HOPKINS PUBLIC SCHOOLS

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

YEAR ENDED JUNE 30, 2020

Maner Costerisan
Certified Public Accountants
Business & Technology Advisors

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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, 2020, 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, 2020, 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 12 to the financial statements, Hopkins Public Schools implemented Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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 8, 2020 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.

Maner Costerisan PC

September 8, 2020

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, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Fiscal year ending June 30, 2020 Hopkins Public Schools was on track to add over $300,000 to their fund balance. In late July, the state announced that they would deduct $175 per pupil from our August state aid payment as a result of the COVID-19 pandemic. This came as a new 11d categorical entitled, "School Aid Fund Revenue Shortfall Reduction" and resulted in a loss to the district of $287,392. As a result, the district was only able to add $56,576 to their fund balance. 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's expenditures. With this slight addition to surplus, the fund balance was able to maintain that goal. The district's borrowing remained flat at $1.6 million. The State added an additional $240 per pupil which brought the base foundation to $8,111. The State eliminated the 22n categorical payment of $25 per high school student and the 64b dual enrollment incentive, which provided over $16,000 of revenue. Special Education 51c funding increased slightly due to higher costs in 2018/19, and a new Section 51f was added for costs associated with special education services that added $20,000 to our budget. The district was eligible to receive about $475,000 in At Risk 31A funds, which was slightly higher than prior year's funding by $25,000. The State continued the 61d CTE payment of $25/student for students in our Agricultural program. From the Office of Retirement Services, the 147c funding remained flat; the retirement rate increased slightly by about one-half percent, however 147a funds increased by that same amount to offset that new cost. The District continued to receive the FIRST Robotics Grant, Early Literacy Targeted Instruction Grant, the Vocational Education Grant, and the Headlee Obligation for Data Collection funding; however, the Computer Adaptive Tests Grant was eliminated. Medbill funding from the PCG Claiming System for the Michigan AOP program increased by over $55,000, which is driven by Medicaid student billing. A new middle school social studies curriculum was purchased in the fall and implemented and also new curriculum materials were purchased for social studies in the elementary. The fall student count decreased by 23 students, bringing the total to 1,640, and the spring count decreased by 32 kids from prior spring to 1,626. Section 25 adjustments continued to be made to allow for the movement of students between the fall and winter counts. A large reduction in funding of over $100,000 was received from Allegan Area ESA from their special education fund balance they flow through to the District. For the first year, the food service account had sufficient funds to allow the transfer of $40,000 to the General Fund for indirect costs. In March, school was closed and all of the students were sent home due to the COVID-19 pandemic, and a State of Emergency was declared. State Aid payments continued to be received, and all employees continued to receive their normal pay, even without working, under the Governor's Executive Order. Although wages continued to be paid, the district saved dollars on other line items due to the shutdown. Some of these savings came from the reduction of substitute teacher costs, extra duty and coaching assignments, utilities, bus driver extra trips, athletic event fees, fuel, Ci classroom bill backs, comp time payouts, transportation, and vehicle repairs. All of these savings were the greatest contributing factor to growing the fund balance once again this fiscal year. The sinking fund generated $474,749 from 1.5806 mills during the winter tax collection. The debt millage remained at 10.34 mills, generating $3,108,665 in tax revenue.

The school lunch fund had a deficit of almost $10,000. This was in part due to the transfer to the General Fund for indirect costs and part due to the COVID-19 outbreak which continued to pay all staff with decreased revenue from student lunches. The debt retirement fund continued in a borrowing position from the state with property values in the district increasing by 5.5%.

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.

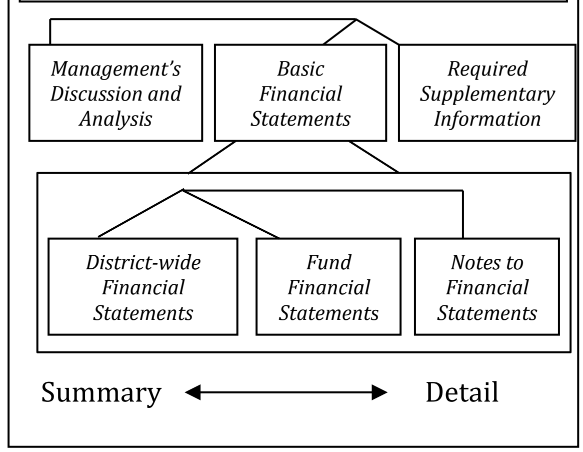

Figure A-1
Organization of Hopkins Public Schools' Annual Financial Report

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	Fund Financial Statements: 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 - Fiduciary funds are for assets that belong to others, such as certain student activities funds where the District is the trustee or fiduciary. The District cannot use these assets to finance its operations but it is responsible to ensure that these funds are used for their intended purposes. Only measurable and currently available funds are reported. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table A-3
Hopkins Public Schools' Net Position

	2020	2019
Assets		
Current assets	$ 6,642,944	$ 6,308,051
Capital assets	29,430,263	29,692,157
Total assets	36,073,207	36,000,208
Deferred outflows of resources	11,305,130	11,133,119
Liabilities		
Long-term liabilities outstanding	29,967,828	32,099,537
Other liabilities	3,355,860	3,127,965
Net other postemployment benefits liability	6,396,340	7,065,884
Net pension liability	29,461,203	26,512,080
Total liabilities	69,181,231	68,805,466
Deferred inflows of resources	4,643,493	4,643,457
Net position		
Net investment in capital assets	2,863,111	1,684,287
Restricted for debt service	-	2,520
Restricted for capital projects - sinking fund	341,354	493,339
Unrestricted	(29,650,852)	(28,495,742)
Total net position	$ (26,446,387)	$ (26,315,596)

Table A-4
Changes in Hopkins Public Schools' Net Position

	2020	2019
Revenues		
Operating grants and contributions	$ 3,057,037	$ 2,591,006
Charges for services	239,293	423,609
General revenues		
Property taxes	4,311,689	4,119,024
State aid - unrestricted	12,153,023	12,136,253
Other	908,118	847,117
Total revenues	20,669,160	20,117,009
Expenses		
Instruction	10,983,095	10,155,499
Support services	7,296,479	6,460,081
Community services	11,141	32,382
Food services	625,419	659,684
Student/school activities	273,911	-
Interest on long-term debt	984,553	1,068,939
Unallocated depreciation	849,850	870,387
Total expenses	21,024,448	19,246,972
Change in net position	$ (355,288)	$ 870,037

DISTRICT GOVERNMENTAL ACTIVITIES

The District's current financial position remains strong. The Board reached its goal of obtaining a 15% fund balance, and the District continues to collect revenue from the sinking fund millage to help offset general fund expenses. 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 offsetting MPSERS 147a funding and the 147c funds the State of Michigan passed through. The District continued to pay the state hard cap for health insurance which increased by 1.9%. The dental/vision costs decreased due to premium reductions caused by the pandemic. The District continued contracts with all employee groups which included step increases in addition to scale increases ranging from 1% to 2.5%.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's taxable values grew by 5.55% for 2020. 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 1.5806 mills due to the Headlee Rollback calculation. This was the fourth 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 $2,443,559, which is above last year's ending fund balance of $2,386,982.

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 2020, the budget was amended twice to reflect changes and to recognize these changes with the Board of Education. The amendments included an increase in the student foundation allowance, final contract settlements, utility costs, technology equipment purchases, and a new district van. New social studies curriculum was added at the middle school and Hopkins and Sycamore Elementary, a furniture replacement schedule was maintained, and indirect costs were offset from our food service department. There was a slight increase to the Federal Programming Coordinator's FTE, a new part-time bilingual teacher was added, and the counseling staff increased by 0.20 FTE. The COVID-19 pandemic had a significant impact on the budget. When the last amendment was made in June, there was no information forthcoming that there would be such a large foundation allowance reduction to the August state aid payment. The district originally anticipated that the budget would be fairly flat. The last amendment forecasted adding over $300,000 to the fund balance due to the large savings generated as a result of the shutdown due to COVID-19. Final, audited numbers showed only a slight surplus due to the $175/pupil School Aid Fund revenue shortfall reduction.

Final budget amendments were presented to the Board of Education in June, based on information gathered through the middle of June. Due to the COVID-19 shutdown, it was uncertain until late-July if there would be a proration to the August state aid payment. The final budget amendment anticipated a surplus of $301,513 if spending was 100% in all line items. The actual year-end report showed a lower surplus of over $50,000, which was still good news for the District.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital purchases in fiscal year 2020 increased due to significant roof repair and building improvements, the purchase of computer equipment and chromebooks and the acquisition of a passenger van.

Table A-5
Hopkins Public Schools' Capital Assets
Net of Depreciation

	2020	2019
Land	$ 739,062	$ 739,062
Construction in progress	140,716	-
Building and additions	27,270,161	27,629,991
Furniture and equipment	590,934	507,091
Transportation equipment	689,390	816,013
Total	$ 29,430,263	$ 29,692,157

Long-term Debt

Table A-6
Hopkins Public Schools' Outstanding Long-Term Debt

	2020	2019
General obligation bonds	$ 27,598,736	$ 25,642,418
School bond loan fund and installment purchase	1,552,650	5,718,750
Compensated absences and termination benefits	816,442	738,369
Total	$ 29,967,828	$ 32,099,537

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 2020 and the future.

- The District budgeted a decrease in State Aid of over $1,000,000 for the 2020-2021 fiscal year. Due to the COVID-19 pandemic, the School Aid Fund budget for FY20 currently has a $1.09 billion deficit. This allocates to a per pupil fund reduction of $256 million for FY21.

- The blended student count for the District decreased by 20 FTE's in 2019-2020. Due to the COVID-19 pandemic, the delivery of instruction shifted to virtual. It is now uncertain how many pupils will feel safe enough to return to the building for the 2020-2021 school year or what instruction will look like in the fall. For this reason, a large drop in enrollment is predicted.

- The District is predicting a lower number of cognitively impaired students in the neighboring district's program which will show significant savings. There is currently no plan for new curriculum or textbooks due to the instability of the future delivery of instruction.

- The District eliminated one loan for bus purchases from their debt due to the payment schedule being complete and does not anticipate taking out a new loan for bus purchases. Although this will put us slightly behind the bus purchases schedule, it is uncertain how many students will feel safe enough to use the district's transportation in 2020-2021, so it is not known if a new bus would be needed.

- The District does not plan to replace teaching positions that resulted from retirements and resignations. There also be reductions made in FTEs and hours reductions to make up the loss of revenue that is anticipated from the state. Further reductions will be made in supplies line items from the building budgets and furniture and technology purchases will be postponed.

- The District was eligible to receive federal Elementary and Secondary School Emergency Relief (ESSER) funds to support the purchase of one-to-one technology devices and new devices for the lower elementary grades, which offset the cost of these purchases that would come from the General Fund.

- 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, 2020

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 4,045,944
Receivables	
Intergovernmental	2,374,599
Inventories	64,452
Prepaids	156,559
Capital assets, not being depreciated	879,778
Capital assets, net of accumulated depreciation	28,550,485
TOTAL ASSETS	36,073,207
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges, net of amortization	551,911
Related to other postemployment benefits	2,085,531
Related to pensions	8,667,688
TOTAL DEFERRED OUTFLOWS OF RESOURCES	11,305,130
LIABILITIES	
Accounts payable	161,716
Retainage payable	17,236
Accrued salaries and related items	898,031
Accrued retirement	405,466
Accrued interest	166,154
State aid note payable	1,600,000
Unearned revenue	107,257
Noncurrent liabilities	
Due within one year	4,244,261
Due in more than one year	25,723,567
Net other postemployment benefits liability	6,396,340
Net pension liability	29,461,203
TOTAL LIABILITIES	69,181,231
DEFERRED INFLOWS OF RESOURCES	
Related to other postemployment benefits	2,494,248
Related to pensions	1,167,939
Related to state aid funding for pension	981,306
TOTAL DEFERRED INFLOWS OF RESOURCES	4,643,493
NET POSITION	
Net investment in capital assets	2,863,111
Restricted for capital projects - sinking fund	341,354
Unrestricted	(29,650,852)
TOTAL NET POSITION	$ (26,446,387)

See notes to financial statements.

HOPKINS PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

		Program Revenues		Governmental Activities
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Net (Expense) Revenue and Changes in Net Position**
Governmental activities				
Instruction	$ 10,983,095	$ -	$ 1,928,916	$ (9,054,179)
Support services	7,296,479	-	430,127	(6,866,352)
Community services	11,141	-	-	(11,141)
Food services	625,419	239,293	373,843	(12,283)
Student/school activities	273,911	-	324,151	50,240
Interest on long-term debt	984,553	-	-	(984,553)
Unallocated depreciation	849,850	-	-	(849,850)
Total governmental activities	$ 21,024,448	$ 239,293	$ 3,057,037	(17,728,118)
General revenues				
Property taxes, levied for general purposes				726,254
Property taxes, levied for debt service				3,110,686
Property taxes, levied for sinking fund				474,749
Investment earnings				37,989
State sources - unrestricted				12,153,023
Intermediate sources				524,892
Other				345,237
Total general revenues				17,372,830
CHANGE IN NET POSITION				(355,288)
NET POSITION, beginning of year, as restated				(26,091,099)
NET POSITION, end of year				$ (26,446,387)

See notes to financial statements.

HOPKINS PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	2016 Refunding B	2019 Refunding B	Sinking Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
ASSETS						
Cash and cash equivalents	$ 2,920,512	$ 39,022	$ 2,367	$ 482,070	$ 601,973	$ 4,045,944
Receivables						
Intergovernmental	2,369,718	-	-	-	4,881	2,374,599
Inventories	50,779	-	-	-	13,673	64,452
Prepaids	156,559	-	-	-	-	156,559
TOTAL ASSETS	$ 5,498,958	$ 39,022	$ 2,367	$ 482,070	$ 620,527	$ 6,642,944
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 38,236	$ -	$ -	$ 123,480	$ -	$ 161,716
Retainage Payable	-	-	-	17,236	-	17,236
Accrued salaries and related items	897,989	-	-	-	42	898,031
Accrued retirement	405,466	-	-	-	-	405,466
Unearned revenue	87,976	-	-	-	19,281	107,257
Accrued interest	25,733	-	-	-	-	25,733
State aid note payable	1,600,000	-	-	-	-	1,600,000
TOTAL LIABILITIES	3,055,400	-	-	140,716	19,323	3,215,439

See notes to financial statements.

	General Fund	2016 Refunding B	2019 Refunding B	Sinking Fund	Total Nonmajor Funds	Total Governmental Funds
FUND BALANCES						
Nonspendable						
Inventories	$ 50,779	$ -	$ -	$ -	$ 13,673	$ 64,452
Prepaids	156,559	-	-	-	-	156,559
Restricted						
Debt service	-	39,022	2,367	-	98,762	140,151
Capital projects	-	-	-	341,354	-	341,354
Food service	-	-	-	-	142,640	142,640
Committed for student/school activities	-	-	-	-	274,737	274,737
Assigned						
Capital projects funds		-	-	-	71,392	71,392
Subsequent year expenditures	507,524	-	-	-	-	507,524
Unassigned	1,728,696	-	-	-	-	1,728,696
TOTAL FUND BALANCES	2,443,558	39,022	2,367	341,354	601,204	3,427,505
TOTAL LIABILITIES AND FUND BALANCES	$ 5,498,958	$ 39,022	$ 2,367	$ 482,070	$ 620,527	$ 6,642,944
Total governmental fund balances						$ 3,427,505
Amounts reported for governmental activities in the statement of net position are different because:						
Deferred outflows of resources - deferred charges on refunding					$ 551,911	
Deferred outflows of resources - related to pensions					8,667,688	
Deferred outflows of resources - related to other postemployment benefits					2,085,531	
Deferred inflows of resources - related to pensions					(1,167,939)	
Deferred inflows of resources - related to other postemployment benefits					(2,494,248)	
Deferred inflows of resources - related to state funding for pension					(981,306)	
						6,661,637
Capital assets used in governmental activities are not financial resources and are not reported in the funds:						
The cost of the capital assets is					48,468,707	
Accumulated depreciation is					(19,038,444)	
						29,430,263
Long-term liabilities are not due and payable in the current period and are not reported in the funds:						
Bonds and notes payable						(29,151,386)
Compensated absences and termination benefits						(816,442)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid						(140,421)
Net pension liability						(29,461,203)
Net other postemployment benefit liability						(6,396,340)
Net position of governmental activities						$ (26,446,387)

See notes to financial statements.

HOPKINS PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	General Fund	2016 Refunding B	2019 Refunding B	Sinking Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Local sources						
Property taxes	$ 726,254	$ 1,172,514	$ 54,116	$ 474,749	$ 1,882,035	$ 4,309,668
Tuition	18,196	-	-	-	-	18,196
Investment earnings	26,241	2,965	125	-	8,658	37,989
Food sales	-	-	-	-	239,293	239,293
Student activity Income	-	-	-	-	324,151	324,151
Other	217,395	1,557	72	6,426	2,500	227,950
Total local sources	988,086	1,177,036	54,313	481,175	2,456,637	5,157,247
State sources	14,302,135	-	-	-	30,102	14,332,237
Federal sources	208,408	-	-	-	368,771	577,179
Incoming transfers and other	628,112	-	-	-	-	628,112
Total revenues	16,126,741	1,177,036	54,313	481,175	2,855,510	20,694,775
EXPENDITURES						
Current						
Instruction	9,694,617	-	-	-	-	9,694,617
Supporting services	6,281,606	-	-	-	-	6,281,606
Food service activities	-	-	-	-	594,564	594,564
Student/school activities	-	-	-	-	273,911	273,911
Community service activities	10,759	-	-	-	-	10,759
Capital outlay	-	-	-	633,160	76,985	710,145

See notes to financial statements.

	General Fund	2016 Refunding B	2019 Refunding B	Sinking Fund	Total Nonmajor Funds	Total Governmental Funds
EXPENDITURES (continued)						
Debt service						
Principal repayment	$ 87,150	$ 2,390,000	$ 5,588,993	$ -	$ 1,580,000	$ 9,646,143
Interest	36,033	156,262	350,853	-	642,267	1,185,415
Bond issuance costs	-	-	98,000	-	65,789	163,789
Other	-	808	7	-	2,204	3,019
Total expenditures	16,110,165	2,547,070	6,037,853	633,160	3,235,720	28,563,968
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	16,576	(1,370,034)	(5,983,540)	(151,985)	(380,210)	(7,869,193)
OTHER FINANCING SOURCES (USES)						
Proceeds from sale on refunding bonds	-	-	5,975,000	-	2,535,000	8,510,000
Payments to refunded bond escrow	-	-	-	-	(2,675,494)	(2,675,494)
Bond premium	-	-	-	-	206,283	206,283
Proceeds from school loan revolving fund	-	1,369,160	10,907	-	337,219	1,717,286
Transfers out	-	-	-	-	(40,000)	(40,000)
Transfers in	40,000	-	-	-	-	40,000
Total other financing sources (uses)	40,000	1,369,160	5,985,907	-	363,008	7,758,075
NET CHANGE IN FUND BALANCES	56,576	(874)	2,367	(151,985)	(17,202)	(111,118)
FUND BALANCES						
Beginning of year, as restated	2,386,982	39,896	-	493,339	618,406	3,538,623
End of year	$ 2,443,558	$ 39,022	$ 2,367	$ 341,354	$ 601,204	$ 3,427,505

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, 2020

Net change in fund balances total governmental funds	$ (111,118)
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	(1,147,648)
Capital outlay	885,754
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	134,040
Accrued interest payable, end of the year	(140,421)
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	9,646,143
Proceeds from school loan revolving fund	(1,717,286)
Proceeds from the issuance of bonds	(8,510,000)
Payment to escrow agent	2,675,494
Bond premium	(206,283)
Deferred loss on bond refunding	67,745
Amortization of deferred charge on refunding	(115,466)
Amortization of bond premium	124,965
Payment on long-term interest on school loan revolving fund	207,210
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	738,369
Accrued compensated absences and termination benefits, end of the year	(816,442)
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	(2,514,263)
Other postemployement benefit related items	442,396
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	982,829
State aid funding for pension, end of the year	(981,306)
Change in net position of governmental activities	$ (355,288)

See notes to financial statements.

HOPKINS PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020

	Custodial Fund	Private Purpose Trust Fund
ASSETS		
Cash and cash equivalents	$ 3,828	$ -
Land	-	37,000
Land improvements	-	3,522
Building	-	40,000
Building improvements	-	1,097
TOTAL ASSETS	3,828	81,619
NET POSITION		
Restricted for school use/student organizations	$ 3,828	$ 81,619

See notes to financial statements.

HOPKINS PUBLIC SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
JUNE 30, 2020

	Custodial Funds
Additions	
Student activity income	$ 4,730
Deductions	
Payments made on behalf of student organizations	7,343
Net Position	
Beginning of year, as restated	6,441
End of year	$ 3,828

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the 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.

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.

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.

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.

The District reports the following <u>major</u> 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

The *2016 and 2019 Refundings - Series B debt service fund* account 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 and student/school activities in special revenue funds.

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 *custodial fund* consists of assets for the benefit of individuals and the District does not have administrative involvement with the assets or direct financial involvement with the assets. In additions, the assets are not derived from the District's provision of goods or services to those individuals. 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

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

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

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

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, except for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources.

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

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

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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.

Budgetary Information

Budgetary basis of accounting

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

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

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

2. Public hearings are conducted to obtain taxpayer comments.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information (continued)

Budgetary basis of accounting (continued)

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, 2020. The District does not consider these amendments to be significant.

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

Cash and cash equivalents

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

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

a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.

d. The United States government or federal agency obligations repurchase agreements.

e. Bankers acceptances of United States banks.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

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

Inventories and prepaid items

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

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

Capital assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of 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.

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:

Capital Asset Classes	Lives
Building and additions	50
Furniture and equipment	5 - 15
Transportation equipment	8

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred outflows

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

Deferred inflows

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Net position flow assumption

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 years ended June 30, 2016 and 2020, the District issued bonded debt in the amounts of $14,135,000 and $5,975,000, respectively, used to make principal and interest payments related to the School Bond Loan fund and the School Loan Revolving fund. 34% and 4.8%, respectively, of these proceeds are not considered capital related debt, as this amount was used to pay off accrued interest. The current allocations of this debt not considered capital related to debt at June 30, 2020 is $1,735,700 and $288,006, respectively.

In the computation of net invested in capital assets, school bond revolving fund principal proceeds of $1,454,083 is considered capital-related debt. Accrued interest on the school loan revolving fund of $8,617 has been included in the calculation of unrestricted net position.

Fund balance flow assumptions

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

Fund balance policies

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund balance policies (continued)

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.

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.

Revenues and Expenditures/Expenses

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, 2020, 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	1.5806

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

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.

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, 2020, \$3,982,269 of the District's bank balance of \$4,482,269 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.

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.

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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

Per financial statements	
District-wide - cash and cash equivalents	$ 4,045,944
Fiduciary - cash and cash equivalents	3,828
Total	$ 4,049,772

NOTE 3 - CAPITAL ASSETS

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

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets not being depreciated				
Land	$ 739,062	$ -	$ -	$ 739,062
Construction in progress	-	140,716	-	140,716
Total capital assets not being depreciated	739,062	140,716	-	879,778
Capital assets being depreciated				
Buildings and additions	41,636,845	453,640	-	42,090,485
Furniture and equipment	3,297,643	254,012	-	3,551,655
Transportation equipment	1,909,403	37,386	-	1,946,789
Total capital assets being depreciated	46,843,891	745,038	-	47,588,929
Accumulated depreciation				
Buildings and additions	14,006,854	813,470	-	14,820,324
Furniture and equipment	2,790,552	170,169	-	2,960,721
Transportation equipment	1,093,390	164,009	-	1,257,399
Total accumulated depreciation	17,890,796	1,147,648	-	19,038,444
Net capital assets being depreciated	28,953,095	(402,610)	-	28,550,485
Net governmental capital assets	$ 29,692,157	$ (261,894)	$ -	$ 29,430,263

Depreciation for the fiscal year ended June 30, 2020 amounted to $1,147,648.

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

Instruction	$ 133,789
Support services	164,009
Unallocated depreciation	849,850
Total depreciation	$ 1,147,648

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2020 at the fund level consist of the following:

	General Fund	Total Nonmajor Funds	Total
State Aid - State of Michigan	$ 2,364,042	$ 4,881	$ 2,368,923
Federal grants	3,600	-	3,600
Other	2,076	-	2,076
	$ 2,369,718	$ 4,881	$ 2,374,599

No allowance for doubtful accounts is considered necessary.

NOTE 5 - NOTE PAYABLE - STATE AID ANTICIPATION NOTE

At June 30, 2020, the District has issued a state aid anticipation note payable in the amount of $1,600,000 which has an interest rate of 1.93% and matures on August 20, 2020. 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, 2020 is as follows:

Balance July 1, 2019	Additions	Payments	Balance June 30, 2020
$ 1,600,000	$ 1,600,000	$ 1,600,000	$ 1,600,000

NOTE 6 - LONG-TERM OBLIGATIONS

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

General obligation bonds:	
2016 series A general obligation refunding bonds due in annual installments of \$765,000 to \$940,000 through May 1, 2032 with interest at 3.0% to 5.0%.	\$ 10,250,000
2016 series B general obligation refunding bonds due in annual installments of \$2,500,000 to \$2,605,000 through May 1, 2022 with interest at 2.10% to 2.24%.	5,105,000
2018 general obligation refunding bonds due in annual installments of \$405,000 to \$440,000 through May 1, 2026 with interest at 2.5%.	2,540,000
2019 series A general obligation refunding bonds due in annual installments of \$350,000 to \$370,000 through May 1, 2026 with interest at 4.00%.	2,150,000
2019 series B general obligation refunding bonds due in annual installments of \$1,000,000 to \$1,490,000 from May 1,2024 through May 1, 2028 with interest at 2.112% to 2.491%.	5,975,000
Plus premium on bond issuance, net of amortization	1,578,736
Total general obligation bonds	27,598,736
Notes from direct borrowings and direct placements:	
Borrowings from the State of Michigan under the School Loan Revolvling Fund, including interest.	1,462,700
Bus installment purchase agreement due in annual installments of \$44,975 through February 23, 2022 with interest at 2.25%.	89,950
Total notes from direct borrowings and direct placements	1,552,650
Accrued retirement benefits	
Obligation under contract for compensated absences and termination benefits	816,442
Total general long-term obligations	\$ 29,967,828

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$89,950 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.

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

The annual requirements to amortize the long-term obligations as of June 30, 2020, including interest of $4,833,026 are as follows:

	General Obligation Bonds		Notes from Direct Borrowings and Direct Placements		Compensated Absences and Termination Benefits	
Year Ending June 30,	Principal	Interest	Principal	Interest		Total
2021	$ 4,075,000	$ 842,527	$ 44,975	$ 2,024	$ -	4,964,526
2022	4,175,000	741,277	44,975	1,012	-	4,962,264
2023	1,575,000	634,399	-	-	-	2,209,399
2024	2,575,000	585,625	-	-	-	3,160,625
2025	2,575,000	507,805	-	-	-	3,082,805
2026 - 2030	9,185,000	1,369,740	-	-	-	10,554,740
2031 - 2032	1,860,000	140,000	-	-	-	2,000,000
	26,020,000	4,821,373	89,950	3,036	-	30,934,359
Premium on bond issuance	1,578,736	-	-	-	-	1,578,736
School Loan Revolving Fund	-	-	1,454,083	8,617	-	1,462,700
Compensated absences and termination benefits	-	-	-	-	816,442	816,442
	$ 27,598,736	$ 4,821,373	$ 1,544,033	$ 11,653	$ 816,442	$ 34,792,237

An amount of $140,151 is available in the debt service fund to service the general obligation debt. Interest expense for all funds for the year ended June 30, 2020 was $1,185,415.

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 3.12% for the School Loan Revolving Fund notes have been assessed for the year ended June 30, 2020. 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.

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

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

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Due within One Year
General obligation bonds	$ 25,642,418	$ 8,716,283	$ 6,759,965	$ 27,598,736	$ 4,075,000
Notes from direct borrowings direct placements	5,718,750	-	4,166,100	1,552,650	44,975
Accumulated compensated absences and termination benefits	738,369	216,255	138,182	816,442	124,286
Totals	$ 32,099,537	$ 8,932,538	$ 11,064,247	$ 29,967,828	$ 4,244,261

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, 2020, $28,690,000 of bonds outstanding are considered defeased.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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:

Plan Name	Plan Type	Plan Status
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%.

Pension Reform 2010

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012

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

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

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

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

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

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

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

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

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided - Other Postemployment Benefit (OPEB)

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

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.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Retiree Healthcare Reform of 2012 (continued)

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

Regular Retirement (No Reduction Factor for Age)

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

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

Member Contributions

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

Employer Contributions

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

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

Pension and OPEB contributions made in the fiscal year ending September 30, 2019 were determined as of the September 30, 2016 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2016 are amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

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

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

The District's pension contributions for the year ended June 30, 2020 were equal to the required contribution total. Total pension contributions were approximately $2,476,000. Of the total pension contributions, approximately $2,425,000 was contributed to fund the Defined Benefit Plan and approximately $51,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2020 were equal to the required contribution total. Total OPEB contributions were approximately $720,000. Of the total OPEB contributions, approximately $682,000 was contributed to fund the Defined Benefit Plan and approximately $38,000 was contributed to fund the Defined Contribution Plan.

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

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

Pension Liabilities

The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2018 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-university Employers	September 30, 2019	September 30, 2018
Total pension liability	$ 83,442,507,212	$ 79,863,694,444
Plan fiduciary net position	$ 50,325,869,388	$ 49,801,889,205
Net pension liability	$ 33,116,637,824	$ 30,061,805,239
Proportionate share	0.08896%	0.08819%
Net pension liability for the District	$ 29,461,203	$ 26,512,080

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 (continued)

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

For the year ended June 30, 2020, the District recognized pension expense of $4,939,230.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 5,768,524	$ -
Net difference between projected and actual earnings on pension plan investments	-	944,182
Differences between expected and actual experience	132,054	122,850
Changes in proportion and difference between employer contributions and proportionate share of contributions	557,499	100,907
Reporting Unit's contributions subsequent to the measurement date	2,209,611	-
	$ 8,667,688	$ 1,167,939

$2,209,611, 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:

Year Ending September 30,	Amount
2020	$ 2,178,415
2021	1,663,329
2022	1,039,078
2023	409,316

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

OPEB Liabilities

The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2018 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-university Employers	September 30, 2019	September 30, 2018
Total other postemployment benefit liability	$ 13,925,860,688	$ 13,932,170,264
Plan fiduciary net position	$ 6,748,112,668	$ 5,983,218,473
Net other postemployment benefit liability	$ 7,177,748,020	$ 7,948,951,791
Proportionate share	0.08911%	0.08889%
Net other postemployment benefit liability for the District	$ 6,396,340	$ 7,065,884

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

For the year ended June 30, 2020, the District recognized OPEB expense of $239,583.

At June 30, 2020, 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	$ -	$ 111,235
Differences between expected and actual experience		2,346,998
Changes of assumptions	1,385,957	
Changes in proportion and difference between employer contributions and proportionate share of contributions	110,107	36,015
Reporting Unit's contributions subsequent to the measurement date	589,467	-
	$ 2,085,531	$ 2,494,248

$589,467, 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.

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 (continued)

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

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

Year Ending September 30,	Amount
2020	$ (277,483)
2021	(277,483)
2022	(220,294)
2023	(142,803)
2024	(80,121)

Actuarial Assumptions

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

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

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

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 morality improvements using projection scale MP-2017 from 2006.

Active - RP-2014 Male and Female Employee Annuitant Mortality Tables scaled 100% and adjusted for morality 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.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

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

Additional Assumptions for Other Postemployment Benefit Only - Applies to individuals hired before September 4, 2012:

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

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

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

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

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.00%	5.50%
Private Investment Pools	18.00%	8.60%
International Equity	16.00%	7.30%
Fixed Income Pools	10.50%	1.20%
Real Estate and Infrastructure Pools	10.00%	4.20%
Absolute Return Pools	15.50%	5.40%
Short Term Investment Pools	2.00%	0.80%
	100.00%	

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

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

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

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	$ 38,301,449	$ 29,461,203	$ 22,132,335

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 6.95%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	$ 7,846,073	$ 6,396,340	$ 5,178,968

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

	Other Postemployment Benefit		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	$ 5,127,357	$ 6,396,340	$ 7,845,901

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 2019 Comprehensive Annual Financial Report.

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

NOTE 8 - TRANSFERS

The transfer of $40,000 from the food service fund to the general fund was for the reimbursement of indirect costs.

NOTE 9 - 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 10 - SUBSEQUENT EVENTS

Subsequent to year end, the District has approved borrowing $1,300,000 for fiscal year 2021 to replace the note payable as described in Note 5.

NOTE 11 - 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 12 - NEW ACCOUNTING STANDARD

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

Summary:

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

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

	Fund Balances	
	Student/School Activity Fund	Total Governmental Funds
Fund balances as of July 1, 2019, as previously stated	$ -	$ 3,314,126
Adoption of GASB Statement 84	224,497	224,497
Fund Balances as of July 1, 2019, as restated	$ 224,497	$ 3,538,623

	Net Position	
	Governmental Activities	Custodial Funds
Net position as of July 1, 2019, as previously stated	$ (26,315,596)	$ -
Adoption of Gash Statement 84	224,497	6,441
Net position as of July 1, 2019, as restated	$ (26,091,099)	$ 6,441

NOTE 13- UPCOMING ACCOUNTING PRONOUNCEMENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

HOPKINS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	$ 935,621	$ 1,022,176	$ 988,086	$ (34,090)
State sources	14,401,128	14,537,751	14,302,135	(235,616)
Federal sources	158,879	213,520	208,408	(5,112)
Incoming transfers and other	596,766	673,102	628,112	(44,990)
Total revenues	16,092,394	16,446,549	16,126,741	(319,808)
EXPENDITURES				
Current				
Instruction				
Basic programs	8,085,362	8,149,427	8,138,311	11,116
Added needs	1,597,190	1,584,986	1,556,306	28,680
Total instruction	9,682,552	9,734,413	9,694,617	39,796
Supporting services				
Pupil	743,437	760,226	746,848	13,378
Instructional staff	250,763	226,614	215,699	10,915
General administration	381,745	385,622	386,053	(431)
School administration	1,029,699	1,032,537	1,023,126	9,411
Business	260,673	260,288	254,972	5,316
Operation/maintenance	1,625,695	1,644,534	1,656,810	(12,276)
Pupil transportation	894,003	874,525	889,551	(15,026)
Central services	622,641	696,824	704,333	(7,509)
Athletics	460,581	403,861	404,214	(353)
Total supporting services	6,269,237	6,285,031	6,281,606	3,425
Community services	10,888	2,404	10,759	(8,355)
Debt services	126,535	123,188	123,183	5
Total expenditures	16,089,212	16,145,036	16,110,165	34,871
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,182	301,513	16,576	(284,937)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	40,000	40,000
Total other financing sources (uses)	-	-	40,000	40,000
NET CHANGE IN FUND BALANCE	$ 3,182	$ 301,513	56,576	$ (244,937)
FUND BALANCE				
Beginning of year			2,386,982	
End of year			$ 2,443,558	

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)

	2019	2018	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.088960%	0.088192%	0.08723%	0.08449%	0.08275%	0.08137%
Reporting Unit's proportionate share of net pension liability	$ 29,461,203	$ 26,512,080	$ 22,605,030	$ 21,079,471	$ 20,210,589	$ 17,922,184
Reporting Unit's covered-employee payroll	$ 7,793,276	$ 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	378.03%	350.07%	306.34%	292.20%	292.14%	258.22%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, 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)

	2020	2019	2018	2017	2016	2015
Statutorily required contributions	$ 2,424,967	$ 2,314,457	$ 2,046,009	$ 1,897,258	$ 1,596,266	$ 1,448,006
Contributions in relation to statutorily required contributions	2,424,967	2,314,457	2,046,009	1,897,258	1,596,266	1,448,006
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Reporting Unit's covered-employee payroll	$ 8,038,181	$ 7,701,203	$ 7,497,015	$ 7,373,865	$ 7,104,003	$ 6,908,669
Contributions as a percentage of covered-employee payroll	30.17%	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)

	2019	2018	2017
Reporting Unit's proportion of net pension liability (%)	0.89110%	0.08889%	0.08730%
Reporting Unit's proportionate share of net OPEB liability	$ 6,396,340	$ 7,065,884	$ 7,730,626
Reporting Unit's covered-employee payroll	$ 7,793,276	$ 7,573,471	$ 7,378,958
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	82.08%	93.30%	104.77%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	48.46%	42.95%	36.39%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, 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)

	2020	2019	2018
Statutorily required contributions	$ 681,979	$ 635,405	$ 598,419
Contributions in relation to statutorily required contributions	681,979	635,405	598,419
Contribution deficiency (excess)	$ -	$ -	$ -
Reporting Unit's covered-employee payroll	$ 8,038,181	$ 7,701,203	$ 7,497,015
Contributions as a percentage of covered-employee payroll	8.48%	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, 2020

NOTE 1 - PENSION INFORMATION

Benefit changes - there were no changes of benefit terms in 2019.

Changes of assumptions - the assumption changes for 2019 were:

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

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

NOTE 2 - OPEB INFORMATION

Benefit changes - there were no changes of benefit terms in 2019.

Changes of assumptions - the assumption changes for 2019 were:

Discount rate for decreased to 6.95% from 7.15%.

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

ADDITIONAL SUPPLEMENTARY INFORMATION

HOPKINS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

	Special Revenue				
	Food Service	Student/ School Activities	Debt Service	Capital Improvement Fund	Total Nonmajor Funds
ASSETS					
ASSETS					
Cash and cash equivalents	$ 157,082	$ 274,737	$ 98,762	$ 71,392	$ 601,973
Intergovernmental	4,881	-	-	-	4,881
Inventories	13,673	-	-	-	13,673
TOTAL ASSETS	$ 175,636	$ 274,737	$ 98,762	$ 71,392	$ 620,527
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accrued salaries and related items	$ 42	$ -	$ -	$ -	$ 42
Unearned revenue	19,281	-	-	-	19,281
TOTAL LIABILITIES	19,323	-	-	-	19,323
FUND BALANCES					
Nonspendable					
Inventories	13,673	-	-	-	13,673
Restricted					
Debt service	-	-	98,762	-	98,762
Food service	142,640	-	-	-	142,640
Committed	-	274,737	-	-	274,737
Assigned					
Capital projects	-	-	-	71,392	71,392
TOTAL FUND BALANCES	156,313	274,737	98,762	71,392	601,204
TOTAL LIABILITIES AND FUND BALANCES	$ 175,636	$ 274,737	$ 98,762	$ 71,392	$ 620,527

HOPKINS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	Special Revenue				
	Food Service	Student/ School Activities	Debt Service	Capital Improvement Fund	Total Nonmajor Funds
REVENUES					
Local sources					
Property taxes	$ -	$ -	$ 1,882,035	$ -	$ 1,882,035
Investment earnings	2,334	-	4,815	1,509	8,658
Student activity income	-	324,151	-	-	324,151
Food sales	239,293	-	-	-	239,293
Other	-	-	2,500	-	2,500
Total local sources	241,627	324,151	1,889,350	1,509	2,456,637
State sources	30,102	-	-	-	30,102
Federal sources	368,771	-	-	-	368,771
Total revenues	640,500	324,151	1,889,350	1,509	2,855,510
EXPENDITURES					
Current					
Food service activities	594,564	-	-	-	594,564
School/student activities	-	273,911	-	-	273,911
Capital outlay	15,927	-	-	61,058	76,985
Debt service					
Principal repayment	-	-	1,580,000	-	1,580,000
Interest	-	-	642,267	-	642,267
Bond issuance costs	-	-	65,789	-	65,789
Other	-	-	2,204	-	2,204
Total expenditures	610,491	273,911	2,290,260	61,058	3,235,720
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	30,009	50,240	(400,910)	(59,549)	(380,210)
OTHER FINANCING SOURCES (USES)					
Operating transfers to other funds	(40,000)	-	-	-	(40,000)
Proceeds from sale of refunding bonds	-	-	2,535,000	-	2,535,000
Payment to refunded bond escrows	-	-	(2,675,494)	-	(2,675,494)
Bond premium	-	-	206,283	-	206,283
Proceed from school bond loan fund	-	-	337,219	-	337,219
Total other financing sources	(40,000)	-	403,008	-	363,008
NET CHANGE IN FUND BALANCES	(9,991)	50,240	2,098	(59,549)	(17,202)
FUND BALANCES					
Beginning of year, as restated	166,304	224,497	96,664	130,941	618,406
End of year	$ 156,313	$ 274,737	$ 98,762	$ 71,392	$ 601,204

HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF REVENUES AND OTHER FINANCING SOURCES
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
LOCAL SOURCES		
Property taxes	$ 726,254	$ 727,721
Tuition	18,196	15,723
Investment earnings	26,241	27,365
Other local revenue	217,395	197,809
TOTAL LOCAL SOURCES	988,086	968,618
STATE SOURCES		
Foundation grant	12,138,423	12,188,789
Special education	317,046	295,906
At risk	474,240	451,670
Other state revenue	1,372,426	1,279,175
TOTAL STATE SOURCES	14,302,135	14,215,540
FEDERAL SOURCES		
Title I	90,877	96,997
Title II - improving teacher quality	29,093	41,258
Other federal revenue	88,438	52,456
TOTAL FEDERAL SOURCES	208,408	190,711
INCOMING TRANSFERS AND OTHER TRANSACTIONS		
Special education	524,892	615,294
Other	103,220	99,920
TOTAL INCOMING TRANSFERS AND OTHER TRANSACTIONS	628,112	715,214
OTHER FINANCING SOURCES		
Proceeds from sale of capital assets	-	2,475
Transfer In	40,000	-
TOTAL OTHER FINANCING SOURCES	40,000	2,475
TOTAL REVENUES AND OTHER FINANCING SOURCES	$ 16,166,741	$ 16,092,558

HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
INSTRUCTION		
Basic programs		
Elementary		
Salaries	$ 2,029,778	$ 1,961,301
Benefits	1,854,818	1,797,001
Purchased services	67,579	58,919
Supplies and materials	48,101	60,881
Other expenses	1,200	-
Capital outlay	6,772	8,950
Total elementary	4,008,248	3,887,052
Middle school		
Salaries	1,052,021	1,014,697
Benefits	667,875	620,559
Purchased services	24,507	38,740
Supplies and materials	48,276	60,216
Capital outlay	8,078	2,991
Total middle school	1,800,757	1,738,403
High school		
Salaries	1,336,542	1,269,537
Benefits	825,903	787,725
Purchased services	110,678	108,016
Supplies and materials	48,862	46,716
Other expenses	-	1,555
Capital outlay	7,321	5,896
Total high school	2,329,306	2,219,445
Total basic programs	8,138,311	7,844,900
Added needs		
Special education		
Salaries	511,336	495,605
Benefits	371,598	358,870
Purchased services	78,007	108,075
Supplies and materials	3,052	2,645
Other expenses	1,200	-
Total special education	965,193	965,195

HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
INSTRUCTION (continued)		
Compensatory education		
Salaries	$ 261,648	$ 243,184
Benefits	149,820	152,159
Purchased services	2,887	3,638
Supplies and materials	45,978	28,266
Total compensatory education	460,333	427,247
Vocational education		
Salaries	67,594	65,915
Benefits	52,131	50,398
Purchased services	7,748	7,908
Supplies and materials	2,002	1,442
Other expenses	1,305	2,155
Total vocational education	130,780	127,818
Total added needs	1,556,306	1,520,260
TOTAL INSTRUCTION	9,694,617	9,365,160
SUPPORTING SERVICES		
Pupil services		
Salaries	267,340	249,563
Benefits	190,623	178,281
Purchased services	279,776	270,524
Supplies and materials	7,975	9,520
Other expenses	1,134	1,818
Total pupil services	746,848	709,706
Instructional staff services		
Salaries	121,171	113,090
Benefits	64,186	65,324
Purchased services	19,740	26,226
Supplies and materials	5,485	12,363
Other expenses	5,117	9,686
Total instructional staff services	215,699	226,689

HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
SUPPORTING SERVICES (continued)		
General administration		
Salaries	$ 175,225	$ 169,265
Benefits	94,103	86,076
Purchased services	99,491	91,669
Supplies and materials	6,681	6,676
Other expenses	10,553	11,216
Total general administration	386,053	364,902
School administration		
Salaries	612,640	590,701
Benefits	395,531	378,789
Purchased services	6,831	7,647
Supplies and materials	5,241	6,444
Other expenses	2,883	2,721
Total school administration	1,023,126	986,302
Business services		
Salaries	111,032	106,427
Benefits	64,058	62,133
Purchased services	71,522	62,836
Supplies and materials	1,050	2,307
Other expenses	7,310	7,674
Total business services	254,972	241,377
Operations and maintenance		
Salaries	535,597	498,620
Benefits	403,530	366,785
Purchased services	304,830	356,017
Supplies and materials	369,219	418,114
Other expenses	21,568	19,521
Capital outlay	22,066	62,358
Total operations and maintenance	1,656,810	1,721,415

HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
SUPPORTING SERVICES (continued)		
Transportation		
Salaries	$ 438,645	$ 407,471
Benefits	281,119	264,121
Purchased services	38,654	31,637
Supplies and materials	89,125	118,105
Other expenses	4,621	4,280
Capital outlay	37,387	256,812
Total transportation	889,551	1,082,426
Central services		
Salaries	257,813	243,493
Benefits	146,884	140,529
Purchased services	59,607	60,446
Supplies and materials	1,109	1,031
Other expenses	320	447
Capital outlay	238,600	157,071
Total central services	704,333	603,017
Athletics		
Salaries	128,919	137,111
Benefits	72,426	75,596
Purchased services	142,275	170,619
Supplies and materials	31,090	32,063
Other expenses	12,509	18,578
Capital outlay	16,995	20,396
Total athletics	404,214	454,363
TOTAL SUPPORTING SERVICES	6,281,606	6,390,197
COMMUNITY SERVICES		
Salaries	1,484	2,351
Benefits	891	1,664
Purchased services	4,506	4,946
Supplies and materials	3,878	533
TOTAL COMMUNITY SERVICES	10,759	9,494
DEBT SERVICES		
Principal payments	87,150	87,238
Interest	36,033	41,068
TOTAL DEBT SERVICES	123,183	128,306
TOTAL EXPENDITURES	$ 16,110,165	$ 15,893,157

HOPKINS PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2020

	2016 Refunding A	2018 Refunding	2019 Refunding A	Total Nonmajor Debt Service
ASSETS				
ASSETS				
Cash and cash equivalents	$ 70,447	$ 15,931	$ 12,384	$ 98,762
FUND BALANCES				
Restricted for debt service	$ 70,447	$ 15,931	$ 12,384	$ 98,762

HOPKINS PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2020

	2009 Refunding	2016 Refunding A	2018 Refunding	2019 Refunding A	Total Nonmajor Debt Service
REVENUES					
Local sources					
Property taxes	$ -	$ 1,052,256	$ 469,006	$ 360,773	$ 1,882,035
Interest	101	2,696	1,184	834	4,815
Other	-	1,398	623	479	2,500
Total revenues	101	1,056,350	470,813	362,086	1,889,350
EXPENDITURES					
Principal payments	-	750,000	445,000	385,000	1,580,000
Interest	50,850	471,650	74,419	45,348	642,267
Bond issuance costs	-	-	-	65,789	65,789
Other	748	785	627	44	2,204
Total expenditures	51,598	1,222,435	520,046	496,181	2,290,260
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(51,497)	(166,085)	(49,233)	(134,095)	(400,910)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of refunding bonds	-	-	-	2,535,000	2,535,000
Payment to refunded bond escrows	-	-	-	(2,675,494)	(2,675,494)
Bond premium	-	-	-	206,283	206,283
Proceeds from school bond loan fund	37,849	169,426	49,254	80,690	337,219
Total other financing sources (uses)	37,849	169,426	49,254	146,479	403,008
NET CHANGE IN FUND BALANCES	(13,648)	3,341	21	12,384	2,098
FUND BALANCES					
Beginning of year	13,648	67,106	15,910	-	96,664
End of year	$ -	$ 70,447	$ 15,931	$ 12,384	$ 98,762

HOPKINS PUBLIC SCHOOLS
CUSTODIAL FUNDS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND NET POSITION BY GROUP
YEAR ENDED JUNE 30, 2020

	Balance June 30, 2019	Receipts	Disbursements	Balance June 30, 2020
Class of 2017	$ 192	$ -	$ -	$ 192
Class of 2018	244	-	-	244
Class of 2020	2,822	-	-	2,822
Class of 2021	2,141	4,190	4,730	1,601
Class of 2022	1,042	540	2,613	(1,031)
	$ 6,441	$ 4,730	$ 7,343	$ 3,828

HOPKINS PUBLIC SCHOOLS
BONDED DEBT
2016 SERIES A REFUNDING BONDS
JUNE 30, 2020

2016 Refunding Bonds - Series A

Fiscal Year Ending June 30,	Interest Rate	Interest Due November 1,	Interest Due May 1,	Principal Due May 1,	Total Due Annually
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		$ 1,622,925	$ 1,622,925	$ 10,250,000	$ 13,495,850

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

HOPKINS PUBLIC SCHOOLS
BONDED DEBT
2016 SERIES B REFUNDING BONDS
JUNE 30, 2020

2016 Refunding Bonds - Series B

Fiscal Year Ending	Interest Rate	Interest Due November 1	Interest Due May 1	Principal Due May 1,	Total Due Annually
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		$ 84,602	$ 84,602	$ 5,105,000	$ 5,274,204

Total amount of original issue was $3,435,000.

HOPKINS PUBLIC SCHOOLS
BONDED DEBT
2018 REFUNDING BONDS
JUNE 30, 2020

2018 Refunding Bonds

Fiscal Year Ending	Interest Rate	Interest Due November 1	Interest Due May 1	Principal Due May 1,	Total Due Annually
2021	2.500%	$ 31,750	$ 31,750	$ 440,000	$ 503,500
2022	2.500%	26,250	26,250	435,000	487,500
2023	2.500%	20,812	20,812	425,000	466,624
2024	2.500%	15,500	15,500	420,000	451,000
2025	2.500%	10,250	10,250	415,000	435,500
2026	2.500%	5,062	5,062	405,000	415,124
Total 2018 bonded debt		$ 109,624	$ 109,624	$ 2,540,000	$ 2,759,248

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

HOPKINS PUBLIC SCHOOLS
2019 SERIES A REFUNDING BONDS
JUNE 30, 2020

2019 Refunding Bonds - Series A

		Interest Due			
Fiscal Year Ending	Interest Rate	November 1	May 1	Principal Due May 1,	Total Due Annually
2021	4.000%	$ 43,000	$ 43,000	$ 370,000	$ 456,000
2022	4.000%	35,600	35,600	360,000	431,200
2023	4.000%	28,400	28,400	365,000	421,800
2024	4.000%	21,100	21,100	355,000	397,200
2025	4.000%	14,000	14,000	350,000	378,000
2026	4.000%	7,000	7,000	350,000	364,000
Total 2019 bonded debt		$ 149,100	$ 149,100	$ 2,150,000	$ 2,448,200

Total amount of original issue was $2,535,000.

HOPKINS PUBLIC SCHOOLS
2019 SERIES B REFUNDING BONDS
JUNE 30, 2020

2019 Refunding Bonds - Series B

		Interest Due			
Fiscal Year Ending	Interest Rate	November 1	May 1	Principal Due May 1,	Total Due Annually
2021	2.112%	$ 70,262	$ 70,263	$ -	$ 140,525
2022	2.112%	70,262	70,263	-	140,525
2023	2.112%	70,262	70,263	-	140,525
2024	2.112%	70,262	70,263	1,000,000	1,140,525
2025	2.252%	59,702	59,703	1,000,000	1,119,405
2026	2.352%	48,442	48,443	1,000,000	1,096,885
2027	2.441%	36,682	36,683	1,485,000	1,558,365
2028	2.491%	18,558	18,558	1,490,000	1,527,116
Total 2019 bonded debt		$ 444,432	$ 444,439	$ 5,975,000	$ 6,863,871

Total amount of original issue was $5,975,000.

HOPKINS PUBLIC SCHOOLS
SCHOOL LOAN REVOLVING FUND
JUNE 30, 2020

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:

Year Ending June 30,	Loan Proceeds (Repayment)	Accrued Interest	Net Increase (Decrease)	Balance
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	(8,775,258)	(4,526,119)	(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
2020	(3,871,707)	(207,210)	(4,078,917)	1,462,700

HOPKINS PUBLIC SCHOOLS
SCHEDULE OF INSTALLMENT PURCHASE AGREEMENT
JUNE 30, 2020

Fiscal Year Ended	Interest Rate	Principal Due June 23	Interest Due June 23	Total Due Annually
2021	2.25%	$ 44,975	$ 2,024	$ 46,999
2022	2.25%	44,975	1,012	45,987
Total installment purchase agreement		$ 89,950	$ 3,036	$ 92,986

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.

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

To the Board of Education
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, 2020, 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 8, 2020.

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.

Maner Costerisan PC

September 8, 2020

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September 8, 2020

To the Board of Education
Hopkins Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hopkins Public Schools for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Hopkins Public Schools are described in Note 1 to the financial statements. During fiscal year 2020, the District implemented Governmental Accounting Standard No. 84, *Fiduciary Activities*. The application of existing policies was not changed during fiscal year 2020. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability:

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

Management's estimate in calculating the liability for employee compensated absences:

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

Management's determination of the estimated life span of the capital assets:

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

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

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 8, 2020.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

<u>Other Matters</u>

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

A separate management letter was not issued.

<u>Restriction on Use</u>

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

Very truly yours,

Maner Costerisan PC