

HOPKINS PUBLIC SCHOOLS

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

YEAR ENDED JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Hopkins Public Schools

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 Hopkins Public Schools as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Hopkins Public Schools' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hopkins Public Schools as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hopkins Public Schools basic financial statements. The additional supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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, this information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2019 on our consideration of Hopkins Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hopkins Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hopkins Public Schools' internal control over financial reporting and compliance.

Maney Costeiran PC

September 20, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Hopkins Public Schools (HPS) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

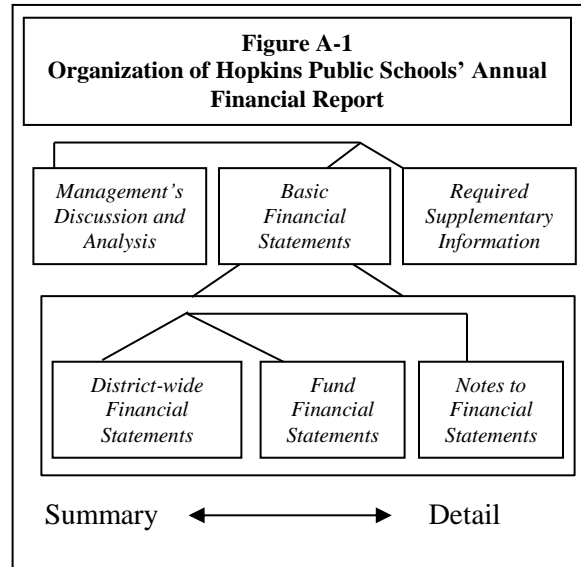
Fiscal year ending June 30, 2019 Hopkins Public Schools was able to once again add to their fund balance. They ended the year with an excess in the general fund of \$199,401. Board policy states that the goal of the Board is to have the undesignated portion of the District's fund equity not fall below fifteen percent (15%) of the preceding year expenditures. With this addition to surplus, the fund balance has grown to reach the Board's goal of fifteen percent (15%). As a result of having two months in which there were two payrolls before the monthly State Aid payment was received, the district needed to increase its borrowing to \$1.6 million. The State added an additional \$240 per pupil which brought the base foundation to \$7,871. The State continued the 22n categorical payment of \$25 per high school student which provided over \$12,000 of revenue. Section 51c Special Education funding was reduced slightly due to one retirement and changeover of staffing in the special education programs in the 2017/18 school year. The district was eligible to receive about \$450,000 in At Risk 31A funds, which was the same as the prior year's funding. The State added a new CTE payment of \$25/student for students in critical skills programs, for which our high school Agricultural program qualified. The State decreased the 147c funds that are required to be passed back through to the State by over \$98,000, and they added almost \$38,000 of new 147a funds. Additionally, the district continued to receive the FIRST Robotics Grant, Early Literacy Targeted Instruction Grant, Computer Adaptive Tests Grant, the Vocational Education Grant, and the Headlee Obligation for Data Collection funding. The district was able to qualify for and receive just over \$45,000 in a Diesel Emissions reduction grant from the Michigan Department of Environmental Quality towards the purchase of two new buses. The district was able to pay the additional cost of the buses plus one more bus in full from the general fund. With these purchase, the fleet is slightly ahead on its original replacement schedule of 1.5 buses per year. A new middle school science curriculum was purchased in the spring and will be implemented in the 2019/20 school year. The fall student count decreased by 8 students, bringing the total to 1,663 students, and the spring count decreased by 10 kids from prior spring to 1,658. Section 25 adjustments continued to be made to allow for the movement of students between the fall and winter counts. The fall count was adjusted up by an additional 0.28 due to Section 25 adjustments. A facilities needs assessment study was performed with the district's construction management team and architects to help prioritize the needs that need to be addressed with sinking fund dollars. The sinking fund generated \$447,615 from 1.5785 mills during the winter tax collection. The debt millage remained at 10.34 mills, generating \$2,943,688 in tax revenue.

The school lunch fund also added to their fund balance during the 2018/19 school year with a surplus of over \$40,740. The debt retirement fund continued in a borrowing position from the state with property values in the district increasing by just over 6%.

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.

OVERVIEW OF THE FINANCIAL STATEMENTS

- 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.

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 special 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	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	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 management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net position include *all* of the District's assets, deferred outflows of resources, deferred inflows of resources, and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

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

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

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like food service).

The District has two kinds of funds:

- Governmental funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.

- Fiduciary funds - The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. 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

Table A-3		
Hopkins Public Schools' Net Position		
	2019	2018
Assets:		
Current assets	\$ 6,308,051	\$ 5,610,873
Capital assets	29,692,157	30,007,034
Total assets	36,000,208	35,617,907
Deferred outflows of resources	11,133,119	6,880,379
Liabilities:		
Long-term liabilities outstanding	32,099,537	34,121,079
Other liabilities	3,127,965	2,791,925
Net other postemployment benefits liability	7,065,884	7,730,626
Net pension liability	26,512,080	22,605,030
Total liabilities	68,805,466	67,248,660
Deferred inflows of resources	4,643,457	2,435,259
Net position:		
Net investment in capital assets	1,684,287	636,684
Restricted for debt service	2,520	-
Restricted for capital projects - sinking fund	493,339	429,453
Unrestricted	(28,495,742)	(28,251,770)
Total net position	<u>\$ (26,315,596)</u>	<u>\$ (27,185,633)</u>

Table A-4		
Changes in Hopkins Public Schools' Net Position		
	2019	2018
Revenues:		
Operating grants	\$ 2,591,006	\$ 2,707,443
Charges for services	423,609	416,023
General revenues:		
Property taxes	4,119,024	3,874,616
State aid - unrestricted	12,136,253	11,925,697
Other	847,117	941,246
Total revenues	20,117,009	19,865,025
Expenses:		
Instruction	10,155,499	9,427,436
Support services	6,460,081	6,248,503
Community services	32,382	12,547
Food services	659,684	693,268
Interest on long-term debt	1,068,939	1,048,621
Unallocated depreciation	870,387	857,567
Total expenses	19,246,972	18,287,942
Change in net position	<u>\$ 870,037</u>	<u>\$ 1,577,083</u>

DISTRICT GOVERNMENTAL ACTIVITIES

The District's financial position continues to remain strong. The Board has reached its goal of obtaining a 15% fund balance, and the District continues to collect revenue from the sinking fund millage that was passed in 2016. Class sizes continue to be the largest in our middle school, with over \$20,000 in overloads and class-size overages being paid out in instructional costs. The increase in pension costs remained flat due to the MPSERS Offset funding and 147c funds the State of Michigan passed through. The District continued to pay the state hard cap for health insurance which increased by 2.5%. The dental/vision costs increased due to a larger, more robust plan being added to some groups. The District continued contracts with all employee groups which included step increases in addition to increases ranging from 1% to 2%.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's taxable values grew by 6.24% for 2019. The winter tax bills continued to reflect a rate of 10.34 mills to be levied for debt on all properties in order to allow the District to pay back their original bonds and also pay back their loan from the State's school bond loan fund in the time frame allowed. The District's sinking fund mills were rolled back from 1.60 mills to 1.5785 mills due to the Headlee Rollback calculation. This was the third year of five for the sinking fund tax collection.

The Hopkins Board of Education and District employees are encouraged by the financial position of the District. As the District completed the year, the general fund balance reported a fund balance of \$2,386,982, which is above last year's ending fund balance of \$2,187,581. The food service fund added \$40,740 to their fund balance.

General Fund and Budget Highlights

The District is required to adopt an operating budget prior to the start of the fiscal year. Certain information is not known at the time of the budget adoption, such as the exact amount of state aid, the student enrollment, and the cost of employee contracts. During fiscal year 2019, the budget was amended twice to reflect changes and to recognize these changes with the Board of Education. For fiscal year 2018/19, these budget amendments included an increase in the student foundation allowance, additional staffing needs, final contract settlements, utility costs, technology and furniture equipment purchases, and the replacement of three buses in the fleet. New science curriculum was added at the middle school, a furniture and equipment replacement schedule was maintained, and a new lawn tractor was purchased. There was an additional Literacy Coach position added to the elementary staff, counseling and social work staff increased by 0.80 FTE, and psych services increased by 0.20 FTE. The Early Childhood Special Education program was eliminated in the District and instead combined with a neighboring District. The District received greater funding per pupil from the increase in the student foundation allowance, the new CTE payment, 147a funding, and the Diesel Emissions reduction grant.

Final budget amendments were presented to the Board of Education in June, based on information gathered through the middle of June. The final budget amendment anticipated a surplus of almost \$113,795 if spending was 100% in all line items. The actual year-end report showed a greater surplus of almost \$200,000, which was great news for the District.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital purchases in fiscal year 2019 increased due to the acquisition of three new school buses, new furniture for the new science classroom, Chromebooks, and new cleaning equipment. Replacement of technology as well as new technology furnishings comprised a portion of the spending as well.

Table A-5		
Hopkins Public Schools' Capital Assets		
Net of Depreciation		
	2019	2018
Land	\$ 739,062	\$ 739,062
Building and additions	27,629,991	28,001,819
Furniture and equipment	507,091	600,583
Transportation equipment	816,013	665,570
Total	<u>\$ 29,692,157</u>	<u>\$ 30,007,034</u>

Long-term Debt

Table A-6		
Hopkins Public Schools' Outstanding Long-Term Debt		
	2019	2018
General obligation bonds	\$ 25,642,418	\$ 29,649,863
School bond loan fund and installment purchase	5,718,750	3,774,243
Compensated absences and termination benefits	738,369	696,973
Total	<u>\$ 32,099,537</u>	<u>\$ 34,121,079</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited the District is aware of several impact areas for 2019 and the future.

- The District budgeted an increase in State Aid of over \$200,000 for the 2019-2020 fiscal year. It is anticipated that the 2018-2019 base State Aid Foundation allowance of \$7,871 will be increased next year by at least \$130 per student to the new base foundation of \$8,001 for future planning. The District will again receive 147c funding to offset employee retirement costs. The 2019-2020 budget does not reflect an increase in At Risk funding or any new categorical additions. The budget reflects a slight decrease in federal grant funding levels as well as a slight decrease in funding amounts from AAESA due to their deteriorating fund balance.
- The blended student count for the District decreased slightly by less than 10 FTE's in 2018-2019; however, the enrollment trend has not been stable enough to say that this declining trend will continue, especially with the large increase in the 2016-2017 student count. The District is budgeting the enrollment to decrease only slightly from the Spring 2019 count.

- Health care costs continue to impact the budget. The District faced additional costs in 2018-2019 due to the Affordable Care Act and the increase in the State-approved hard cap. As the health insurance marketplace is changing, there were additional employees who found it necessary to enroll in the coverage offered.
- The District continues to support funding in the areas of technology, replacing a full grade level of one-to-one technology devices each fiscal year. In addition, the District added one-to-one devices to the lower elementary grades.
- As the fund balance continues to grow, it has allowed the District to add new curriculum; increase counseling, social work, and psych services; add a literacy coach; replace classroom furniture and equipment; add lockers; update cameras; and replace custodial and grounds-keeping equipment.
- The District's transportation fleet has been brought up to the original replacement schedule and foresees the ability to maintain this schedule into 2019-2020 and beyond.
- The District believes the number of retirees per school year has reached a plateau and will now average one or less per school year so a large potential savings in one school year is not in the near foreseeable future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Hopkins Public Schools, 400 Clark Street, Hopkins, MI 49328.

BASIC FINANCIAL STATEMENTS

HOPKINS PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental activities
ASSETS:	
Cash and cash equivalents	\$ 3,405,884
Receivables:	
Accounts receivable	7,347
Intergovernmental	2,670,095
Inventories	65,817
Prepays	158,908
Capital assets, not being depreciated	739,062
Capital assets, net of accumulated depreciation	28,953,095
TOTAL ASSETS	36,000,208
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charges, net of amortization	589,171
Related to other postemployment benefits	1,417,706
Related to pensions	9,126,242
TOTAL DEFERRED OUTFLOWS OF RESOURCES	11,133,119
LIABILITIES:	
Accounts payable	76,055
Accrued salaries and related items	868,742
Accrued retirement	392,092
Accrued interest	166,440
State aid note payable	1,600,000
Unearned revenue	24,636
Noncurrent liabilities:	
Due within one year	4,210,365
Due in more than one year	27,889,172
Net other postemployment benefits liability	7,065,884
Net pension liability	26,512,080
TOTAL LIABILITIES	68,805,466
DEFERRED INFLOWS OF RESOURCES:	
Related to other postemployment benefits	1,599,275
Related to pensions	2,061,353
Related to state aid funding for pension	982,829
TOTAL DEFERRED INFLOWS OF RESOURCES	4,643,457
NET POSITION:	
Net investment in capital assets	1,684,287
Restricted for debt service	2,520
Restricted for capital projects - sinking fund	493,339
Unrestricted	(28,495,742)
TOTAL NET POSITION	\$ (26,315,596)

See notes to financial statements.

**HOPKINS PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net position
Governmental activities:				
Instruction	\$ 10,155,499	\$ -	\$ 1,796,128	\$ (8,359,371)
Support services	6,460,081	119,466	401,354	(5,939,261)
Community services	32,382	-	-	(32,382)
Food services	659,684	304,143	393,524	37,983
Interest on long-term debt	1,068,939	-	-	(1,068,939)
Unallocated depreciation	870,387	-	-	(870,387)
Total governmental activities	<u>\$ 19,246,972</u>	<u>\$ 423,609</u>	<u>\$ 2,591,006</u>	<u>(16,232,357)</u>
General revenues:				
Property taxes, levied for general purposes				727,721
Property taxes, levied for debt service				2,943,688
Property taxes, levied for sinking fund				447,615
Investment earnings				30,942
State sources - unrestricted				12,136,253
Intermediate sources				615,294
Other				<u>200,881</u>
Total general revenues				<u>17,102,394</u>
CHANGE IN NET POSITION				870,037
NET POSITION , beginning of year				<u>(27,185,633)</u>
NET POSITION , end of year				<u><u>\$ (26,315,596)</u></u>

**HOPKINS PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General fund	2016 Refunding B	Sinking fund	Total nonmajor funds	Total governmental funds
ASSETS					
ASSETS:					
Cash and cash equivalents	\$ 2,480,350	\$ 39,896	\$ 493,339	\$ 392,299	\$ 3,405,884
Receivables:					
Accounts receivable	7,347	-	-	-	7,347
Intergovernmental	2,665,808	-	-	4,287	2,670,095
Inventories	59,619	-	-	6,198	65,817
Prepays	158,908	-	-	-	158,908
TOTAL ASSETS	\$ 5,372,032	\$ 39,896	\$ 493,339	\$ 402,784	\$ 6,308,051
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 76,055	\$ -	\$ -	\$ -	\$ 76,055
Accrued salaries and related items	868,742	-	-	-	868,742
Accrued retirement	392,092	-	-	-	392,092
Unearned revenue	15,761	-	-	8,875	24,636
Accrued interest	32,400	-	-	-	32,400
State aid note payable	1,600,000	-	-	-	1,600,000
TOTAL LIABILITIES	2,985,050	-	-	8,875	2,993,925

See notes to financial statements.

	General fund	2016 Refunding B	Sinking fund	Total nonmajor funds	Total governmental funds
FUND BALANCES:					
Nonspendable:					
Inventories	\$ 59,619	\$ -	\$ -	\$ 6,198	\$ 65,817
Prepays	158,908	-	-	-	158,908
Restricted:					
Debt service	-	39,896	-	96,664	136,560
Capital projects	-	-	493,339	-	493,339
Food service	-	-	-	160,106	160,106
Assigned:					
Capital projects funds	-	-	-	130,941	130,941
Unassigned	2,168,455	-	-	-	2,168,455
TOTAL FUND BALANCES	2,386,982	39,896	493,339	393,909	3,314,126
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,372,032	\$ 39,896	\$ 493,339	\$ 402,784	\$ 6,308,051
Total governmental fund balances					\$ 3,314,126
Amounts reported for governmental activities in the statement of net position are different because:					
Deferred outflows of resources - deferred charges on refunding				\$ 589,171	
Deferred outflows of resources - related to pensions				9,126,242	
Deferred outflows of resources - related to other postemployment benefits				1,417,706	
Deferred inflows of resources - related to pensions				(2,061,353)	
Deferred inflows of resources - related to other postemployment benefits				(1,599,275)	
Deferred inflows of resources - related to state funding for pension				(982,829)	
					6,489,662
Capital assets used in governmental activities are not financial resources and are not reported in the funds:					
The cost of the capital assets is				\$ 47,582,953	
Accumulated depreciation is				(17,890,796)	
					29,692,157
Long-term liabilities are not due and payable in the current period and are not reported in the funds:					
Bonds and notes payable					(31,361,168)
Compensated absences and termination benefits					(738,369)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid					(134,040)
Net pension liability					(26,512,080)
Net other postemployment benefit liability					(7,065,884)
Net position of governmental activities					\$ (26,315,596)

See notes to financial statements.

HOPKINS PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

	<u>General fund</u>	<u>2016 Refunding B</u>	<u>Sinking fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
REVENUES:					
Local sources:					
Property taxes	\$ 727,721	\$ 1,081,809	\$ 447,615	\$ 1,861,879	\$ 4,119,024
Tuition	15,723	-	-	-	15,723
Investment earnings	27,365	-	-	3,577	30,942
Food sales	-	-	-	304,143	304,143
Other	197,809	-	4,420	-	202,229
Total local sources	968,618	1,081,809	452,035	2,169,599	4,672,061
State sources	14,215,540	-	-	26,623	14,242,163
Federal sources	190,711	-	-	366,901	557,612
Incoming transfers and other	715,214	-	-	-	715,214
Total revenues	16,090,083	1,081,809	452,035	2,563,123	20,187,050
EXPENDITURES:					
Current:					
Instruction	9,365,160	-	-	-	9,365,160
Supporting services	6,390,197	-	-	-	6,390,197
Food service activities	-	-	-	640,512	640,512
Community service activities	9,494	-	-	-	9,494
Capital outlay	-	-	388,149	18,241	406,390

See notes to financial statements.

	General fund	2016 Refunding B	Sinking fund	Total nonmajor funds	Total governmental funds
EXPENDITURES (Concluded):					
Debt service:					
Principal repayment	\$ 87,238	\$ 2,300,000	\$ -	\$ 1,590,000	\$ 3,977,238
Interest	41,068	193,062	-	721,385	955,515
Other	-	703	-	1,499	2,202
Total expenditures	<u>15,893,157</u>	<u>2,493,765</u>	<u>388,149</u>	<u>2,971,637</u>	<u>21,746,708</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>196,926</u>	<u>(1,411,956)</u>	<u>63,886</u>	<u>(408,514)</u>	<u>(1,559,658)</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from school loan revolving fund	-	1,398,095	-	498,753	1,896,848
Proceeds from sale of capital assets	<u>2,475</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,475</u>
Total other financing sources (uses)	<u>2,475</u>	<u>1,398,095</u>	<u>-</u>	<u>498,753</u>	<u>1,899,323</u>
NET CHANGE IN FUND BALANCES	<u>199,401</u>	<u>(13,861)</u>	<u>63,886</u>	<u>90,239</u>	<u>339,665</u>
FUND BALANCES:					
Beginning of year	<u>2,187,581</u>	<u>53,757</u>	<u>429,453</u>	<u>303,670</u>	<u>2,974,461</u>
End of year	<u>\$ 2,386,982</u>	<u>\$ 39,896</u>	<u>\$ 493,339</u>	<u>\$ 393,909</u>	<u>\$ 3,314,126</u>

See notes to financial statements.

HOPKINS PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

Net change in fund balances total governmental funds	\$ 339,665
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(1,162,508)
Capital outlay	850,388
Loss on disposal of capital assets	(2,757)
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable, beginning of the year	155,513
Accrued interest payable, end of the year	(134,040)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:	
Payments on debt	3,977,190
Proceeds from school loan revolving fund	(1,896,848)
Amortization of deferred loss on refunding	(50,700)
Amortization of bond premium	117,445
Long-term interest on school loan revolving fund (accrued)	(134,849)
Compensated absences and termination benefits are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences and termination benefits, beginning of the year	696,973
Accrued compensated absences and termination benefits, end of the year	(738,369)
Some revenues and 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:	
Pension related items	(1,314,639)
Other postemployment benefit related items	240,089
Restricted Revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period:	
State aid funding for pension, beginning of the year	910,313
State aid funding for pension, end of the year	(982,829)
Change in net position of governmental activities	\$ 870,037

**HOPKINS PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019**

	<u>Agency fund</u>	<u>Private purpose trust fund</u>
ASSETS:		
Cash and cash equivalents	\$ 230,938	\$ -
Land	-	37,000
Land improvements	-	3,522
Building	-	40,000
Building improvements	-	1,097
TOTAL ASSETS	<u>230,938</u>	<u>81,619</u>
LIABILITIES:		
Due to student and other groups	<u>230,938</u>	<u>-</u>
NET POSITION:		
Restricted for school use	<u>\$ -</u>	<u>\$ 81,619</u>

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of Hopkins Public Schools. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

B. Reporting Entity

The Hopkins Public Schools (the “District”) is governed by the Hopkins Public Schools Board of Education (the “Board”), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District’s reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

C. Basis of Presentation - Government-wide Financial Statements

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

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

D. Basis of Presentation - Fund Financial Statements

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

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation - Fund Financial Statements (Continued)

The District reports the following major governmental funds:

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

The *sinking fund* accounts for the receipt of the sinking fund millage proceeds and acquisition of fixed assets or construction of capital projects. The District has complied with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95 relating to sinking funds.

The *2016 Refunding - Series B debt service fund* accounts for the resources accumulated and payments made for principal and interest on debt obligations.

Other Non-major Funds

The *special revenue fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service activities in the special revenue fund.

The *capital improvement fund* accounts for the receipt of proceeds from the District's sale of its cable television channel and the acquisition or construction of capital facilities or equipment held by the District.

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

Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

The *private purpose trust* fund is accounted for using the accrual method of accounting. The District's private purpose trust fund accounts for assets held for the educational enrichment of the students. These funds are not included in the District's government-wide financial statements.

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation - Fund Financial Statements (Concluded)

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

E. Measurement Focus and Basis of Accounting

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

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

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

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

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Concluded)

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

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the current year ended, the foundation allowance was based on pupil membership counts.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6.0 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

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

All other revenue items are generally considered to be measurable and available only when cash is received by the District.

The private-purpose trust fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary Information

Budgetary basis of accounting:

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

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Information (Concluded)

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

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2019. The District does not consider these amendments to be significant.

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

1. Cash and cash equivalents

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

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Investments

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

3. Inventories and prepaid items

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

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

4. Capital assets

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

HOPKINS PUBLIC SCHOOLS NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Capital assets (Concluded)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Land is not depreciated. The other property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Capital asset classes</u>	<u>Lives</u>
Building and additions	50
Furniture and equipment	5 - 15
Transportation equipment	8

5. Defined benefit plans

For purposes of measuring the net pension and other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits expense, information about the fiduciary net position of the Michigan Public Employees Retirement System (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.

6. Deferred outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. They are the deferred charge on refunding and pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. Deferred inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

8. Net position flow assumption

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

During the year ended June 30, 2016, the District issued bonded debt in the amount of \$14,135,000 used to make principal and interest payments related to the School Bond Loan fund and the School Loan Revolving fund. 34% of these proceeds are not considered capital related debt, as this amount was used to pay off accrued interest. The current allocation of this debt not considered capital related to debt at June 30, 2019 is \$2,548,300.

In the computation of net invested in capital assets, school bond revolving fund principal proceeds of \$5,325,790 is considered capital-related debt. Accrued interest on the school loan revolving fund of \$215,827 has been included in the calculation of unrestricted net position.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Fund balance flow assumptions

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

10. Fund balance policies

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

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

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

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Revenues and Expenditures/Expenses

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2019, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund:	
Non-Principal Residence Exemption (PRE)	18.0000
Commercial Personal Property	6.0000
Debt service fund:	
PRE, Non-PRE, Commercial Personal Property	10.3400
Sinking fund:	
PRE, Non-PRE, Commercial Personal Property	1.5785

3. Compensated absences and termination benefits

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

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

H. Revenues and Expenditures/Expenses (Concluded)

4. Long-term obligations

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

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

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

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2019, \$3,331,197 of the District's bank balance of \$3,831,197 was exposed to custodial credit risk because it was uninsured and uncollateralized. Interest bearing accounts and certificates of deposit are included in the above totals.

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

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

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (Concluded)

A reconciliation of cash and investments as shown on the combined statement of net position follows:

Carrying value:	
Cash on hand	\$ 300
Carrying amount of deposits	3,636,522
Total	<u>\$ 3,636,822</u>
Per financial statements:	
District-wide - cash and cash equivalents	\$ 3,405,884
Fiduciary - cash and cash equivalents	230,938
Total	<u>\$ 3,636,822</u>

NOTE 3 - CAPITAL ASSETS

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

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$ 739,062	\$ -	\$ -	\$ 739,062
Capital assets being depreciated:				
Buildings and additions	41,202,754	440,591	(6,500)	41,636,845
Furniture and equipment	3,318,772	124,901	(146,030)	3,297,643
Transportation equipment	1,928,695	284,896	(304,188)	1,909,403
Total capital assets being depreciated	46,450,221	850,388	(456,718)	46,843,891
Accumulated depreciation:				
Buildings and additions	13,200,935	811,769	(5,850)	14,006,854
Furniture and equipment	2,718,189	216,286	(143,923)	2,790,552
Transportation equipment	1,263,125	134,453	(304,188)	1,093,390
Total accumulated depreciation	17,182,249	1,162,508	(453,961)	17,890,796
Net capital assets being depreciated	29,267,972	(312,120)	(2,757)	28,953,095
Net governmental capital assets	<u>\$ 30,007,034</u>	<u>\$ (312,120)</u>	<u>\$ (2,757)</u>	<u>\$ 29,692,157</u>

Depreciation for the fiscal year ended June 30, 2019 amounted to \$1,162,508.

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CAPITAL ASSETS (Concluded)

Depreciation expense was charged to programs of the primary government as follows:

Instruction	\$ 157,668
Support services	134,453
Unallocated depreciation	<u>870,387</u>
Total depreciation	<u><u>\$ 1,162,508</u></u>

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2019 at the fund level consist of the following:

	General fund	Total nonmajor funds	Total
State Aid - State of Michigan	\$ 2,630,547	\$ 4,287	\$ 2,634,834
Federal grants	34,605	-	34,605
Other	<u>656</u>	<u>-</u>	<u>656</u>
	<u><u>\$ 2,665,808</u></u>	<u><u>\$ 4,287</u></u>	<u><u>\$ 2,670,095</u></u>

No allowance for doubtful accounts is considered necessary.

NOTE 5 - NOTE PAYABLE - STATE AID ANTICIPATION NOTE

At June 30, 2019, the District has issued a state aid anticipation note payable in the amount of \$1,600,000 which has an interest rate of 2.43% and matures on August 20, 2019. Proceeds of the note were used to fund school operations. The note is secured by the full faith and credit of the District as well as pledged state aid. In an event of a default on the note, the state may impose a penalty interest rate and at the state's discretion, accelerate the repayment terms. Activity for the year ended June 30, 2019 is as follows:

Balance July 1, 2018	Additions	Payments	Balance June 30, 2019
<u><u>\$ 1,300,000</u></u>	<u><u>\$ 1,600,000</u></u>	<u><u>\$ 1,300,000</u></u>	<u><u>\$ 1,600,000</u></u>

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS

Long-term obligations at June 30, 2019 are comprised of the following issues:

General obligation bonds:

2009 general obligation refunding bonds due in annual installments of \$370,000 to \$400,000 through May 1, 2026 with interest at 3.50% to 4.125%.	\$ 2,665,000
2016 series A general obligation refunding bonds due in annual installments of \$750,000 to \$940,000 through May 1, 2032 with interest at 3.0% to 5.0%.	11,000,000
2016 series B general obligation refunding bonds due in annual installments of \$2,390,000 to \$2,605,000 through May 1, 2022 with interest at 1.90% to 2.24%.	7,495,000
2018 general obligation refunding bonds due in annual installments of \$405,000 to \$445,000 through May 1, 2026 with interest at 4.00% to 4.125%.	2,985,000
Plus premium on bond issuance, net of amortization	<u>1,497,418</u>
Total general obligation bonds	<u>25,642,418</u>

Notes from direct borrowings and direct placements:

Borrowings from the State of Michigan under the School Bond Loan Fund, including interest.	5,541,617
Bus installment purchase agreement due in an annual installment of \$42,208 through June 23, 2020 with interest at 1.79%.	42,208
Bus installment purchase agreement due in annual installments of \$44,975 through February 23, 2022 with interest at 2.25%.	<u>134,925</u>
Total notes from direct borrowings and direct placements	<u>5,718,750</u>

Accrued retirement benefits:

Obligation under contract for compensated absences and termination benefits	<u>738,369</u>
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Total general long-term obligations	<u><u>\$ 32,099,537</u></u>
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The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$5,718,750 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM OBLIGATIONS (Continued)

The annual requirements to amortize the long-term obligations as of June 30, 2019, including interest of \$4,972,155 are as follows:

Year ending June 30,	General obligation bonds		Notes from direct borrowings and direct placements		Compensated absences and termination benefits	Total
	Principal	Interest	Principal	Interest		
2020	\$ 3,985,000	\$ 804,238	\$ 87,183	\$ 3,792	\$ -	\$ 4,880,213
2021	4,095,000	703,702	44,975	2,024	-	4,845,701
2022	4,195,000	603,114	44,975	1,012	-	4,844,101
2023	1,590,000	496,386	-	-	-	2,086,386
2024	1,595,000	447,962	-	-	-	2,042,962
2025 - 2029	5,900,000	1,414,848	-	-	-	7,314,848
2030 - 2032	2,785,000	279,250	-	-	-	3,064,250
	24,145,000	4,749,500	177,133	6,828	-	29,078,461
Premium on bond issuance	1,497,418	-	-	-	-	-
School Loan Revolving Fund	-	-	5,325,790	215,827	-	5,541,617
Compensated absences and termination benefits	-	-	-	-	738,369	738,369
	<u>\$ 25,642,418</u>	<u>\$ 4,749,500</u>	<u>\$ 5,502,923</u>	<u>\$ 222,655</u>	<u>\$ 738,369</u>	<u>\$ 35,358,447</u>

An amount of \$136,650 is available in the debt service fund to service the general obligation debt. Interest expense for all funds for the year ended June 30, 2019 was \$987,915.

Borrowing from the State of Michigan - The school loan revolving fund payable represents notes payable to the State of Michigan for loans made to the school district, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. Interest rates of 3.44% for the School Loan Revolving Fund notes have been assessed for the year ended June 30, 2019. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 10.34 mills. The school district is required to levy 10.34 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the above amortization schedule. The state may apply a default late charge on the note if the District does not make the repayments, or apply the default late charge if the District fails to levy the appropriate debt mills. The state may also withhold state aid payments if the District is in default.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (Concluded)

The following is a summary of the changes in liabilities reported in the general long-term debt account group:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due within one year
General obligation bonds	\$ 29,649,863	\$ -	\$ 4,007,445	\$ 25,642,418	\$ 3,985,000
Notes from direct borrowings					
direct placements	3,774,243	2,031,697	87,190	5,718,750	87,183
Accumulated compensated absences and termination benefits	696,973	43,196	1,800	738,369	138,182
Totals	<u>\$ 34,121,079</u>	<u>\$ 2,074,893</u>	<u>\$ 4,096,435</u>	<u>\$ 32,099,537</u>	<u>\$ 4,210,365</u>

The District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2019, \$28,405,000 of bonds outstanding are considered defeased.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (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 option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

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

Benefits Provided - Overall

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

<u>Plan name</u>	<u>Plan type</u>	<u>Plan status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided - Pension

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

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Pension Reform 2010

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

Pension Reform 2012

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

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

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

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

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

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Pension Reform 2012 (Concluded)

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

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

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

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

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

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

HOPKINS PUBLIC SCHOOLS NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Pension Reform of 2017

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

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

Employer Contributions

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

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

For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Employer Contributions (Concluded)

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

	<u>Pension</u>	<u>Other Postemployment Benefit</u>
October 1, 2017 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%

The District's pension contributions for the year ended June 30, 2019 were equal to the required contribution total. Pension contributions were approximately \$2,362,000, with \$2,314,000 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2019 were equal to the required contribution total. OPEB benefits were approximately \$671,000, with \$635,000 specifically for the Defined Benefit Plan.

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

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Pension Liabilities

At June 30, 2019, the District reported a liability of \$26,512,080 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2017 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the District's proportion was 0.08819% and 0.08723%.

<u>MPERS (Plan) Non-university employers</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Total pension liability	\$ 79,863,694,444	\$ 72,407,218,688
Plan fiduciary net position	\$ 49,801,889,205	\$ 46,492,967,573
Net pension liability	\$ 30,061,805,239	\$ 25,914,251,115
Proportionate share	0.08819%	0.08723%
Net pension liability for the District	\$ 26,512,080	\$ 22,605,030

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

For the year ended June 30, 2019, the District recognized pension expense of \$3,629,097.

At June 30, 2019, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Changes of assumptions	\$ 6,140,176	\$ -
Net difference between projected and actual earnings on pension plan investments	-	(1,812,752)
Differences between expected and actual experience	123,021	(192,659)
Changes in proportion and difference between employer contributions and proportionate share of contributions	741,859	(55,942)
Reporting Unit's contributions subsequent to the measurement date	2,121,186	-
	<u>\$ 9,126,242</u>	<u>\$ (2,061,353)</u>

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded)

\$2,121,186, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

<u>Year ended September 30,</u>	<u>Amount</u>
2019	\$ 2,041,176
2020	1,515,145
2021	1,003,506
2022	383,876

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

OPEB Liabilities

At June 30, 2019, the District reported a liability of \$7,065,884 for its proportionate share of net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2017 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the District's proportion was 0.08889% and 0.08730%.

<u>MPERS (Plan) Non-university employers</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Total other postemployment benefit liability	\$ 13,932,170,264	\$ 13,920,945,991
Plan fiduciary net position	\$ 5,983,218,473	\$ 5,065,474,948
Net other postemployment benefit liability	\$ 7,948,951,791	\$ 8,855,471,043
Proportionate share	0.08889%	0.08730%
Net other postemployment benefit liability for the District	\$ 7,065,884	\$ 7,730,626

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$395,316.

At June 30, 2019, the Reporting Unit 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
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ (271,559)
Differences between expected and actual experience		(1,315,142)
Changes of assumptions	748,281	
Changes in proportion and difference between employer contributions and proportionate share of contributions	119,806	(12,574)
Reporting Unit's contributions subsequent to the measurement date	549,619	-
	<u>\$ 1,417,706</u>	<u>\$ (1,599,275)</u>

\$549,619, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

Year ended September 30,	Amount
2019	\$ (184,513)
2020	(184,513)
2021	(184,513)
2022	(127,463)
2021	(50,186)

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions

Investment rate of return for pension - 7.05% a year, compounded annually net of investment and administrative expenses for the non-hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the hybrid group (Pension Plus Plan).

Investment rate of return for OPEB - 7.15% a year, compounded annually net of investment and administrative expenses.

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

Inflation - 3.0%.

Mortality assumptions:

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

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

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

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

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 7.05% (7% Pension Plus Plan), and the other postemployment benefit rate was 7.15%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Cost of living pension adjustments - 3.0% annual non-compounded for MIP members.

Healthcare cost trend rate for other postemployment benefit - 7.5% for year one and graded to 3.0% in year 12.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

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

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

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

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

The target asset allocation at September 30, 2018 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment category	Target allocation	Long-term expected real rate of return*
Domestic Equity Pools	28.00%	5.70%
Private Investment Pools	18.00%	9.20%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	0.50%
Real Estate and Infrastructure Pools	10.00%	3.90%
Absolute Return Pools	15.50%	5.20%
Short Term Investment Pools	2.00%	0.00%
	<u>100.00%</u>	

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

Pension discount rate - A single discount rate of 7.05% was used to measure the total pension liability (7.00% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan). This discount rate was based on the long-term rate of return on pension plan investments of 7.05% (7.00% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

OPEB discount rate - A single discount rate of 7.15% 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 7.15%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net pension liability to changes in the discount rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 7.05% (7.00% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Pension		
	1% Decrease	Discount rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	<u>\$ 34,808,314</u>	<u>\$ 26,512,080</u>	<u>\$ 19,619,259</u>

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 7.15%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other postemployment benefit		
	1% Decrease	Discount rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	<u>\$ 8,482,451</u>	<u>\$ 7,065,884</u>	<u>\$ 5,874,379</u>

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Concluded)

Actuarial Assumptions (Concluded)

Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.0%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other postemployment benefit		
	1% Decrease	Healthcare cost trend rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	<u>\$ 5,811,612</u>	<u>\$ 7,065,884</u>	<u>\$ 8,504,791</u>

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2018 Comprehensive Annual Financial Report.

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

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - 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; injuries to employees; and natural disasters. With regard to injuries to employees, the District participates in an association of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The association is considered a public entity risk sharing pool. The District pays annual premiums to the association for its workers' disability compensation coverage. In the event the association's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the policy year may be subject to special assessment to make up the difference. The association maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required. Participant's annual dental and vision benefits are limited.

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

NOTE 9 - SUBSEQUENT EVENTS

Subsequent to year end, the District has approved borrowing \$1,600,000 for fiscal year 2020 to replace the note payable as described in Note 5.

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - CONTINGENT LIABILITIES

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

NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the District's 2021 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

**HOPKINS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2019**

	Original budget	Final budget	Actual	Variance with final budget
REVENUES:				
Local sources	\$ 867,042	\$ 975,516	\$ 968,618	\$ (6,898)
State sources	14,273,975	14,197,112	14,215,540	18,428
Federal sources	193,192	203,682	190,711	(12,971)
Incoming transfers and other	732,213	716,910	715,214	(1,696)
Total revenues	16,066,422	16,093,220	16,090,083	(3,137)
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	7,919,821	7,883,108	7,844,900	38,208
Added needs	1,643,801	1,547,056	1,520,260	26,796
Total instruction	9,563,622	9,430,164	9,365,160	65,004
Supporting services:				
Pupil	731,310	723,918	709,706	14,212
Instructional staff	228,970	237,521	226,689	10,832
General administration	341,700	372,611	364,902	7,709
School administration	1,008,402	993,812	986,302	7,510
Business	245,637	247,207	241,377	5,830
Operation/maintenance	1,598,608	1,654,121	1,721,415	(67,294)
Pupil transportation	1,038,872	1,131,074	1,082,426	48,648
Central services	606,893	606,457	603,017	3,440
Athletics	451,267	451,208	454,363	(3,155)
Total supporting services	6,251,659	6,417,929	6,390,197	27,732
Community services	12,476	5,505	9,494	(3,989)
Debt services	108,782	128,302	128,306	(4)
Total expenditures	15,936,539	15,981,900	15,893,157	88,743
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	129,883	111,320	196,926	85,606
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	-	2,475	2,475	-
Total other financing sources (uses)	-	2,475	2,475	-
NET CHANGE IN FUND BALANCE	<u>\$ 129,883</u>	<u>\$ 113,795</u>	199,401	<u>\$ 85,606</u>
FUND BALANCE:				
Beginning of year			2,187,581	
End of year			<u>\$ 2,386,982</u>	

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting Unit's proportion of net pension liability (%)	0.088192%	0.08723%	0.08449%	0.08275%	0.08137%
Reporting Unit's proportionate share of net pension liability	\$ 26,512,080	\$ 22,605,030	\$ 21,079,471	\$ 20,210,589	\$ 17,922,184
Reporting Unit's covered-employee payroll	\$ 7,573,471	\$ 7,378,958	\$ 7,214,118	\$ 6,918,053	\$ 6,940,753
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	350.07%	306.34%	292.20%	292.14%	258.22%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	62.36%	64.21%	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years which information is available.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 2,314,457	\$ 2,046,009	\$ 1,897,258	\$ 1,596,266	\$ 1,448,006
Contributions in relation to statutorily required contributions	<u>2,314,457</u>	<u>2,046,009</u>	<u>1,897,258</u>	<u>1,596,266</u>	<u>1,448,006</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 7,701,203	\$ 7,497,015	\$ 7,373,865	\$ 7,104,003	\$ 6,908,669
Contributions as a percentage of covered-employee payroll	30.05%	27.29%	25.73%	22.47%	20.96%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

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

	<u>2018</u>	<u>2017</u>
Reporting Unit's proportion of net pension liability (%)	0.08889%	0.08730%
Reporting Unit's proportionate share of net OPEB liability	\$ 7,065,884	\$ 7,730,626
Reporting Unit's covered-employee payroll	\$ 7,573,471	\$ 7,378,958
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	93.30%	104.77%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	42.95%	36.39%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years which information is available.

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

	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 635,405	\$ 598,419
Contributions in relation to statutorily required contributions	<u>635,405</u>	<u>598,419</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 7,701,203	\$ 7,497,015
Contributions as a percentage of covered-employee payroll	8.25%	7.98%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years which information is available.

HOPKINS PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019

Pension Information

Benefit changes - there were no changes of benefit terms in 2018.

Changes of assumptions - the assumption changes for 2018 were:

Wage inflation rate decreased to 2.75% from 3.50%.

Discount rate for MIP and Basic plans decreased to 7.05% from 7.50%.

Projected salary increases decreased to 2.75%-11.55%, including wage inflation at 2.75% from 3.50%-12.30%, including wage inflation of 3.50%.

Mortality assumptions were updated to the RP-2014 Male and Female Healthy Annuitant table from the RP-2000 Combined Healthy Life Mortality table.

OPEB Information

Benefit changes - there were no changes of benefit terms in 2018.

Changes of assumptions - the assumption changes for 2018 were:

Wage inflation rate decreased to 2.75% from 3.50%.

Discount rate for decreased to 7.15% from 7.50%.

Projected salary increases decreased to 2.75%-11.55%, including wage inflation at 2.75% from 3.50%-12.30%, including wage inflation of 3.50%.

Healthcare cost trend rate decreased to 7.50% Year 1 graded to 3.00% Year 12 from 7.50% Year 1 graded to 3.50% Year 12.

Mortality assumptions were updated to the RP-2014 Male and Female Healthy Annuitant table from the RP-2000 Combined Healthy Life Mortality table.

ADDITIONAL SUPPLEMENTARY INFORMATION

**HOPKINS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

	Food service	Debt service	Capital improvement fund	Total nonmajor funds
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ 164,694	\$ 96,664	\$ 130,941	\$ 392,299
Intergovernmental	4,287	-	-	4,287
Inventories	6,198	-	-	6,198
TOTAL ASSETS	\$ 175,179	\$ 96,664	\$ 130,941	\$ 402,784
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Deferred revenue	\$ 8,875	-	-	\$ 8,875
FUND BALANCES:				
Nonspendable:				
Inventories	6,198	-	-	6,198
Restricted:				
Debt service	-	96,664	-	96,664
Food service	160,106	-	-	160,106
Assigned:				
Capital projects	-	-	130,941	130,941
TOTAL FUND BALANCES	166,304	96,664	130,941	393,909
TOTAL LIABILITIES AND FUND BALANCES	\$ 175,179	\$ 96,664	\$ 130,941	\$ 402,784

HOPKINS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

	Food service	Debt service	Capital improvement fund	Total nonmajor funds
REVENUES:				
Local sources:				
Property taxes	\$ -	\$ 1,861,879	\$ -	\$ 1,861,879
Investment earnings	1,826	-	1,751	3,577
Food sales	304,143	-	-	304,143
Total local sources	305,969	1,861,879	1,751	2,169,599
State sources	26,623	-	-	26,623
Federal sources	366,901	-	-	366,901
Total revenues	699,493	1,861,879	1,751	2,563,123
EXPENDITURES:				
Current:				
Food service activities	640,512	-	-	640,512
Capital outlay	18,241	-	-	18,241
Debt service:				
Principal repayment	-	1,590,000	-	1,590,000
Interest	-	721,385	-	721,385
Other	-	1,499	-	1,499
Total expenditures	658,753	2,312,884	-	2,971,637
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	40,740	(451,005)	1,751	(408,514)
OTHER FINANCING SOURCES (USES):				
Proceed from school bond loan fund	-	498,753	-	498,753
Total other financing sources	-	498,753	-	498,753
NET CHANGE IN FUND BALANCES	40,740	47,748	1,751	90,239
FUND BALANCES:				
Beginning of year	125,564	48,916	129,190	303,670
End of year	\$ 166,304	\$ 96,664	\$ 130,941	\$ 393,909

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF REVENUES AND OTHER FINANCING SOURCES
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
LOCAL SOURCES:		
Property taxes	\$ 727,721	\$ 654,520
Tuition	15,723	17,110
Investment earnings	27,365	8,355
Other local revenue	197,809	276,564
TOTAL LOCAL SOURCES	968,618	956,549
STATE SOURCES:		
Foundation grant	12,188,787	11,929,102
Special education	295,906	338,365
At risk	451,670	447,955
Other state revenue	1,279,177	1,346,094
TOTAL STATE SOURCES	14,215,540	14,061,516
FEDERAL SOURCES:		
Title I	96,997	110,323
Title II - improving teacher quality	41,258	51,970
Other federal revenue	52,456	17,293
TOTAL FEDERAL SOURCES	190,711	179,586
INCOMING TRANSFERS AND OTHER TRANSACTIONS:		
Special education	615,294	630,573
Other	99,920	99,256
TOTAL INCOMING TRANSFERS AND OTHER TRANSACTIONS	715,214	729,829
OTHER FINANCING SOURCES:		
Proceeds from sale of capital assets	2,475	6,600
TOTAL OTHER FINANCING SOURCES	2,475	6,600
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 16,092,558	\$ 15,934,080

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
INSTRUCTION:		
Basic programs:		
Elementary:		
Salaries	\$ 1,961,301	\$ 1,967,986
Benefits	1,797,001	1,823,910
Purchased services	58,919	59,752
Supplies and materials	60,881	58,854
Other expenses	-	3,178
Capital outlay	8,950	8,757
Total elementary	<u>3,887,052</u>	<u>3,922,437</u>
Middle school:		
Salaries	1,014,697	953,402
Benefits	620,559	592,762
Purchased services	38,740	52,833
Supplies and materials	60,216	24,027
Capital outlay	2,991	180
Total middle school	<u>1,738,403</u>	<u>1,623,204</u>
High school:		
Salaries	1,269,537	1,192,089
Benefits	787,725	750,353
Purchased services	108,016	95,344
Supplies and materials	46,716	44,497
Other expenses	1,555	823
Capital outlay	5,896	6,291
Total high school	<u>2,219,445</u>	<u>2,089,397</u>
Total basic programs	<u>7,844,900</u>	<u>7,635,038</u>
Added needs:		
Special education:		
Salaries	495,605	526,460
Benefits	358,870	378,422
Purchased services	108,075	79,464
Supplies and materials	2,645	3,414
Total special education	<u>965,195</u>	<u>987,760</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
INSTRUCTION (Concluded):		
Compensatory education:		
Salaries	\$ 243,184	\$ 222,134
Benefits	152,159	156,241
Purchased services	3,638	691
Supplies and materials	28,266	39,235
Total compensatory education	<u>427,247</u>	<u>418,301</u>
Vocational education:		
Salaries	65,915	63,861
Benefits	50,398	49,371
Purchased services	7,908	8,079
Supplies and materials	1,442	2,735
Other expenses	2,155	1,175
Capital outlay	-	5,740
Total vocational education	<u>127,818</u>	<u>130,961</u>
Total added needs	<u>1,520,260</u>	<u>1,537,022</u>
TOTAL INSTRUCTION	<u>9,365,160</u>	<u>9,172,060</u>
SUPPORTING SERVICES:		
Pupil services:		
Salaries	249,563	275,707
Benefits	178,281	199,100
Purchased services	270,524	263,879
Supplies and materials	9,520	9,816
Other expenses	1,818	2,745
Total pupil services	<u>709,706</u>	<u>751,247</u>
Instructional staff services:		
Salaries	113,090	101,927
Benefits	65,324	53,589
Purchased services	26,226	25,249
Supplies and materials	12,363	9,988
Other expenses	9,686	9,744
Total instructional staff services	<u>226,689</u>	<u>200,497</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
SUPPORTING SERVICES (Continued):		
General administration:		
Salaries	\$ 169,265	\$ 145,235
Benefits	86,076	87,134
Purchased services	91,669	102,627
Supplies and materials	6,676	12,206
Other expenses	11,216	11,386
Total general administration	<u>364,902</u>	<u>358,588</u>
School administration:		
Salaries	590,701	571,366
Benefits	378,789	361,604
Purchased services	7,647	8,814
Supplies and materials	6,444	6,730
Other expenses	2,721	3,539
Total school administration	<u>986,302</u>	<u>952,053</u>
Business services:		
Salaries	106,427	104,308
Benefits	62,133	54,738
Purchased services	62,836	65,865
Supplies and materials	2,307	2,305
Other expenses	7,674	7,519
Total business services	<u>241,377</u>	<u>234,735</u>
Operations and maintenance:		
Salaries	498,620	481,737
Benefits	366,785	360,159
Purchased services	356,017	311,834
Supplies and materials	418,114	411,795
Other expenses	19,521	19,824
Capital outlay	62,358	10,086
Total operations and maintenance	<u>1,721,415</u>	<u>1,595,435</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
SUPPORTING SERVICES (Concluded):		
Transportation:		
Salaries	\$ 407,471	\$ 389,472
Benefits	264,121	273,118
Purchased services	31,637	41,857
Supplies and materials	118,105	99,973
Other expenses	4,280	6,556
Capital outlay	256,812	169,840
Total transportation	<u>1,082,426</u>	<u>980,816</u>
Central services:		
Salaries	243,493	233,710
Benefits	140,529	136,166
Purchased services	60,446	88,204
Supplies and materials	1,031	82,810
Other expenses	447	1,027
Capital outlay	157,071	161,680
Total central services	<u>603,017</u>	<u>703,597</u>
Athletics:		
Salaries	137,111	140,438
Benefits	75,596	76,796
Purchased services	170,619	140,850
Supplies and materials	32,063	36,297
Other expenses	18,578	19,700
Capital outlay	20,396	18,443
Total athletics	<u>454,363</u>	<u>432,524</u>
TOTAL SUPPORTING SERVICES	<u>6,390,197</u>	<u>6,209,492</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
COMMUNITY SERVICES:		
Salaries	\$ 2,351	\$ 3,814
Benefits	1,664	3,762
Purchased services	4,946	4,469
Supplies and materials	533	160
Other expenses	-	197
TOTAL COMMUNITY SERVICES	<u>9,494</u>	<u>12,402</u>
DEBT SERVICES:		
Principal payments	87,238	232,190
Interest	41,068	25,889
TOTAL DEBT SERVICES	<u>128,306</u>	<u>258,079</u>
TOTAL EXPENDITURES	<u><u>\$ 15,893,157</u></u>	<u><u>\$ 15,652,033</u></u>

**HOPKINS PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019**

	2009	2016	2018	Total
	Refunding	Refunding A	Refunding	nonmajor debt service
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ 13,648	\$ 67,106	\$ 15,910	\$ 96,664
FUND BALANCES:				
Restricted for debt service	\$ 13,648	\$ 67,106	\$ 15,910	\$ 96,664

**HOPKINS PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2019**

	2009	2016	2018	Total
	Refunding	Refunding A	Refunding	nonmajor debt service
REVENUES:				
Local sources:				
Property taxes	\$ 370,265	\$ 1,053,466	\$ 438,148	\$ 1,861,879
EXPENDITURES:				
Principal payments	405,000	735,000	450,000	1,590,000
Interest	115,875	501,050	104,460	721,385
Other	220	697	582	1,499
Total expenditures	521,095	1,236,747	555,042	2,312,884
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(150,830)	(183,281)	(116,894)	(451,005)
OTHER FINANCING SOURCES (USES):				
Proceeds from school bond loan fund	153,740	233,415	111,598	498,753
NET CHANGE IN FUND BALANCES	2,910	50,134	(5,296)	47,748
FUND BALANCES:				
Beginning of year	10,738	16,972	21,206	48,916
End of year	\$ 13,648	\$ 67,106	\$ 15,910	\$ 96,664

HOPKINS PUBLIC SCHOOLS
AGENCY FUND
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND LIABILITY BY ACTIVITY
YEAR ENDED JUNE 30, 2019

	Balance 7/1/18	Receipts	Disbursements	Balance 6/30/19
Board of Ed Interest	\$ 276	\$ 190	\$ 379	\$ 87
Interest	2,261	6,158	361	8,058
HS Principal	2,270	-	-	2,270
MS Principal	5,594	358	1,805	4,147
Yearbook	4,980	7,814	7,334	5,460
FFA	4,827	20,333	18,509	6,651
Band	219	10,640	9,540	1,319
HES Mackinaw City	7,178	58,635	61,034	4,779
S4SD	618	-	-	618
Destination Imagination	66	-	66	-
National Honor Society	42	2,679	2,510	211
Spanish Club	(105)	1,200	901	194
Sp Ed - high school	43	1,081	580	544
Student Council - HS	2,419	5,869	4,941	3,347
Student Council - MS	4,291	1,065	895	4,461
Student Council - HES	5,220	10,787	8,858	7,149
Student Council - SYC	1,435	426	453	1,408
Drama Club	673	-	-	673
AP Classes	873	7,498	5,240	3,131
Class of 2019	2,540	-	2,540	-
Hockey	60	-	-	60
Robotics Club	12,369	18309	16,659	14,019
HHS Scholarship	10,029	17701	21,550	6,180
Class of 2021	1,299	543	210	1,632
Jobe Scholarship	413	528	750	191
Culture Committee	161	594	193	562
MS Library	7	1,782	945	844
MS Art Club	150	150	298	2
Pepsi Scholarship	693	-	693	-
Athletic Director	600	-	51	549
AD - Programs	5,176	7,047	7,484	4,739

HOPKINS PUBLIC SCHOOLS
AGENCY FUND
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND LIABILITY BY ACTIVITY
YEAR ENDED JUNE 30, 2019

	Balance 7/1/18	Receipts	Disbursements	Balance 6/30/19
Cross Country	\$ 2,333	\$ 852	\$ 946	\$ 2,239
Basketball, Girls	3,750	4,543	5,806	2,487
Baseball	3,065	5,104	6,127	2,042
Softball	2,573	4,881	5,817	1,637
Class of 2018	243	-	-	243
Agriscience Lab	4,198	13,449	13,803	3,844
Wrestling	786	1,660	1,109	1,337
Class of 2017	192	1,859	1,859	192
Basketball, Boys	5,254	12,483	17,233	504
Golf	324	-	-	324
Bowling	141	772	913	-
Volleyball	6,588	14,570	18,046	3,112
Football	2,789	26,896	29,174	511
Cheer - Sideline	29	-	-	29
Art Club	769	13	768	14
6th Grade Camp	6,419	19,488	19,670	6,237
6th Grade Team	1,295	1,669	2,299	665
7th Grade Team	1,232	8,077	8,182	1,127
8th Grade Team	863	5,084	4,899	1,048
Science Fair	22	-	-	22
Track	2,383	2,824	2,639	2,568
Ski Club	466	1,802	1,766	502
Washburn, Becky	107	1,445	1,215	337
Modreske, Shelly	67	132	144	55
Soccer - Boys	6,486	1,540	2,212	5,814
Brethauer	8,704	100	254	8,550
Galligan, Anne	232	200	69	363
VanderMeulen	132	216	100	248
Young Authors	371	864	854	381
Bolen, Padric	148	162	62	248
Yearbook	9,594	2,312	393	11,513
King, Jessica	322	450	596	176
Belka, Jen	56	-	56	-
Ruthruff, Heather	643	100	165	578

HOPKINS PUBLIC SCHOOLS
AGENCY FUND
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND LIABILITY BY ACTIVITY
YEAR ENDED JUNE 30, 2019

	<u>Balance</u> <u>7/1/18</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>6/30/19</u>
Kastran, Jenna	498	100	93	505
Duchene, Jill	(23)	4,132	3,827	282
Siebers, Kim	623	482	340	765
Craig, Sue	525	2,308	2,498	335
Hall, Shelly	-	100	95	5
Cimek	240	100	52	288
Hopkins El Library	2,720	3,615	4,575	1,760
Musical	22,289	13,378	18,518	17,149
Sycamore Mackinac Trip	709	32,885	30,668	2,926
Cheer - Competitive	1,791	7,908	9,114	585
Choir	9,309	23,747	18,249	14,807
Misc	3,593	8,766	9,299	3,060
Field Trip	504	-	413	91
Hopkins El Art	166	173	258	81
Hopkins El Music	34	373	401	6
Phys Ed	370	100	-	470
Secor, Sharon	10	1,335	1,043	302
Zapolnik, Lisa	506	471	743	234
Behm, Marsha	350	-	350	-
Merren	828	2,942	3,310	460
Equestrian Team	58	2,333	2,093	298
Cardenas, D	455	186	560	81
Meyers, Holly	51	325	95	281
Kastran	191	407	93	505
1st - Rhonda Gilbert	138	693	535	296
3rd - Sarah McClish	438	1,790	1,891	337
Sycamore Spec. Ed - Santiago	5	-	5	-
VanDreumel	436	2,668	2,477	627

HOPKINS PUBLIC SCHOOLS
AGENCY FUND
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND LIABILITY BY ACTIVITY
YEAR ENDED JUNE 30, 2019

	Balance 7/1/18	Receipts	Disbursements	Balance 6/30/19
Sycamore, Misc.	\$ 1,637	\$ 1,269	\$ 1,375	\$ 1,531
VanderWeg, Meghan	137	806	766	177
Sycamore Music	1,142	294	1,150	286
Sycamore Art	4	-	4	-
Sycamore Gym	15	-	15	-
Sycamore Young Authors	4,738	4,887	5,575	4,050
K - Leslie Hartuniewicz	377	518	731	164
Pickett, Chelsea	268	482	359	391
2nd - B Herman	182	892	574	500
Sycamore Library	1,394	4,223	4,096	1,521
Class of 2020	975	7,204	5,356	2,823
Seabert	44	2,018	1,510	552
EGGE	42	697	511	228
High School Spirit Shop	35	-	-	35
Cribley	9	495	455	49
Class of 2022	405	1,570	932	1,043
Coots	1,209	700	76	1,833
Soccer - Girls	5,492	3,248	2,716	6,024
Kidsport	161	-	161	-
Skinner FFA Memorial Scholarship	915	-	-	915
Weight Room	162	146	-	308
STOMP	424	-	-	424
Physical Education - HMS	150	150	30	270
MASA Region 3	2,984	88	1,302	1,770
BOE Organizational Grants	17,666	10,270	13,169	14,767
Class of 2023	200	1,120	720	600
Class of 2024	-	400	-	400
Dehn	-	135	82	53
Visser	-	1,229	696	533
Russell	-	350	-	350
Ashley Mills	-	291	15	276
Class of 2025	-	200	-	200
Sleeman	100	184	187	97
	<u>\$ 236,934</u>	<u>\$ 470,117</u>	<u>\$ 476,113</u>	<u>\$ 230,938</u>

**HOPKINS PUBLIC SCHOOLS
BONDED DEBT
2009 REFUNDING BONDS
JUNE 30, 2019**

2009 Refunding Bonds

Fiscal year ended	Interest rate	Interest due		Principal due May 1,	Total due annually
		November 1	May 1		
2020	3.500%	\$ 50,850	\$ 50,850	\$ 400,000	\$ 501,700
2021	3.625%	43,850	43,850	390,000	477,700
2022	3.750%	36,781	36,781	380,000	453,562
2023	3.750%	29,656	29,656	380,000	439,312
2024	4.000%	22,531	22,531	375,000	420,062
2025	4.000%	15,031	15,031	370,000	400,062
2026	4.125%	7,631	7,631	370,000	385,262
Total 2009 bonded debt		<u>\$ 206,330</u>	<u>\$ 206,330</u>	<u>\$ 2,665,000</u>	<u>\$ 3,077,660</u>

Total amount of original issue was \$7,160,000.

**HOPKINS PUBLIC SCHOOLS
BONDED DEBT
2016 SERIES A REFUNDING BONDS
JUNE 30, 2019**

2016 Refunding Bonds - Series A

Fiscal year ended June 30,	Interest rate	Interest due		Principal due May 1,	Total due annually
		November 1,	May 1,		
2020	4.00%	\$ 235,825	\$ 235,825	\$ 750,000	\$ 1,221,650
2021	3.00%	220,825	220,825	765,000	1,206,650
2022	3.00%	209,350	209,350	775,000	1,193,700
2023	3.00%	197,725	197,725	785,000	1,180,450
2024	4.00%	185,950	185,950	800,000	1,171,900
2025	4.00%	169,950	169,950	810,000	1,149,900
2026	4.00%	153,750	153,750	825,000	1,132,500
2027	5.00%	137,250	137,250	865,000	1,139,500
2028	5.00%	115,625	115,625	910,000	1,141,250
2029	5.00%	92,875	92,875	930,000	1,115,750
2030	5.00%	69,625	69,625	925,000	1,064,250
2031	5.00%	46,500	46,500	920,000	1,013,000
2032	5.00%	23,500	23,500	940,000	987,000
Total 2016 Series A bonded debt		<u>\$ 1,858,750</u>	<u>\$ 1,858,750</u>	<u>\$ 11,000,000</u>	<u>\$ 14,717,500</u>

Total amount of original issue was \$12,450,000.

**HOPKINS PUBLIC SCHOOLS
BONDED DEBT
2016 SERIES B REFUNDING BONDS
JUNE 30, 2019**

2016 Refunding Bonds - Series B

Fiscal year ended	Interest rate	Interest due		Principal due May 1,	Total due annually
		November 1	May 1		
2020	1.90%	\$ 78,131	\$ 78,131	\$ 2,390,000	\$ 2,546,262
2021	2.10%	55,426	55,426	2,500,000	2,610,852
2022	2.24%	29,176	29,176	2,605,000	2,663,352
Total 2016 Series B bonded debt		<u>\$ 162,733</u>	<u>\$ 162,733</u>	<u>\$ 7,495,000</u>	<u>\$ 7,820,466</u>

Total amount of original issue was \$14,135,000.

**HOPKINS PUBLIC SCHOOLS
BONDED DEBT
2018 REFUNDING BONDS
JUNE 30, 2019**

2018 Refunding Bonds

Fiscal year ended	Interest rate	Interest due		Principal due May 1,	Total due annually
		November 1	May 1		
2020	4.000%	\$ 37,313	\$ 37,313	\$ 445,000	\$ 519,626
2022	4.000%	31,750	31,750	440,000	503,500
2023	4.000%	26,250	26,250	435,000	487,500
2024	4.000%	20,812	20,812	425,000	466,624
2025	4.125%	15,500	15,500	420,000	451,000
2026	4.125%	10,250	10,250	415,000	435,500
2027	4.125%	5,062	5,062	405,000	415,124
Total 2018 bonded debt		<u>\$ 146,937</u>	<u>\$ 146,937</u>	<u>\$ 2,985,000</u>	<u>\$ 3,278,874</u>

Total amount of original issue was \$7,465,000.

**HOPKINS PUBLIC SCHOOLS
SCHOOL LOAN REVOLVING FUND
JUNE 30, 2019**

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Bond Loan Fund. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. The borrowings from the State of Michigan under this program have been summarized as follows:

<u>Year ended June 30,</u>	<u>Loan proceeds (repayment)</u>	<u>Accrued interest</u>	<u>Net increase (decrease)</u>	<u>Balance</u>
1997	\$ 352,402	\$ 3,345	\$ 355,747	\$ 355,747
1998	795,365	39,786	835,151	1,190,898
1999	715,300	62,002	777,302	1,968,200
2000	735,978	138,033	874,011	2,842,211
2001	481,735	152,688	634,423	3,476,634
2002	475,473	157,175	632,648	4,109,282
2003	337,000	146,604	483,604	4,592,886
2004	257,000	134,798	391,798	4,984,684
2005	212,606	152,227	364,833	5,349,517
2006	74,593	220,718	295,311	5,644,828
2007	(210,000)	266,875	56,875	5,701,703
2008	6,600	256,255	262,855	5,964,558
2009	625,829	303,348	929,177	6,893,735
2010	597,221	404,576	1,001,797	7,895,532
2011	701,479	405,961	1,107,440	9,002,972
2012	746,268	411,287	1,157,555	10,160,527
2013	730,394	420,256	1,150,650	11,311,177
2014	681,945	411,670	1,093,615	12,404,792
2015	460,677	438,541	899,218	13,304,010
2016	(13,629,724)	328,347	(13,301,377)	2,633
2017	1,803,771	11,105	1,814,876	1,817,509
2018	1,622,564	69,847	1,692,411	3,509,920
2019	1,896,848	134,849	2,031,697	5,541,617

HOPKINS PUBLIC SCHOOLS
SCHEDULE OF INSTALLMENT PURCHASE AGREEMENT
JUNE 30, 2019

<u>Fiscal year ended</u>	<u>Interest rate</u>	<u>Principal due June 23</u>	<u>Interest due June 23</u>	<u>Total due annually</u>
2020	1.79%	<u>\$ 42,208</u>	<u>\$ 756</u>	<u>\$ 42,964</u>

The above installment purchase agreement payable dated August 28, 2014 was issued for the purpose of acquiring school buses. The original amount of issuance was \$253,283.

HOPKINS PUBLIC SCHOOLS
SCHEDULE OF INSTALLMENT PURCHASE AGREEMENT
JUNE 30, 2019

<u>Fiscal year ended</u>	<u>Interest rate</u>	<u>Principal due June 23</u>	<u>Interest due June 23</u>	<u>Total due annually</u>
2020	2.25%	\$ 44,975	\$ 3,036	\$ 48,011
2021	2.25%	44,975	2,024	46,999
2022	2.25%	<u>44,975</u>	<u>1,012</u>	<u>45,987</u>
Total installment purchase agreement		<u>\$ 134,925</u>	<u>\$ 6,072</u>	<u>\$ 140,997</u>

The above installment purchase agreement payable dated March 11, 2016 was issued for the purpose of acquiring school buses. The original amount of issuance was \$269,850.

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

To the Board of Education
Hopkins Public Schools

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hopkins Public Schools as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Hopkins Public Schools' basic financial statements and have issued our report thereon dated September 20, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hopkins Public Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Manes Costeiran PC

September 20, 2019