with respect to these suggestions and discuss this memorandum with you at your convenience. We wish to express our appreciation to the District for the courtesies, cooperation, and assistance extended to us during the course of our work.

CliftonLarsonAllen LLP

A handwritten signature in black ink, appearing to read "Scott Sternhagen".

Scott Sternhagen, CPA
Principal



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NORWAY-VULCAN AREA SCHOOL DISTRICT

**EXECUTIVE AUDIT SUMMARY AND BOARD
COMMUNICATIONS**

YEAR ENDED JUNE 30, 2021



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

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**NORWAY-VULCAN AREA SCHOOL DISTRICT
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YEAR ENDED JUNE 30, 2021**

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**EXECUTIVE AUDIT SUMMARY FOR
NORWAY-VULCAN AREA SCHOOL DISTRICT
YEAR ENDED JUNE 30, 2021**

We prepared this Executive Audit Summary in conjunction with our audit of the District's financial statements for the year ended June 30, 2021.

Audit Opinion

The financial statements are fairly stated. We issued what is known as a "clean" audit report.

Internal Controls

Our report on internal control included the following deficiencies in internal controls over financial reporting:

Significant Deficiency

- Finding 2021-001 Preparation of Annual Financial Report

In addition there were no deficiencies in internal control over compliance reported.

General Fund Balance

The District's General Fund experienced an increase in fund balance of \$263,809 for the year ending June 30, 2021. The ending fund balance of \$1,104,543 at June 30, 2021 represents 15.7% of expenditures included for the year and is an important aspect in the District's financial well-being since a healthy fund balance represents things such as cash flow and as a cushion against unanticipated expenditures, enrollment fluctuations and state aid changes.

Budget

The District's General Fund revenues and transfers in were \$7,301,420, or \$40,565, more than the final budget, while total expenditures and transfers out were \$7,037,611, or \$90,588 less than had been budgeted.



FORMAL REQUIRED COMMUNICATIONS

Board of Education
Norway-Vulcan Area School District
Norway, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Norway-Vulcan Area School District (the District) as of and for the year ended June 30, 2021, and have issued our report thereon dated October 13, 2021. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, 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 Findings

Qualitative Aspects of Accounting Practices

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements.

As described in Note 4.E., the entity changed account policies related to student activity funds by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 84, *Fiduciary Activities* in 2021. Accordingly, pupil activities are recorded in a special revenue fund as they no longer meet the definition of a fiduciary activity.

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

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:

- Useful lives of depreciable capital assets
- Net pension (MPSERS) and net other postemployment benefits (MPSERS)
- Compensated absences

Management's estimate of useful lives for depreciable assets is based upon analysis of the expected useful life of the capital assets. The useful life of a depreciable asset determines the amount of depreciation that will be recorded in any given reporting period as well as the amount of accumulated depreciation that is reported at the end of a reporting period.

Management's estimate of the net pension liability and net other postemployment benefits liability and related deferred inflows and deferred outflows of resources is based on an actuarially determined calculation of the District's proportionate share of the net pension liability and net other postemployment benefits liability of cost-sharing, multiemployer pension and other postemployment benefit plans sponsored by the Michigan Public School Employees' Retirement System in which the District participates.

Management's estimate of the compensated absences liability is based upon an assumption of employees who are currently employed at the district and have accumulated sick time to be paid out upon retirement.

We reviewed and tested management's procedures and underlying supporting documentation in the areas discussed above and evaluated the key factors and assumptions used to develop the estimates noted above in determining that they are reasonable in relation to the financial statements taken as a whole. We concluded that the accounting estimates and management judgments appeared to consider all significant factors and resulted in appropriate accounting recognition.

Financial Statement Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement 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.

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.

Corrected Misstatements

None of the misstatements detected as a result of audit procedures and corrected by management are 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 auditors' report. No such disagreements arose during our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 13, 2021.

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 auditors' 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.

Significant Issues Discussed with Management Prior to Engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement 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 engagement.

Other Information in Documents Containing Audited Financial Statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the schedule of expenditures of federal awards (SEFA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFA to determine that the SEFA complies with the requirements of the Uniform Guidance. We compared and reconciled the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated October 13, 2021.

Board of Education
Norway-Vulcan Area School District

With respect to the budgetary comparison information and the combining statements for the nonmajor governmental funds (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, 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 or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We have issued our report thereon dated October 13, 2021. Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

* * *

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



CliftonLarsonAllen LLP

Green Bay, Wisconsin
October 13, 2021



INTERNAL CONTROL COMMUNICATIONS

Board of Education
Norway-Vulcan Area School District
Norway, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norway-Vulcan Area School District (the District) as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the District's 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to fraud or error may occur and not be detected by such controls.

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 District's financial statements will not be prevented, or detected and corrected, on a timely basis.

Material weaknesses

Given the limitations described in the second paragraph, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Significant deficiencies

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. We consider the following deficiency in the entity's internal control to be a significant deficiency:

- **Preparation of Annual Financial Report**

Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial position, results of operations, and disclosures in the financial statements, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Current District staff maintains accounting records which reflect the District's financial transactions; however, preparing the District's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. As such, management requested us to prepare a draft of the financial statements, including the related footnote disclosures. The outsourcing of these services is not unusual in entities of your size and is a result of management's cost benefit decision to rely on auditor expertise rather than incurring this internal resource cost. The design of internal controls over the financial reporting process affects the ability of the organization to report their financial data consistently with the assertions of management in the financial statements.

FEDERAL AWARDS

In planning and performing our audit of compliance for each major federal program, we considered the District's internal control over compliance (internal control) as a basis for designing audit procedures for the purpose of expressing our opinion on compliance requirements that could have a direct and material effect on each of the District's major federal program for the year ended June 30, 2021, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control over was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to fraud or error may occur and not be detected by such controls.

A deficiency in internal control over compliance 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, noncompliance on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that noncompliance of the District's major federal award programs will not be prevented, or detected and corrected, on a timely basis.

Material Weaknesses

Given the limitations described in the second paragraph in this section, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

* * *

Board of Education
Norway-Vulcan Area School District

The purpose of this communication is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Green Bay, Wisconsin
October 13, 2021

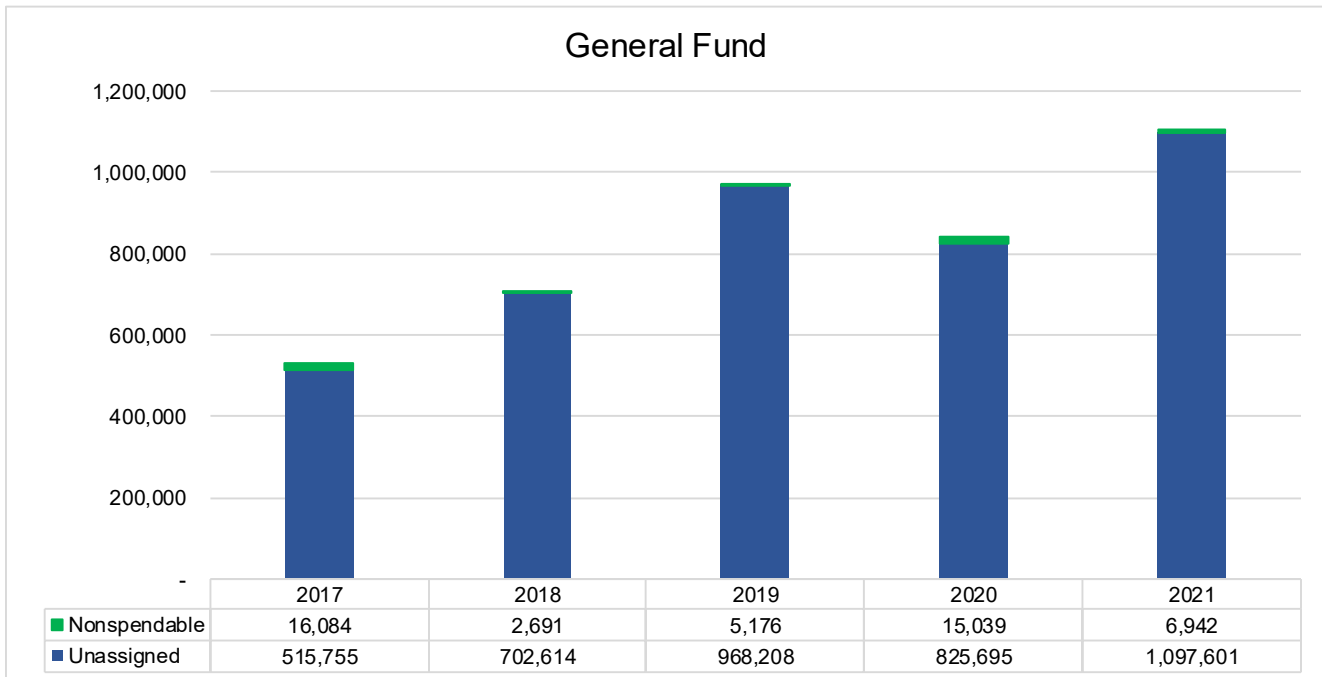
APPENDIX A

FINANCIAL TRENDS OF YOUR DISTRICT

The following graphs reflect financial trends of Norway-Vulcan Area School District. Information related to fund balances, and revenues and expenditures on pages 8 through 11 were obtained from current and prior year audit reports.

Norway-Vulcan Area Schools
Combining Statement of Revenue, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2021

	General	Debt Service	Athletic Activity	Student Activity	Food Service	Capital Projects	Total Governmental Funds
REVENUES	\$ 7,280,316	\$ 804,538	\$ 25,402	\$ 52,554	\$ 292,824	\$ 2,202	\$ 8,457,836
EXPENDITURES	6,887,610	787,823	175,403	53,885	252,224	19,659	8,176,604
Excess (Deficit) Revenues Over Expenditures	392,706	16,715	(150,001)	(1,331)	40,600	(17,457)	281,232
TRANSFERS (NET)	(128,897)	-	150,001	-	(21,104)	-	-
NET CHANGE IN FUND BALANCE	263,809	16,715	-	(1,331)	19,496	(17,457)	281,232
Fund Balance - June 30, 2020, as Originally Stated	840,734	207,844	-	-	32,657	1,043,486	2,124,721
Cumulative Effect of Change in Accounting Principle	-	-	-	106,857	-	-	106,857
Fund Balance - June 30, 2020, as Restated	840,734	207,844	-	106,857	32,657	1,043,486	2,231,578
FUND BALANCE - JUNE 30, 2021	<u>\$ 1,104,543</u>	<u>\$ 224,559</u>	<u>\$ -</u>	<u>\$ 105,526</u>	<u>\$ 52,153</u>	<u>\$ 1,026,029</u>	<u>\$ 2,512,810</u>



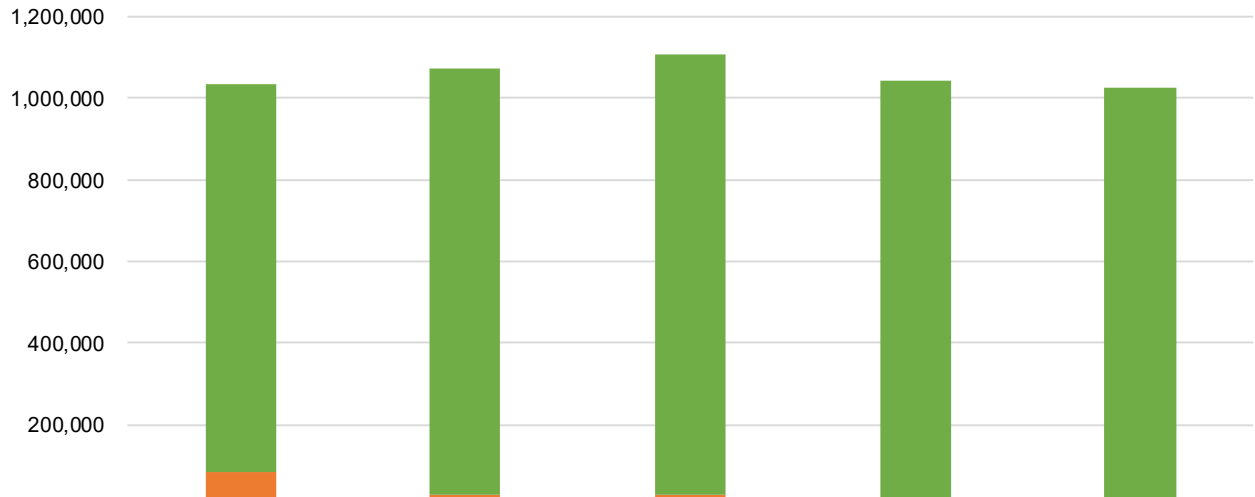
As indicated above, the District's unassigned General Fund balance totaled \$1,097,601 on June 30, 2021. This amount essentially represents cash available for use during the 2021 – 2022 school year. In our opinion, a reasonable amount of available cash at June 30, 2021 would be between 15 - 25% of a school district's General Fund operating expenditures and operating transfers out.

An optimal amount of fund balance is difficult in the current climate for school districts in Michigan, but maintaining a fund balance would eliminate the need for short-term borrowing needs. Currently, the general fund is temporary borrowing cash from the capital projects fund for cash flow purposes at year-end. In the future, when the capital projects are spent on capital outlay, the District may have to look at alternate ways to supplement cash flow shortages.

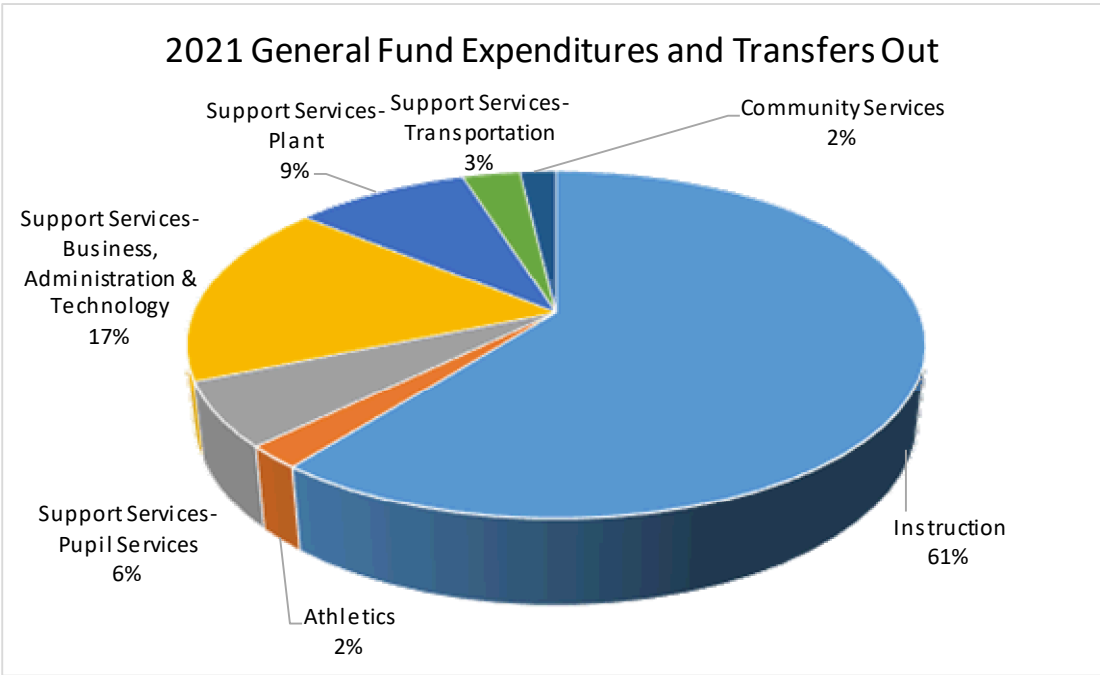
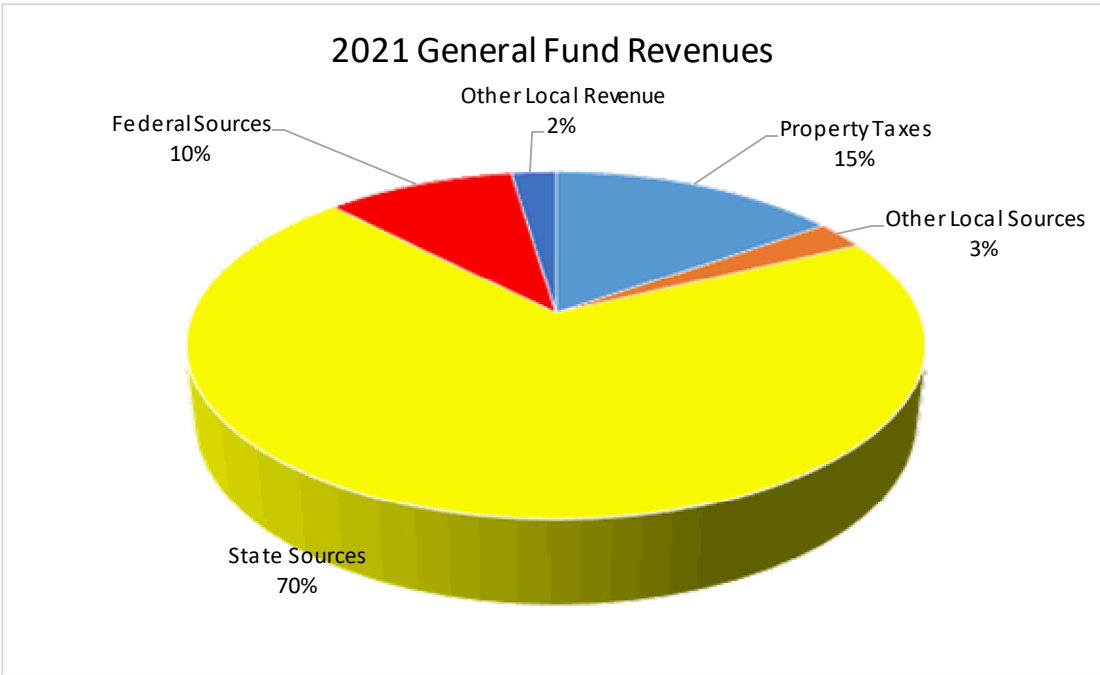
Accordingly, based upon the District's 2020 - 2021 actual expenditures, a reasonable unassigned General Fund balance would be calculated as follows:

Actual 2020 - 2021 General Fund Operating Expenditures and Transfers out to Athletics	\$ 7,023,533
Reasonable Unassigned Fund Balance %	x 15% - 25%
Reasonable Unassigned Fund Balance Amount	<u>\$1,053,530 to \$1,755,883</u>

Capital Projects Fund



	2017	2018	2019	2020	2021
■ Committed	949,816	1,047,747	1,078,651	1,023,016	1,007,779
■ Restricted	83,429	26,894	26,894	20,470	18,250



APPENDIX B

TECHNICAL UPDATE

GASB Statement No. 87 – Leases

GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. Specifically, this statement:

1. Establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.
2. Defines the "lease term" and clarifies when lessees and lessors should reassess the lease term due to lease modifications or terminations.
3. Defines and establishes recognition criteria for short-term leases.
4. Amends accounting and financial reporting requirements for contracts with multiple components, contract combinations, subleases, and leaseback transactions.

The statement is effective for Michigan school districts beginning in the 2021-2022 fiscal year. Earlier application is encouraged.

Steps that can be taken now:

1. **Gather leases and contracts.** Depending on the number of leases your organization has, this may be a bigger challenge than anticipated. Keep in mind that not all leases are written "lease" agreements. Some contracts also include embedded leases that were previously treated as expenses, so you may be surprised to find more operating leases than you realized. Checking accounts payable for recurring payments may help you locate agreements that you'll need to analyze.
2. **Analyze all contracts to determine which are leases under the new standard.** GASB 87 defines a lease as a "contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset), as specified in the contract, for a period of time in an exchange or exchange-like transaction." Here are some of the agreements that can be excluded:
 - Short-term leases that are one year or less in duration.
 - Intangibles, such as investment assets, software licenses, and patents.
 - Financed purchases, where ownership of the asset transfers at the end of the lease without an additional payment.
3. **Review leases for multiple components.** Some leases include service agreements that will need to be split off from the entire lease. Many agreements (like service agreements and supply contracts) may qualify as leases under GASB 87. Some examples of service contracts that may have embedded leases can include cafeteria equipment, soda fountains, water coolers, coffee machines, etc. where the government may get to use a particular piece of equipment for free in return for the exclusive use of the provider's products.
4. **Determine appropriate materiality thresholds for capitalization.** Work with your auditor to determine what this should be. Be aware that items that are well below that threshold individually may be material in the aggregate.

5. **Select a technology solution such as leasing software to help manage your leases.** Unless your organization only has a few leases, the calculations for journal entries and footnote disclosures will most likely be beyond the capabilities of Excel. When choosing a software solution, keep in mind that tracking this information from leases will be an ongoing project, so look for one that's easy to use and provides your organization with all the information you'll need. Make sure to consider document storage as part of the capabilities. Entities with greater than 10-20 identified leases may wish to seriously consider a lease software solution and not rely on spreadsheets. Keep in mind that if a government has many similar leases, it may choose to amortize the lease assets as a group rather than individually. Composite depreciation is applied to groups of dissimilar assets, but should not be applied across classes of assets, such as buildings, equipment, furniture, and vehicles.
6. **Consider the district's bond covenants, loan covenants, and debt limitations to determine impact.** While a recent update from GASB (GASB 88) specifies that lease liabilities are excluded from the definition of debt for the purposes of financial statement disclosures, it's not clear whether banks, credit rating agencies or other stakeholders will take a similar stance.

Adding liabilities for operating leases to the balance sheet may mean that covenants for bond contracts and loan agreements will be violated. If this is the case, you may need to renegotiate those agreements. Contacting these stakeholders and other interested parties early on is crucial.

Adding to the complexity, the rules and statutes governing debt limitations vary across states, counties, and municipalities. You may need to consult with an attorney to determine whether lease liabilities count as debt for those limitations.
7. **Develop new district policies and procedures as necessary.** Unlike many other financial controls, you'll need to work as a team with people outside of accounting, including procurement, IT, and legal, to make sure all leases and contracts go through accounting. You may need to educate others about the balance sheet impacts of leases.
8. **Do your initial calculations and run the results past your auditor.** Because the calculations are different from the previous treatment of leases, some advisors are recommending performing a trial calculation on a subset of your leases. Then, ask us as your auditors to check your numbers before you do the entire population of leases.
9. **Begin the process early.** Early adopters report that they need two or three hours per lease to analyze and extract the data. Adding to the challenge, many government finance professionals wear many hats, and dealing with financial matters may be only a small part of their responsibilities. Be sure to keep the resulting information very organized and accessible and also keep in mind the new information that will be required for footnote disclosures.
10. **Start learning and keep learning.** Understanding the new standards is a steep learning curve. You'll need to dedicate time and resources for your team to get up to speed.



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October 13, 2021

CliftonLarsonAllen LLP
2200 Riverside Drive
Green Bay, Wisconsin 54305

This representation letter is provided in connection with your audit of the financial statements of Norway-Vulcan Area School District, which comprise the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of June 30, 2021, and the respective changes in financial position for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of October 13, 2021, the following representations made to you during your audit of the financial statements as of and for the year ended June 30, 2021.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 15, 2021, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. The financial statements include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We acknowledge and have fulfilled our responsibility 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates are reasonable.

5. Significant estimates have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.
6. Related party relationships and transactions, including, but not limited to, revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
7. No events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements or in the schedule of findings and questioned costs.
8. We have not identified or been notified of any uncorrected financial statement misstatements. In addition, you have proposed adjusting journal entries that have been posted to the entity's accounts, including adjusting journal entries to convert our records to the accrual basis for government wide financial statements. We have reviewed and approved those adjusting journal entries and understand the nature of the changes and their impact on the financial statements. We are in agreement with those adjustments and accept responsibility for them.
9. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, or which would affect federal award programs, and we have not consulted a lawyer concerning litigation, claims, or assessments.
10. Guarantees, whether written or oral, under which the entity is contingently liable, if any, have been properly recorded or disclosed in accordance with U.S. GAAP.
11. Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances, or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements, have been properly recorded or disclosed in the financial statements.
12. The fact that the amount of "uncollateralized" deposits or "uninsured, unregistered securities held by the counterparty, or by its trust department or agent but not in the entity's name" during the period significantly exceeded the amounts in those categories as of the financial statement date was properly disclosed in the financial statements.
13. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the financial statement date and have been reduced to their estimated net realizable value.
14. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
15. Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility.

16. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefits (OPEB) liabilities and costs for financial accounting purposes are appropriate in the circumstances.
17. We are unable to determine the possibility of a withdrawal liability in a multiple-employer benefit plan.
18. We do not plan to make frequent amendments to our pension or other postretirement benefit plans.

Information Provided

1. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others when the fraud could have a material effect on the financial statements.
5. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
6. We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse whose effects should be considered when preparing financial statements.

7. We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments, that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, or which would affect federal programs, and we have not consulted a lawyer concerning litigation, claims, or assessments.
8. There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.
9. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
10. The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.
11. We have a process to track the status of audit findings and recommendations.
12. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
13. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
14. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to Norway-Vulcan Area School District, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
15. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
16. The entity has complied with all aspects of contractual or grant agreements that would have a material effect on the financial statements in the event of noncompliance.
17. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
18. The financial statements properly classify all funds and activities.

19. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
20. Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
21. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
22. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
23. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
24. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
25. We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
26. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
27. We acknowledge our responsibility for presenting the budgetary comparison information and the combining nonmajor fund statements and supporting schedules (the supplementary information) in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
28. As part of your audit, you prepared the draft financial statements and related notes and the schedule of expenditures of federal awards. We have designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee your services; have made all management judgments and decisions; and have assumed all management responsibilities. We have evaluated the adequacy and results of the service. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards. We have also ensured that the entity's data and records are complete and received sufficient information to oversee the service.

29. We agree with the findings of specialists in evaluating the other postemployment benefits and pension benefits, and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialist.
30. With respect to federal award programs:
- a. We are responsible for understanding and complying with, and have complied 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) including requirements relating to preparation of the schedules of expenditures of federal awards.
 - b. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) and related notes in accordance with the requirements of the Uniform Guidance and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement and presentation of the SEFA has not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA.
 - c. If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issued the SEFA and the auditors' report thereon.
 - d. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance, and included in the SEFA expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
 - e. Expenditures of federal awards were below the \$750,000 threshold and we were not required to have an audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, or the Uniform Guidance (as applicable) in the 2018-2019 and 2019-2020 fiscal years.
 - f. We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major federal program.
 - g. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are

managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.

- h. We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- i. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- j. We have complied with the direct and material compliance requirements, including when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal awards and confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards.
- k. We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.
- l. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.
- m. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E) and OMB Circular A-87, *Cost Principles State, Local, and Tribal Governments*, and OMB Circular A-102 *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- n. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- o. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- p. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.

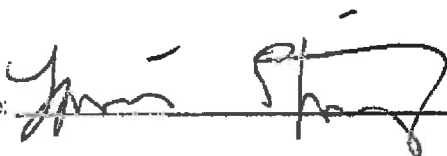
- q. There are no known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.
- r. We have disclosed to you whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies and/or material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditors' report.
- s. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
- t. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- u. We have charged costs to federal awards in accordance with applicable cost principles.
- v. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- w. We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- x. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- y. We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.
- z. We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

Signature:



Title: Director of Finance

Signature:



Title: Superintendent