

HOPKINS PUBLIC SCHOOLS

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

YEAR ENDED JUNE 30, 2021

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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, 2021, 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, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hopkins Public Schools basic financial statements. The additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and 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 17, 2021 on our consideration of Hopkins Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hopkins Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hopkins Public Schools' internal control over financial reporting and compliance.

Maney Costeiran PC

September 17, 2021

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, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Fiscal year ending June 30, 2021 stands out as the most complex budget and school year as a result of the ongoing COVID-19 pandemic. When the budget was approved in June 2020, the District anticipated a loss of 50 students and a per pupil foundation allowance cut of \$650. Many budget cuts were made and more were anticipated to be necessary when the original budget was adopted. Instead the State was able to maintain flat funding of \$8,111 per pupil. The State also came up with a new formula to determine pupil membership for the 2020-21 school year only, a new "super blend". The 90/10 blend for the prior 2019-20 school year was multiplied by .75 and added to the 90/10 blend for the 2020-21 multiplied by 0.25 to determine the super blend used for 2020-21 membership. This new formula allowed the student membership count to increase by 2 students when the number of students in attendance had actually decreased by over 100 from the prior fall to 1,532. The District was forced to implement a "hybrid" learning model in which students only attended classes on Monday and Thursdays or Tuesdays and Fridays. No students were present for in-person learning on Wednesdays. Additional instruction took place remotely.

The District received over \$648,000 of additional federal and state funding to directly aide with expenses incurred due to the pandemic and to assist with learning loss. They received \$20,232 of CRF 103(2) funding for District COVID Costs and \$574,784 of 11p Coronavirus Relief Funds in the prior August State Aid payment that were restricted federal funds to be allocated in the 2020-21 grant year. Additionally \$25,000 of Coronavirus Relief Funding was passed through from the Gun Lake Casino and \$28,341 was approved through the MiConnect Grant. All of this funding was used for additional expenses incurred as a result of the pandemic such as personal protective equipment, cleaning and sanitization supplies, technology hardware, mental health assistance, staffing needs, additional furniture for social distancing, and curriculum software.

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. For fiscal year 2021, the District was able to add \$579,118 to that surplus, bringing the fund balance up to just over 18%. The District's borrowing was able to decrease slightly down to \$1.3 million as a result of the growing fund balance. Interest rates are extremely low due to the large amount of liquid money in the economy, allowing the District to borrow at an all-time low rate of 0.43%. Special Education 51c funding increased slightly to \$310,648 due to higher costs in 2019/20 and Section 51f was maintained for costs associated directly with special education services. The District was eligible to receive \$426,881 in At Risk 31A funds, and in the August State Aid payment, an additional \$3,078 was received as a 31a(16) At Risk Additional Amount. The State continued the 61d CTE payment for students in our Agricultural Vocational Education program. From the Office of Retirement Services, the 147c funding increased by \$152,250 and the 147a funds remained relatively flat, only increasing by \$15,000. 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.

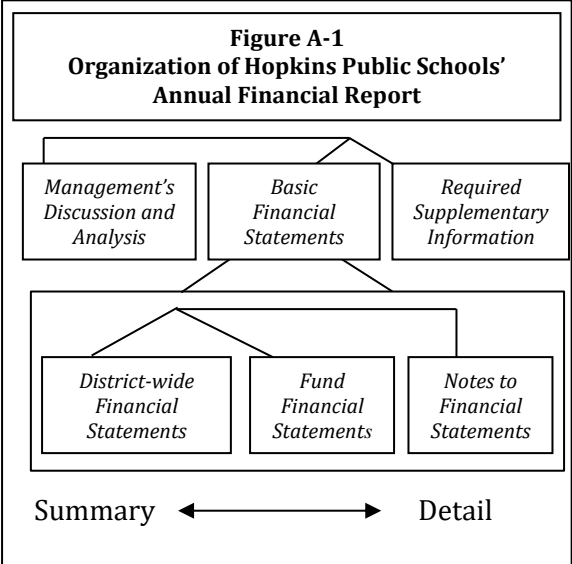
The sinking fund generated \$494,500 from 1.5651 mills during the winter tax collection. The debt millage remained at 10.34 mills, generating \$3,270,154 in tax revenue. The debt retirement fund continued in a borrowing position from the state with property values in the District increasing by 5.2%.

The school lunch fund added over \$50,000 to their fund balance and was once again able to transfer \$40,000 to the General Fund for indirect costs. All students were eligible to receive free meals all school year regardless of eligibility status as a result of the COVID-19 pandemic. Reimbursement rates were higher than previous years at \$2.46 for breakfast and \$4.32 for lunch.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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



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

Figure A-2 Major Features of District-wide and Fund Financial Statements				
	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Fiduciary Funds	
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies	
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary net position * Statement of changes in 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		
	2021	2020
Assets		
Current assets	\$ 7,354,495	\$ 6,642,944
Capital assets	28,854,762	29,430,263
Total assets	36,209,257	36,073,207
Deferred outflows of resources	9,473,425	11,305,130
Liabilities		
Long-term liabilities outstanding	27,540,412	29,967,828
Other liabilities	3,212,801	3,355,860
Net other postemployment benefits liability	4,671,206	6,396,340
Net pension liability	30,214,801	29,461,203
Total liabilities	65,639,220	69,181,231
Deferred inflows of resources	5,123,964	4,643,493
Net position		
Net investment in capital assets	3,899,826	2,863,111
Restricted for debt service	20,073	-
Restricted for capital projects - sinking fund	484,087	341,354
Unrestricted	(29,484,488)	(29,650,852)
Total net position	\$ (25,080,502)	\$ (26,446,387)

Table A-4		
Changes in Hopkins Public Schools' Net Position		
	2021	2020
Revenues		
Operating grants and contributions	\$ 4,086,527	\$ 3,057,037
Charges for services	27,794	239,293
General revenues		
Property taxes	4,595,034	4,311,689
State aid - unrestricted	12,087,569	12,153,023
Other	875,864	908,118
Total revenues	<u>21,672,788</u>	<u>20,669,160</u>
Expenses		
Instruction	10,846,990	10,983,095
Support services	6,950,179	7,296,479
Community services	12,369	11,141
Food services	576,895	625,419
Student/school activities	190,368	273,911
Interest on long-term debt	894,104	984,553
Unallocated depreciation	835,998	849,850
Total expenses	<u>20,306,903</u>	<u>21,024,448</u>
Change in net position	<u>\$ 1,365,885</u>	<u>\$ (355,288)</u>

DISTRICT GOVERNMENTAL ACTIVITIES

The District's current financial position remains strong even amid the COVID-19 pandemic. The Board reached and surpassed 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. 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 2%. The dental/vision costs once again decreased due to premium reductions caused by the pandemic. The District continued contracts with all employee groups which included partial step increases due to the late settlements of contracts and increases on pay scales ranging from 1% to 3%.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's taxable values grew by 5.2% for 2021. 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 loan revolving fund in the time frame allowed. The District's sinking fund mills were rolled back from 1.60 mills to 1.5651 mills due to the Headlee Rollback calculation. Voters approved the sinking fund renewal for a period of 10 years, 2021 to 2030 at 1.60 mills. Voters also renewed the operating millage in an August special election for 19.4662 mills so that the District will not be subject to a rollback calculation. The District is only authorized to levy 18.0000 mills.

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 \$3,022,676, which is above last year's ending fund balance of \$2,443,559 and brings the fund balance to 18.18%.

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 the budget is adopted, such as the amount of state aid, student enrollment, and the cost of employee contracts. The COVID-19 pandemic caused ongoing uncertainty of these variables that greatly impact the budget. During fiscal year 2021, the budget was amended twice to reflect changes and to recognize these changes with the Board of Education. The amendments included a flat student foundation allowance, when a large decrease had originally been anticipated. Contract negotiations had to be put on hold, and late contract settlements were necessary due to so many uncertainties about the budget prior to the start of the school year.

The District was able to use the additional federal funding they received for personal protection equipment to help prevent the spread of COVID and to assist with disinfecting and cleaning. Items such as disinfecting backpack sprayers, individual sanitization wipe systems, hand sanitizer stations, gloves, and face masks were all added expenses. A new COVID Coordinator position was created and hired. Additional tables, seating, furniture, and school bus were purchased to help encourage social distancing. The District participated in a Virtual Allegan County Academy to allow the students who were not comfortable attending classes in person to receive instruction in the safety of their homes and paid tuition to Allegan Area ESA for those students. Individual devices were added for all students in grades 3-12 so that learning could take place at home on the days students were not at school due to the hybrid learning model. Two additional counselors were hired to assist with student mental health needs.

The COVID-19 pandemic had a significant impact on the budget. The original June adopted budget anticipated that the District would have over a \$500,000 deficit. The final budget revision anticipated much higher revenues and forecasted adding over \$500,000 to the fund balance. The increase in revenues was a result of receiving more state and federal funding than anticipated and maintaining a relatively flat student count due to the new "super blend" formula. The variances from the final budget to actual audited numbers show greater revenues than were anticipated and slightly less expenses than were anticipated.

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		
	2021	2020
Land	\$ 739,062	\$ 739,062
Construction in progress	-	140,716
Building and additions	26,941,790	27,270,161
Furniture and equipment	555,798	590,934
Transportation equipment	618,112	689,390
Total	<u>\$ 28,854,762</u>	<u>\$ 29,430,263</u>

Long-term Debt

Table A-6		
Hopkins Public Schools' Outstanding Long-Term Debt		
	<u>2021</u>	<u>2020</u>
General obligation bonds	\$ 26,648,399	\$ 27,598,736
School loan revolving fund and installment purchase	45,094	1,552,650
Compensated absences and termination benefits	<u>846,919</u>	<u>816,442</u>
Total	<u>\$ 27,540,412</u>	<u>\$ 29,967,828</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited the District is aware of several impact areas for 2021 and the future.

- The District budgeted a slight increase in State Aid of \$200 per pupil for the 2021-22 fiscal year. The District will also continue to receive a large amount of federal funding due to the ongoing COVID-19 pandemic. As much as \$1.6 million is currently forecasted in the future for the District and will be able to be spent as late as September 2024. Those funds will be restricted for purchases associated with COVID-19 and will not be able to be used for general fund purposes.
- The “super blend” allowed for the District to not have its loss of over 100 students negatively impact the 2020-21 budget. However, it was a one-time fix, and the District will return to the traditional 90/10 blend for the next school year.
- The District does not plan on participating in the Virtual Allegan County Academy in the 2021-22 academic year, which means that all students will need to return to full, in-person learning, and it is uncertain how many will feel comfortable enough to return to the classroom. For this reason, a large drop in enrollment is predicted.
- The District will continue to spend more to support the mental health needs of students as a result of the COVID-19 pandemic. Federal funding will be used to pay for these positions.
- The COVID-19 pandemic greatly changed the delivery of instruction and the traditional learning model. It is unlikely that learning will ever go back to the way it was delivered prior to COVID-19. For this reason, it is anticipated that the District will continue its annual device purchasing for grades 3-12.
- The District will have four open bargaining unit contracts in the upcoming fiscal year. The impact of these settlements is a large variable for next year’s budget.
- The District was able to purchase a new school bus in order to keep the fleet up to the recommended replacement schedule. In May 2022, the last payment will be made on the 2016 bus loan, and the District does not anticipate taking out a new loan for bus purchases in the future.
- The District was once again able to use the sinking fund to offset general fund expenses for building projects and repairs and plans to in the future as well. Construction was completed on the new band room renovation, large roofing projects were completed, and a new field for the soccer team was installed complete with new grading and sod.

- The public school retirement system had a 40% increase in retirement applications at the conclusion of the 2020-21 school year. There are also less educators graduating from universities and colleges every year. For these reasons, the District believes that they will have a harder time filling future open teaching positions and may need to increase future contract settlements significantly.
- The federal meal reimbursement rate will continue to be significantly higher than in years previous, and all students will once again receive free meals regardless of eligibility status for 2021-22. For this reason, a large school lunch fund balance is predicted and will need to be spent down.

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, 2021**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,371,163
Receivables	
Intergovernmental	2,775,727
Inventories	58,170
Prepays	149,435
Capital assets, not being depreciated	739,062
Capital assets, net of accumulated depreciation	28,115,700
TOTAL ASSETS	36,209,257
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges, net of amortization	506,261
Related to other postemployment benefits	2,305,279
Related to pensions	6,661,885
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,473,425
LIABILITIES	
Accounts payable	43,483
Accrued salaries and related items	917,849
Accrued retirement	443,395
Accrued interest	132,823
State aid note payable	1,300,000
Unearned revenue	375,251
Noncurrent liabilities	
Due within one year	4,312,620
Due in more than one year	23,227,792
Net other postemployment benefits liability	4,671,206
Net pension liability	30,214,801
TOTAL LIABILITIES	65,639,220
DEFERRED INFLOWS OF RESOURCES	
Related to other postemployment benefits	3,641,304
Related to pensions	349,103
Related to state aid funding for pension	1,133,557
TOTAL DEFERRED INFLOWS OF RESOURCES	5,123,964
NET POSITION	
Net investment in capital assets	3,899,826
Restricted for debt service	20,073
Restricted for capital projects - sinking fund	484,087
Unrestricted	(29,484,488)
TOTAL NET POSITION	\$ (25,080,502)

See notes to financial statements.

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

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 10,846,990	\$ -	\$ 2,764,898	\$ (8,082,092)
Support services	6,950,179	-	455,269	(6,494,910)
Community services	12,369	-	-	(12,369)
Food services	576,895	27,794	613,689	64,588
Student/school activities	190,368	-	252,671	62,303
Interest on long-term debt	894,104	-	-	(894,104)
Unallocated depreciation	835,998	-	-	(835,998)
Total governmental activities	<u>\$ 20,306,903</u>	<u>\$ 27,794</u>	<u>\$ 4,086,527</u>	<u>(16,192,582)</u>
General revenues				
Property taxes, levied for general purposes				830,399
Property taxes, levied for debt service				3,270,154
Property taxes, levied for sinking fund				494,481
Investment earnings				10,695
State sources - unrestricted				12,087,569
Intermediate sources				635,560
Other				<u>229,609</u>
Total general revenues				<u>17,558,467</u>
CHANGE IN NET POSITION				1,365,885
NET POSITION, beginning of year				<u>(26,446,387)</u>
NET POSITION, end of year				<u>\$ (25,080,502)</u>

See notes to financial statements.

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

	<u>General Fund</u>	<u>2016 Refunding B</u>	<u>Sinking Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
ASSETS					
Cash and cash equivalents	\$ 3,130,835	\$ 41,873	\$ 484,087	\$ 714,368	\$ 4,371,163
Receivables					
Intergovernmental	2,757,600	-	-	18,127	2,775,727
Inventories	50,072	-	-	8,098	58,170
Prepays	149,435	-	-	-	149,435
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 6,087,942</u>	<u>\$ 41,873</u>	<u>\$ 484,087</u>	<u>\$ 740,593</u>	<u>\$ 7,354,495</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 43,483	\$ -	\$ -	\$ -	\$ 43,483
Accrued salaries and related items	916,095	-	-	1,754	917,849
Accrued retirement	443,395	-	-	-	443,395
Unearned revenue	357,635	-	-	17,616	375,251
Accrued interest	4,658	-	-	-	4,658
State aid note payable	1,300,000	-	-	-	1,300,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>3,065,266</u>	<u>-</u>	<u>-</u>	<u>19,370</u>	<u>3,084,636</u>

See notes to financial statements.

	<u>General Fund</u>	<u>2016 Refunding B</u>	<u>Sinking Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCES					
Nonspendable					
Inventories	\$ 50,072	\$ -	\$ -	\$ 8,098	\$ 58,170
Prepays	149,435	-	-	-	149,435
Restricted					
Debt service	-	41,873	-	106,365	148,238
Capital projects	-	-	484,087	-	484,087
Food service	-	-	-	198,257	198,257
Committed for student/school activities	-	-	-	337,040	337,040
Assigned					
Capital projects funds	-	-	-	71,463	71,463
Subsequent year expenditures	239,395	-	-	-	239,395
Unassigned	<u>2,583,774</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,583,774</u>
TOTAL FUND BALANCES	<u>3,022,676</u>	<u>41,873</u>	<u>484,087</u>	<u>721,223</u>	<u>4,269,859</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,087,942</u>	<u>\$ 41,873</u>	<u>\$ 484,087</u>	<u>\$ 740,593</u>	<u>\$ 7,354,495</u>
Total governmental fund balances					\$ 4,269,859
Amounts reported for governmental activities in the statement of net position are different because:					
Deferred outflows of resources - deferred charges on refunding				\$ 506,261	
Deferred outflows of resources - related to pensions				6,661,885	
Deferred outflows of resources - related to other postemployment benefits				2,305,279	
Deferred inflows of resources - related to pensions				(349,103)	
Deferred inflows of resources - related to other postemployment benefits				(3,641,304)	
Deferred inflows of resources - related to state aid funding for pension				<u>(1,133,557)</u>	
					4,349,461
Capital assets used in governmental activities are not financial resources and are not reported in the funds:					
The cost of the capital assets is				48,721,468	
Accumulated depreciation is				<u>(19,866,706)</u>	
					28,854,762
Long-term liabilities are not due and payable in the current period and are not reported in the funds:					
Bonds and notes payable					(26,693,493)
Compensated absences and termination benefits					(846,919)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid					(128,165)
Net pension liability					(30,214,801)
Net other postemployment benefit liability					<u>(4,671,206)</u>
Net position of governmental activities					<u>\$ (25,080,502)</u>

See notes to financial statements.

HOPKINS PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>	<u>2016 Refunding B</u>	<u>2021 Refunding</u>	<u>Sinking Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Local sources						
Property taxes	\$ 830,399	\$ 1,265,050	\$ -	\$ 494,481	\$ 2,005,104	\$ 4,595,034
Tuition	7,130	-	-	-	-	7,130
Investment earnings	8,253	791	-	-	1,651	10,695
Food sales	-	-	-	-	27,794	27,794
Student/school activity income	-	-	-	-	252,671	252,671
Other	115,277	-	-	702	-	115,979
Total local sources	961,059	1,265,841	-	495,183	2,287,220	5,009,303
State sources	14,621,197	-	-	-	28,830	14,650,027
Federal sources	838,790	-	-	-	584,859	1,423,649
Incoming transfers and other	742,060	-	-	-	-	742,060
Total revenues	17,163,106	1,265,841	-	495,183	2,900,909	21,825,039
EXPENDITURES						
Current						
Instruction	9,991,112	-	-	-	-	9,991,112
Supporting services	6,564,274	-	-	-	-	6,564,274
Food service activities	-	-	-	-	550,914	550,914
Student/school activities	-	-	-	-	190,368	190,368
Community service activities	11,798	-	-	-	-	11,798
Capital outlay	-	-	-	352,450	854	353,304

See notes to financial statements.

	<u>General Fund</u>	<u>2016 Refunding B</u>	<u>2021 Refunding</u>	<u>Sinking Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
EXPENDITURES (continued)						
Debt service						
Principal repayment	\$ 44,976	\$ 2,500,000	\$ 3,109,878	\$ -	\$ 1,575,000	\$ 7,229,854
Interest	11,828	110,852	60,622	-	731,674	914,976
Bond issuance costs	-	-	84,500	-	-	84,500
Other	-	654	-	-	1,845	2,499
	<u>16,623,988</u>	<u>2,611,506</u>	<u>3,255,000</u>	<u>352,450</u>	<u>3,050,655</u>	<u>25,893,599</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>539,118</u>	<u>(1,345,665)</u>	<u>(3,255,000)</u>	<u>142,733</u>	<u>(149,746)</u>	<u>(4,068,560)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from sale on refunding bonds	-	-	3,255,000	-	-	3,255,000
Proceeds from school loan revolving fund	-	1,348,516	-	-	307,398	1,655,914
Transfers out	-	-	-	-	(40,000)	(40,000)
Transfers in	40,000	-	-	-	-	40,000
	<u>40,000</u>	<u>1,348,516</u>	<u>3,255,000</u>	<u>-</u>	<u>267,398</u>	<u>4,910,914</u>
NET CHANGE IN FUND BALANCES	<u>579,118</u>	<u>2,851</u>	<u>-</u>	<u>142,733</u>	<u>117,652</u>	<u>842,354</u>
FUND BALANCES						
Beginning of year	<u>2,443,558</u>	<u>39,022</u>	<u>-</u>	<u>341,354</u>	<u>603,571</u>	<u>3,427,505</u>
End of year	<u>\$ 3,022,676</u>	<u>\$ 41,873</u>	<u>\$ -</u>	<u>\$ 484,087</u>	<u>\$ 721,223</u>	<u>\$ 4,269,859</u>

See notes to financial statements.

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

Net change in fund balances total governmental funds	\$ 842,354
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	(1,146,356)
Capital outlay	570,855
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	140,421
Accrued interest payable, end of the year	(128,165)
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	7,229,853
Proceeds from school loan revolving fund	(1,655,914)
Proceeds from the issuance of bonds	(3,255,000)
Amortization of deferred charge on refunding	(45,650)
Amortization of bond premium	130,337
Payment on long-term interest on school loan revolving fund	8,617
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	816,442
Accrued compensated absences and termination benefits, end of the year	(846,919)
Some revenues and expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Pension related items	(1,940,565)
Other postemployment benefit related items	797,826
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	981,306
State aid funding for pension, end of the year	(1,133,557)
Change in net position of governmental activities	<u><u>\$ 1,365,885</u></u>

**HOPKINS PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021**

	<u>Custodial Fund</u>	<u>Private Purpose Trust Fund</u>
ASSETS		
Cash and cash equivalents	\$ 13,767	\$ -
Land	-	37,000
Land improvements	-	3,522
Building	-	40,000
Building improvements	-	1,097
TOTAL ASSETS	<u>13,767</u>	<u>81,619</u>
NET POSITION		
Restricted for school use/student organizations	<u>\$ 13,767</u>	<u>\$ 81,619</u>

See notes to financial statements.

HOPKINS PUBLIC SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021

	Custodial Funds
Additions	
Student activity income	<u>\$ 18,375</u>
Deductions	
Payments made on behalf of student organizations	<u>8,436</u>
Net Position	
Beginning of year	<u>3,828</u>
End of year	<u><u>\$ 13,767</u></u>

See notes to financial statements.

HOPKINS PUBLIC SCHOOLS NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

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

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

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

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

The *2016 Series B and 2021 Refunding - Debt service funds* 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.

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

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

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

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

The 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.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

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.

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.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

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, 2021. The District does not consider these amendments to be significant.

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

Cash and Cash Equivalents

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

Investments

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

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

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Investments (continued)

- 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:

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

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Defined Benefit Plans

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

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.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Net Position Flow Assumption

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, 2020 and 2021, the District issued bonded debt in the amounts of \$14,135,000, \$5,975,000, and \$3,255,000, respectively, used to make principal and interest payments related to the School Bond Loan fund and the School Loan Revolving fund. 34%, 4.8%, and 1.8%, 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, 2021 is \$885,700, \$288,006, and 58,590, respectively.

In the computation of net invested in capital assets, school bond revolving fund principal proceeds of \$119 is considered capital-related debt. Accrued interest on the school loan revolving fund of \$0 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.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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, 2021, 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	1.5651

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

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, 2021, \$4,312,167 of the District's bank balance of \$4,8125,167 was exposed to custodial credit risk because it was uninsured and uncollateralized. Interest bearing accounts and certificates of deposit are included in the above totals.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

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

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

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

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	\$ 4,371,163
Fiduciary - cash and cash equivalents	<u>13,767</u>
Total	<u><u>\$ 4,384,930</u></u>

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CAPITAL ASSETS

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

	Balance July 1, 2020	Additions	Deletions/ reclassifications	Balance June 30, 2021
Capital assets not being depreciated				
Land	\$ 739,062	\$ -	\$ -	\$ 739,062
Construction in progress	140,716	-	140,716	-
Total capital assets not being depreciated	879,778	-	140,716	739,062
Capital assets being depreciated				
Buildings and additions	42,090,485	484,277	-	42,574,762
Furniture and equipment	3,551,655	132,328	253,427	3,430,556
Transportation equipment	1,946,789	94,966	64,667	1,977,088
Total capital assets being depreciated	47,588,929	711,571	318,094	47,982,406
Accumulated depreciation				
Buildings and additions	14,820,324	812,648	-	15,632,972
Furniture and equipment	2,960,721	167,464	253,427	2,874,758
Transportation equipment	1,257,399	166,244	64,667	1,358,976
Total accumulated depreciation	19,038,444	1,146,356	318,094	19,866,706
Net capital assets being depreciated	28,550,485	(434,785)	-	28,115,700
Net governmental capital assets	<u>\$ 29,430,263</u>	<u>\$ (434,785)</u>	<u>\$ 140,716</u>	<u>\$ 28,854,762</u>

Depreciation for the fiscal year ended June 30, 2021 amounted to \$1,146,356.

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

Instruction	\$ 144,114
Support services	166,244
Unallocated depreciation	<u>835,998</u>
Total depreciation	<u>\$ 1,146,356</u>

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

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

	General Fund	Total Nonmajor Funds	Total
State Aid - State of Michigan	\$ 2,728,090	\$ 4,414	\$ 2,732,504
Federal grants	29,510	13,713	43,223
	<u>\$ 2,757,600</u>	<u>\$ 18,127</u>	<u>\$ 2,775,727</u>

No allowance for doubtful accounts is considered necessary.

NOTE 5 - NOTE PAYABLE - STATE AID ANTICIPATION NOTE

At June 30, 2021, the District has issued a state aid anticipation note payable in the amount of \$1,300,000 which has an interest rate of 0.43% and matures on August 20, 2021. 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, 2021 is as follows:

Balance July 1, 2020	Additions	Payments	Balance June 30, 2021
<u>\$ 1,600,000</u>	<u>\$ 1,300,000</u>	<u>\$ 1,600,000</u>	<u>\$ 1,300,000</u>

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS

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

General Obligation Bonds:

2016 series A general obligation refunding bonds due in annual installments of \$775,000 to \$940,000 through May 1, 2032 with interest at 3.0% to 5.0%.	\$ 9,485,000
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2016 series B general obligation refunding bonds due in one annual installment of \$2,605,000 through May 1, 2022 with interest at 2.24%.	2,605,000
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2018 general obligation refunding bonds due in annual installments of \$405,000 to \$435,000 through May 1, 2026 with interest at 2.5%.	2,100,000
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2019 series A general obligation refunding bonds due in annual installments of \$350,000 to \$360,000 through May 1, 2026 with interest at 4.00%.	1,780,000
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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
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2021 general obligation refunding bonds due in annual installments of \$475,000 to \$1,000,000 from May 1, 2024 through May 1, 2027 with interest at 0.550% to 1.450%.	3,255,000
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Plus premium on bond issuance, net of amortization	1,448,399
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Total general obligation bonds	26,648,399
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Notes From Direct Borrowings and Direct Placements:

Borrowings from the State of Michigan under the School Loan Revolving Fund, including interest.	119
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Bus installment purchase agreement due in one annual installment of \$44,975 through February 23, 2022 with interest at 2.25%.	44,975
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Total notes from direct borrowings and direct placements	45,094
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Accrued retirement benefits

Obligation under contract for compensated absences and termination benefits	846,919
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Total general long-term obligations	\$ 27,540,412
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HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$44,975 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.

The annual requirements to amortize the long-term obligations as of June 30, 2021, including interest of \$4,154,066 are as follows:

Year Ending June 30,	General Obligation Bonds		Notes from Direct Borrowings and Direct Placements		Compensated Absences and Termination Benefits	Total
	Principal	Interest	Principal	Interest		
2022	\$ 4,175,000	\$ 772,701	\$ 44,975	\$ 1,012	\$ -	\$ 4,993,688
2023	1,575,000	669,531	-	-	-	2,244,531
2024	3,050,000	620,757	-	-	-	3,670,757
2025	3,355,000	540,325	-	-	-	3,895,325
2026	3,580,000	454,009	-	-	-	4,034,009
2027 - 2031	8,525,000	1,048,731	-	-	-	9,573,731
2032	940,000	47,000	-	-	-	987,000
	25,200,000	4,153,054	44,975	1,012	-	29,399,041
Premium on bond issuance	1,448,399	-	-	-	-	1,448,399
School Loan Revolving Fund	-	-	119	-	-	119
Compensated absences and termination benefits	-	-	-	-	846,919	846,919
	<u>\$ 26,648,399</u>	<u>\$ 4,153,054</u>	<u>\$ 45,094</u>	<u>\$ 1,012</u>	<u>\$ 846,919</u>	<u>\$ 31,694,478</u>

An amount of \$148,238 is available in the debt service fund to service the general obligation debt. Interest expense for all funds for the year ended June 30, 2021 was \$914,976.

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 3.00% for the School Loan Revolving Fund notes have been assessed for the year ended June 30, 2021. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 10.34 mills. The school district is required to levy 10.34 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the above amortization schedule. The state may apply a default late charge on the note if the District does not make the repayments, or apply the default late charge if the District fails to levy the appropriate debt mills. The state may also withhold state aid payments if the District is in default.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

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

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Due within One Year
General obligation bonds	\$ 27,598,736	\$ 3,255,000	\$ 4,205,337	\$ 26,648,399	\$ 4,175,000
Notes from direct borrowings					
direct placements	1,552,650	-	1,507,556	45,094	44,975
Accumulated compensated absences and termination benefits	816,442	30,477	-	846,919	92,645
Totals	<u>\$ 29,967,828</u>	<u>\$ 3,285,477</u>	<u>\$ 5,712,893</u>	<u>\$ 27,540,412</u>	<u>\$ 4,312,620</u>

The District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2021, \$22,300,000 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, re-codified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the Board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www.michigan.gov/orsschools.

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.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

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:

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided - Pension

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

Benefits Provided - Pension (continued)

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.

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.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

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

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

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

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

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

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

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

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

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation 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.

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

HOPKINS PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of 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, 2020 were determined as of the September 30, 2017 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2017 are amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

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

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

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

The District's pension contributions for the year ended June 30, 2021 were equal to the required contribution total. Total pension contributions were approximately \$2,657,000. Of the total pension contributions approximately \$2,617,000 was contributed to fund the Defined Benefit Plan and approximately \$40,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2021 were equal to the required contribution total. Total OPEB contributions were approximately \$746,000. Of the total OPEB contributions approximately \$705,000 was contributed to fund the Defined Benefit Plan and approximately \$41,000 was contributed to fund the Defined Contribution Plan.

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

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

Pension Liabilities

The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2019 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPSERS (Plan) Non-university Employers</u>	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Total pension liability	\$ 85,290,583,799	\$ 83,442,507,212
Plan fiduciary net position	\$ 50,939,496,006	\$ 50,325,869,388
Net pension liability	\$ 34,351,087,793	\$ 33,116,637,824
Proportionate share	0.08796%	0.08896%
Net pension liability for the District	\$ 30,214,801	\$ 29,461,203

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

For the year ended June 30, 2021, the District recognized pension expense of \$4,557,714.

At June 30, 2021, 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	\$ 3,348,091	\$ -
Net difference between projected and actual earnings on pension plan investments	126,949	-
Differences between expected and actual experience	461,657	64,489
Changes in proportion and difference between employer contributions and proportionate share of contributions	261,758	284,614
Reporting Unit's contributions subsequent to the measurement date	2,463,430	-
	<u>\$ 6,661,885</u>	<u>\$ 349,103</u>

\$2,463,430, 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
2021	\$ 1,845,308
2022	1,227,079
2023	604,001
2024	172,964

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

OPEB Liabilities

The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2019 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPERS (Plan) Non-university Employers</u>	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Total other postemployment benefit liability	\$ 13,206,903,534	\$ 13,925,860,688
Plan fiduciary net position	\$ 7,849,636,555	\$ 6,748,112,668
Net other postemployment benefit liability	\$ 5,357,266,979	\$ 7,177,748,020
Proportionate share	0.08719%	0.08911%
Net other postemployment benefit liability for the District	\$ 4,671,206	\$ 6,396,340

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

For the year ended June 30, 2021, the District recognized OPEB benefit of \$93,298.

At June 30, 2021, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 38,986	\$ -
Differences between expected and actual experience	-	3,480,485
Changes of assumptions	1,540,189	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	88,487	160,819
Reporting Unit's contributions subsequent to the measurement date	637,617	-
	<u>\$ 2,305,279</u>	<u>\$ 3,641,304</u>

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

\$637,617, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

<u>Year Ending September 30,</u>	<u>Amount</u>
2021	\$ (521,203)
2022	(465,211)
2023	(389,578)
2024	(328,564)
2025	(269,086)

Actuarial Assumptions

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

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

Salary Increases - The rate of pay increase used for individual members is 2.75% - 11.55%, including wage inflation at 2.75%.

Inflation - 3.0%.

Mortality Assumptions:

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

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

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

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Experience Study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2019. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 Comprehensive Annual Financial Report.

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

Cost of Living Pension Adjustments - 3.0% annual non-compounded for MIP members.

Healthcare Cost Trend Rate for Other Postemployment Benefit – 7.0% for year one and graded to 3.5% in year fifteen.

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

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

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

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

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

The target asset allocation at September 30, 2020 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.00%	5.60%
Private Investment Pools	16.00%	9.30%
International Equity	15.00%	7.40%
Fixed Income Pools	10.50%	0.50%
Real Estate and Infrastructure Pools	10.00%	4.90%
Absolute Return Pools	9.00%	3.20%
Real Return / Opportunistic Pools	12.50%	6.60%
Short Term Investment Pools	2.00%	-0.10%
	<u>100.00%</u>	

* Long term rate of return is net of administrative expenses and 2.1% inflation.

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

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.

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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	<u>\$ 39,107,935</u>	<u>\$ 30,214,801</u>	<u>\$ 22,844,376</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 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	<u>\$ 6,000,695</u>	<u>\$ 4,671,206</u>	<u>\$ 3,551,887</u>

Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.0% (decreasing to 3.5%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	<u>\$ 3,509,031</u>	<u>\$ 4,671,206</u>	<u>\$ 5,993,036</u>

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension and OPEB Plan Fiduciary Net Position

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

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

NOTE 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 - 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.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2021-2022 fiscal year.

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 992,441	\$ 960,676	\$ 961,059	\$ 383
State sources	13,262,190	14,561,781	14,621,197	59,416
Federal sources	159,302	846,950	838,790	(8,160)
Incoming transfers and other	694,104	739,266	742,060	2,794
Total revenues	<u>15,108,037</u>	<u>17,108,673</u>	<u>17,163,106</u>	<u>54,433</u>
EXPENDITURES				
Current				
Instruction				
Basic programs	7,924,219	8,445,677	8,489,659	(43,982)
Added needs	<u>1,509,138</u>	<u>1,514,723</u>	<u>1,501,453</u>	<u>13,270</u>
Total instruction	<u>9,433,357</u>	<u>9,960,400</u>	<u>9,991,112</u>	<u>(30,712)</u>
Supporting services				
Pupil	743,262	815,852	815,974	(122)
Instructional staff	205,373	224,800	224,646	154
General administration	384,817	442,010	448,016	(6,006)
School administration	1,033,242	1,070,865	1,060,642	10,223
Business	255,993	283,498	288,344	(4,846)
Operation/maintenance	1,684,240	1,708,362	1,688,921	19,441
Pupil transportation	892,000	961,195	900,605	60,590
Central services	480,361	652,970	697,955	(44,985)
Athletics	<u>455,471</u>	<u>441,645</u>	<u>439,171</u>	<u>2,474</u>
Total supporting services	<u>6,134,759</u>	<u>6,601,197</u>	<u>6,564,274</u>	<u>36,923</u>
Community services	<u>8,265</u>	<u>11,588</u>	<u>11,798</u>	<u>(210)</u>
Debt services	<u>79,179</u>	<u>56,770</u>	<u>56,804</u>	<u>(34)</u>
Total expenditures	<u>15,655,560</u>	<u>16,629,955</u>	<u>16,623,988</u>	<u>5,967</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(547,523)</u>	<u>478,718</u>	<u>539,118</u>	<u>60,400</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Total other financing sources (uses)	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (507,523)</u>	<u>\$ 518,718</u>	<u>579,118</u>	<u>\$ 60,400</u>
FUND BALANCE				
Beginning of year			<u>2,443,558</u>	
End of year			<u>\$ 3,022,676</u>	

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

	2020	2019	2018	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.087960%	0.088960%	0.088192%	0.08723%	0.08449%	0.08275%	0.08137%
Reporting Unit's proportionate share of net pension liability	\$ 30,214,801	\$ 29,461,203	\$ 26,512,080	\$ 22,605,030	\$ 21,079,471	\$ 20,210,589	\$ 17,922,184
Reporting Unit's covered-employee payroll	\$ 7,721,039	\$ 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	391.33%	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)	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 2,617,149	\$ 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	<u>2,617,149</u>	<u>2,424,967</u>	<u>2,314,457</u>	<u>2,046,009</u>	<u>1,897,258</u>	<u>1,596,266</u>	<u>1,448,006</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 8,012,577	\$ 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	32.66%	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)**

	2020	2019	2018	2017
Reporting Unit's proportion of net pension liability (%)	0.08719%	0.89110%	0.08889%	0.08730%
Reporting Unit's proportionate share of net OPEB liability	\$ 4,671,206	\$ 6,396,340	\$ 7,065,884	\$ 7,730,626
Reporting Unit's covered-employee payroll	\$ 7,721,039	\$ 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	60.50%	82.08%	93.30%	104.77%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	59.44%	48.46%	42.95%	36.39%

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 704,527	\$ 681,979	\$ 635,405	\$ 598,419
Contributions in relation to statutorily required contributions	<u>704,527</u>	<u>681,979</u>	<u>635,405</u>	<u>598,419</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 8,012,577	\$ 8,038,181	\$ 7,701,203	\$ 7,497,015
Contributions as a percentage of covered-employee payroll	8.79%	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, 2021

NOTE 1 - PENSION INFORMATION

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

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

NOTE 2 - OPEB INFORMATION

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

Changes of Assumptions - the assumption changes for 2020 were:

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

ADDITIONAL SUPPLEMENTARY INFORMATION

**HOPKINS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021**

	<u>Special Revenue</u>				
	<u>Food Service</u>	<u>Student/ School Activities</u>	<u>Debt Service</u>	<u>Capital Improvement Fund</u>	<u>Total Nonmajor Funds</u>
ASSETS					
Cash and cash equivalents	\$ 199,500	\$ 337,040	\$ 106,365	\$ 71,463	\$ 714,368
Intergovernmental	18,127	-	-	-	18,127
Inventories	8,098	-	-	-	8,098
TOTAL ASSETS	<u>\$ 225,725</u>	<u>\$ 337,040</u>	<u>\$ 106,365</u>	<u>\$ 71,463</u>	<u>\$ 740,593</u>
LIABILITIES					
Accrued salaries and related items	\$ 1,754	\$ -	\$ -	\$ -	\$ 1,754
Unearned revenue	17,616	-	-	-	17,616
TOTAL LIABILITIES	<u>19,370</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,370</u>
FUND BALANCES					
Nonspendable					
Inventories	8,098	-	-	-	8,098
Restricted					
Debt service	-	-	106,365	-	106,365
Food service	198,257	-	-	-	198,257
Committed	-	337,040	-	-	337,040
Assigned					
Capital projects	-	-	-	71,463	71,463
TOTAL FUND BALANCES	<u>206,355</u>	<u>337,040</u>	<u>106,365</u>	<u>71,463</u>	<u>721,223</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 225,725</u>	<u>\$ 337,040</u>	<u>\$ 106,365</u>	<u>\$ 71,463</u>	<u>\$ 740,593</u>

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

	<u>Special Revenue</u>			<u>Capital</u>	
	<u>Food</u>	<u>Student/</u>	<u>Debt</u>	<u>Improvement</u>	<u>Total Nonmajor</u>
	<u>Service</u>	<u>School</u>	<u>Service</u>	<u>Fund</u>	<u>Funds</u>
		<u>Activities</u>			
REVENUES					
Local sources					
Property taxes	\$ -	\$ -	\$ 2,005,104	\$ -	\$ 2,005,104
Investment earnings	327	-	1,253	71	1,651
Student activity income	-	252,671	-	-	252,671
Food sales	27,794	-	-	-	27,794
Total local sources	28,121	252,671	2,006,357	71	2,287,220
State sources	28,830	-	-	-	28,830
Federal sources	584,859	-	-	-	584,859
Total revenues	641,810	252,671	2,006,357	71	2,900,909
EXPENDITURES					
Current					
Food service activities	550,914	-	-	-	550,914
School/student activities	-	190,368	-	-	190,368
Capital outlay	854	-	-	-	854
Debt service					
Principal repayment	-	-	1,575,000	-	1,575,000
Interest	-	-	731,674	-	731,674
Other	-	-	1,845	-	1,845
Total expenditures	551,768	190,368	2,308,519	-	3,050,655
EXCESS (DEFICIENCY) OF REVENUES					
OVER (UNDER) EXPENDITURES	90,042	62,303	(302,162)	71	(149,746)
OTHER FINANCING SOURCES (USES)					
Transfers out	(40,000)	-	-	-	(40,000)
Proceed from school loan revolving fund	-	-	307,398	-	307,398
Total other financing sources	(40,000)	-	307,398	-	267,398
NET CHANGE IN FUND BALANCES	50,042	62,303	5,236	71	117,652
FUND BALANCES					
Beginning of year	156,313	274,737	101,129	71,392	603,571
End of year	\$ 206,355	\$ 337,040	\$ 106,365	\$ 71,463	\$ 721,223

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF REVENUES AND OTHER FINANCING SOURCES
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
LOCAL SOURCES		
Property taxes	\$ 830,399	\$ 726,254
Tuition	7,130	18,196
Investment earnings	8,253	26,241
Other local revenue	<u>115,277</u>	<u>217,395</u>
TOTAL LOCAL SOURCES	<u>961,059</u>	<u>988,086</u>
STATE SOURCES		
Foundation grant	12,135,679	12,138,423
Special education	344,627	317,046
At risk	429,959	474,240
Other state revenue	<u>1,710,932</u>	<u>1,372,426</u>
TOTAL STATE SOURCES	<u>14,621,197</u>	<u>14,302,135</u>
FEDERAL SOURCES		
Title I	122,238	90,877
Title II - improving teacher quality	41,327	29,093
Other federal revenue	<u>675,225</u>	<u>88,438</u>
TOTAL FEDERAL SOURCES	<u>838,790</u>	<u>208,408</u>
INCOMING TRANSFERS AND OTHER TRANSACTIONS		
Special education	635,560	524,892
Other	<u>106,500</u>	<u>103,220</u>
TOTAL INCOMING TRANSFERS AND OTHER TRANSACTIONS	<u>742,060</u>	<u>628,112</u>
OTHER FINANCING SOURCES		
Transfer In	<u>40,000</u>	<u>40,000</u>
TOTAL OTHER FINANCING SOURCES	<u>40,000</u>	<u>40,000</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u><u>\$ 17,203,106</u></u>	<u><u>\$ 16,166,741</u></u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
INSTRUCTION		
Basic programs		
Elementary		
Salaries	\$ 2,042,892	\$ 2,029,778
Benefits	1,649,557	1,854,818
Purchased services	69,825	67,579
Supplies and materials	108,972	48,101
Other expenses	-	1,200
Capital outlay	<u>8,605</u>	<u>6,772</u>
Total elementary	<u>3,879,851</u>	<u>4,008,248</u>
Middle school		
Salaries	1,013,243	1,052,021
Benefits	806,691	667,875
Purchased services	62,107	24,507
Supplies and materials	13,444	48,276
Capital outlay	<u>-</u>	<u>8,078</u>
Total middle school	<u>1,896,685</u>	<u>1,800,757</u>
High school		
Salaries	1,351,031	1,336,542
Benefits	1,042,092	825,903
Purchased services	281,046	110,678
Supplies and materials	38,922	48,862
Other expenses	32	-
Capital outlay	<u>-</u>	<u>7,321</u>
Total high school	<u>2,713,123</u>	<u>2,329,306</u>
Total basic programs	<u>8,489,659</u>	<u>8,138,311</u>
Added needs		
Special education		
Salaries	478,386	511,336
Benefits	366,784	371,598
Purchased services	42,098	78,007
Supplies and materials	1,891	3,052
Other expenses	<u>1,200</u>	<u>1,200</u>
Total special education	<u>890,359</u>	<u>965,193</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
INSTRUCTION (continued)		
Compensatory education		
Salaries	\$ 237,502	\$ 261,648
Benefits	166,056	149,820
Purchased services	268	2,887
Supplies and materials	<u>75,030</u>	<u>45,978</u>
Total compensatory education	<u>478,856</u>	<u>460,333</u>
Vocational education		
Salaries	69,519	67,594
Benefits	54,992	52,131
Purchased services	1,335	7,748
Supplies and materials	3,262	2,002
Other expenses	<u>3,130</u>	<u>1,305</u>
Total vocational education	<u>132,238</u>	<u>130,780</u>
Total added needs	<u>1,501,453</u>	<u>1,556,306</u>
TOTAL INSTRUCTION	<u>9,991,112</u>	<u>9,694,617</u>
SUPPORTING SERVICES		
Pupil services		
Salaries	281,464	267,340
Benefits	211,949	190,623
Purchased services	313,257	279,776
Supplies and materials	8,725	7,975
Other expenses	<u>579</u>	<u>1,134</u>
Total pupil services	<u>815,974</u>	<u>746,848</u>
Instructional staff services		
Salaries	140,110	121,171
Benefits	70,075	64,186
Purchased services	2,680	19,740
Supplies and materials	9,603	5,485
Other expenses	<u>2,178</u>	<u>5,117</u>
Total instructional staff services	<u>224,646</u>	<u>215,699</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
SUPPORTING SERVICES (continued)		
General administration		
Salaries	\$ 178,863	\$ 175,225
Benefits	99,045	94,103
Purchased services	145,730	99,491
Supplies and materials	14,561	6,681
Other expenses	<u>9,817</u>	<u>10,553</u>
Total general administration	<u>448,016</u>	<u>386,053</u>
School administration		
Salaries	631,209	612,640
Benefits	419,352	395,531
Purchased services	3,004	6,831
Supplies and materials	4,250	5,241
Other expenses	<u>2,827</u>	<u>2,883</u>
Total school administration	<u>1,060,642</u>	<u>1,023,126</u>
Business services		
Salaries	118,896	111,032
Benefits	71,664	64,058
Purchased services	70,560	71,522
Supplies and materials	1,842	1,050
Other expenses	<u>25,382</u>	<u>7,310</u>
Total business services	<u>288,344</u>	<u>254,972</u>
Operations and maintenance		
Salaries	545,430	535,597
Benefits	420,165	403,530
Purchased services	279,077	304,830
Supplies and materials	398,579	369,219
Other expenses	9,256	21,568
Capital outlay	<u>36,414</u>	<u>22,066</u>
Total operations and maintenance	<u>1,688,921</u>	<u>1,656,810</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
SUPPORTING SERVICES (continued)		
Transportation		
Salaries	\$ 404,797	\$ 438,645
Benefits	273,762	281,119
Purchased services	30,724	38,654
Supplies and materials	91,185	89,125
Other expenses	5,171	4,621
Capital outlay	<u>94,966</u>	<u>37,387</u>
Total transportation	<u>900,605</u>	<u>889,551</u>
Central services		
Salaries	259,631	257,813
Benefits	155,043	146,884
Purchased services	108,577	59,607
Supplies and materials	1,500	1,109
Other expenses	841	320
Capital outlay	<u>172,363</u>	<u>238,600</u>
Total central services	<u>697,955</u>	<u>704,333</u>
Athletics		
Salaries	175,454	128,919
Benefits	92,388	72,426
Purchased services	114,942	142,275
Supplies and materials	23,790	31,090
Other expenses	12,689	12,509
Capital outlay	<u>19,908</u>	<u>16,995</u>
Total athletics	<u>439,171</u>	<u>404,214</u>
TOTAL SUPPORTING SERVICES	<u>6,564,274</u>	<u>6,281,606</u>
COMMUNITY SERVICES		
Salaries	4,226	1,484
Benefits	1,589	891
Purchased services	5,264	4,506
Supplies and materials	<u>719</u>	<u>3,878</u>
TOTAL COMMUNITY SERVICES	<u>11,798</u>	<u>10,759</u>
DEBT SERVICES		
Principal payments	44,976	87,150
Interest	<u>11,828</u>	<u>36,033</u>
TOTAL DEBT SERVICES	<u>56,804</u>	<u>123,183</u>
TOTAL EXPENDITURES	<u><u>\$ 16,623,988</u></u>	<u><u>\$ 16,110,165</u></u>

**HOPKINS PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021**

	<u>2016</u>	<u>2018</u>	<u>2019</u>	<u>2019</u>	<u>Total</u>
ASSETS	<u>Refunding A</u>	<u>Refunding</u>	<u>Refunding A</u>	<u>Refunding B</u>	<u>Nonmajor</u>
					<u>Debt Service</u>
ASSETS					
Cash and cash equivalents	<u>\$ 72,996</u>	<u>\$ 18,191</u>	<u>\$ 14,132</u>	<u>\$ 1,046</u>	<u>\$ 106,365</u>
FUND BALANCES					
Restricted for debt service	<u>\$ 72,996</u>	<u>\$ 18,191</u>	<u>\$ 14,132</u>	<u>\$ 1,046</u>	<u>\$ 106,365</u>

**HOPKINS PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2021**

	2016 Refunding A	2018 Refunding	2019 Refunding A	2019 Refunding B	Total Nonmajor Debt Service
REVENUES					
Local sources					
Property taxes	\$ 1,056,317	\$ 490,207	\$ 426,954	\$ 31,626	\$ 2,005,104
Interest	660	306	267	20	1,253
	<u>1,056,977</u>	<u>490,513</u>	<u>427,221</u>	<u>31,646</u>	<u>2,006,357</u>
EXPENDITURES					
Principal payments	765,000	440,000	370,000	-	1,575,000
Interest	441,650	63,499	86,000	140,525	731,674
Other	629	560	352	304	1,845
	<u>1,207,279</u>	<u>504,059</u>	<u>456,352</u>	<u>140,829</u>	<u>2,308,519</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(150,302)</u>	<u>(13,546)</u>	<u>(29,131)</u>	<u>(109,183)</u>	<u>(302,162)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from school loan revolving fund	<u>152,851</u>	<u>15,806</u>	<u>30,879</u>	<u>107,862</u>	<u>307,398</u>
NET CHANGE IN FUND BALANCES	2,549	2,260	1,748	(1,321)	5,236
FUND BALANCES					
Beginning of year	<u>70,447</u>	<u>15,931</u>	<u>12,384</u>	<u>2,367</u>	<u>101,129</u>
End of year	<u>\$ 72,996</u>	<u>\$ 18,191</u>	<u>\$ 14,132</u>	<u>\$ 1,046</u>	<u>\$ 106,365</u>

**HOPKINS PUBLIC SCHOOLS
CUSTODIAL FUNDS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND NET POSITION BY GROUP
YEAR ENDED JUNE 30, 2021**

	Balance June 30, 2020	Receipts	Disbursements	Balance June 30, 2021
Class of 2017	\$ 192	\$ -	\$ -	\$ 192
Class of 2018	244	-	-	244
Class of 2020	2,822	-	2,822	-
Class of 2021	1,601	-	1,367	234
Class of 2022	(1,031)	5,348	3,547	770
Class of 2023	-	971	610	361
Class of 2024	-	600	-	600
Class of 2025	-	600	-	600
Class of 2026	-	400	-	400
Class of 2027	-	200	-	200
Class of 2027 Mackinac Money	-	10,256	90	10,166
	<u>\$ 3,828</u>	<u>\$ 18,375</u>	<u>\$ 8,436</u>	<u>\$ 13,767</u>

**HOPKINS PUBLIC SCHOOLS
BONDED DEBT
2016 SERIES A REFUNDING BONDS
JUNE 30, 2021**

2016 Refunding Bonds - Series A

Fiscal Year Ending June 30,	Interest Rate	Interest Due		Principal Due May 1,	Total Due Annually
		November 1,	May 1,		
2022	3.00%	\$ 209,350	\$ 209,350	\$ 775,000	\$ 1,193,700
2023	3.00%	197,725	197,725	785,000	1,180,450
2024	4.00%	185,950	185,950	800,000	1,171,900
2025	4.00%	169,950	169,950	810,000	1,149,900
2026	4.00%	153,750	153,750	825,000	1,132,500
2027	5.00%	137,250	137,250	865,000	1,139,500
2028	5.00%	115,625	115,625	910,000	1,141,250
2029	5.00%	92,875	92,875	930,000	1,115,750
2030	5.00%	69,625	69,625	925,000	1,064,250
2031	5.00%	46,500	46,500	920,000	1,013,000
2032	5.00%	23,500	23,500	940,000	987,000
Total 2016 Series A bonded debt		<u>\$ 1,402,100</u>	<u>\$ 1,402,100</u>	<u>\$ 9,485,000</u>	<u>\$ 12,289,200</u>

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

**HOPKINS PUBLIC SCHOOLS
BONDED DEBT
2016 SERIES B REFUNDING BONDS
JUNE 30, 2021**

2016 Refunding Bonds - Series B

Fiscal Year Ending	Interest Rate	Interest Due		Principal Due May 1,	Total Due Annually
		November 1	May 1		
2022	2.24%	\$ 29,176	\$ 29,176	\$ 2,605,000	\$ 2,663,352
Total 2016 Series B bonded debt		<u>\$ 29,176</u>	<u>\$ 29,176</u>	<u>\$ 2,605,000</u>	<u>\$ 2,663,352</u>

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

**HOPKINS PUBLIC SCHOOLS
BONDED DEBT
2018 REFUNDING BONDS
JUNE 30, 2021**

2018 Refunding Bonds

Fiscal Year Ending	Interest Rate	Interest Due		Principal Due May 1,	Total Due Annually
		November 1	May 1		
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		<u>\$ 77,874</u>	<u>\$ 77,874</u>	<u>\$ 2,100,000</u>	<u>\$ 2,255,748</u>

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

**HOPKINS PUBLIC SCHOOLS
2019 SERIES A REFUNDING BONDS
JUNE 30, 2021**

2019 Refunding Bonds - Series A

Fiscal Year Ending	Interest Rate	Interest Due		Principal Due May 1,	Total Due Annually
		November 1	May 1		
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 series A bonded debt		<u>\$ 106,100</u>	<u>\$ 106,100</u>	<u>\$ 1,780,000</u>	<u>\$ 1,992,200</u>

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

HOPKINS PUBLIC SCHOOLS
2019 SERIES B REFUNDING BONDS
JUNE 30, 2021

2019 Refunding Bonds - Series B

Fiscal Year Ending	Interest Rate	Interest Due		Principal Due May 1,	Total Due Annually
		November 1	May 1		
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 series B bonded debt		<u>\$ 374,170</u>	<u>\$ 374,176</u>	<u>\$ 5,975,000</u>	<u>\$ 6,723,346</u>

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

**HOPKINS PUBLIC SCHOOLS
2021 REFUNDING BONDS
JUNE 30, 2021**

2021 Refunding Bonds

Fiscal Year Ending	Interest Rate	Interest Due		Principal Due May 1,	Total Due Annually
		November 1	May 1		
2022		\$ 13,858	\$ 17,566	\$ -	\$ 31,424
2023		17,566	17,566	-	35,132
2024	0.550%	17,566	17,566	475,000	510,132
2025	0.900%	16,260	16,260	780,000	812,520
2026	1.100%	12,750	12,750	1,000,000	1,025,500
2027	1.450%	7,250	7,250	1,000,000	1,014,500
Total 2021 bonded debt		<u>\$ 85,250</u>	<u>\$ 88,958</u>	<u>\$ 3,255,000</u>	<u>\$ 3,429,208</u>

Total amount of original issue was \$3,255,000.

**HOPKINS PUBLIC SCHOOLS
SCHOOL LOAN REVOLVING FUND
JUNE 30, 2021**

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

<u>Year Ending June 30,</u>	<u>Loan Proceeds (Repayment)</u>	<u>Accrued Interest</u>	<u>Net Increase (Decrease)</u>	<u>Balance</u>
1997	\$ 352,402	\$ 3,345	\$ 355,747	\$ 355,747
1998	795,365	39,786	835,151	1,190,898
1999	715,300	62,002	777,302	1,968,200
2000	735,978	138,033	874,011	2,842,211
2001	481,735	152,688	634,423	3,476,634
2002	475,473	157,175	632,648	4,109,282
2003	337,000	146,604	483,604	4,592,886
2004	257,000	134,798	391,798	4,984,684
2005	212,606	152,227	364,833	5,349,517
2006	74,593	220,718	295,311	5,644,828
2007	(210,000)	266,875	56,875	5,701,703
2008	6,600	256,255	262,855	5,964,558
2009	625,829	303,348	929,177	6,893,735
2010	597,221	404,576	1,001,797	7,895,532
2011	701,479	405,961	1,107,440	9,002,972
2012	746,268	411,287	1,157,555	10,160,527
2013	730,394	420,256	1,150,650	11,311,177
2014	681,945	411,670	1,093,615	12,404,792
2015	460,677	438,541	899,218	13,304,010
2016	(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
2021	(1,453,964)	(8,617)	(1,462,581)	119

HOPKINS PUBLIC SCHOOLS
SCHEDULE OF INSTALLMENT PURCHASE AGREEMENT
JUNE 30, 2021

<u>Fiscal Year Ended</u>	<u>Interest Rate</u>	<u>Principal Due February 23</u>	<u>Interest Due February 23</u>	<u>Total Due Annually</u>
2022	2.25%	<u>\$ 44,975</u>	<u>\$ 1,012</u>	<u>\$ 45,987</u>
Total installment purchase agreement		<u><u>\$ 44,975</u></u>	<u><u>\$ 1,012</u></u>	<u><u>\$ 45,987</u></u>

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

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

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued Revenue 7/1/2020	(Memo Only)		Current Year Expenditures	Current Year Cash Receipts	Accrued Revenue 6/30/2021
					Prior Year Expenditures	Adjustments			
U.S. Department of Agriculture									
Passed through Michigan Department of Education									
Child Nutrition Cluster									
Non-cash assistance (donated foods)									
National School Lunch Program - Entitlement	10.555	N/A	\$ 41,508	\$ -	\$ -	\$ -	\$ 41,508	\$ 41,508	\$ -
National School Lunch Program - Bonus		N/A	1,072	-	-	-	1,072	1,072	-
Total CFDA #10.555			42,580	-	-	-	42,580	42,580	-
COVID - 19 Summer Food Service Program for Children	10.559	200900-2021	42,350	-	-	-	42,350	42,350	-
		210904-2021	499,929				499,929	486,216	13,713
Total CFDA #10.559			542,279	-	-	-	542,279	528,566	13,713
Total cash assistance			542,279	-	-	-	542,279	528,566	13,713
Total Child Nutrition Cluster			584,859	-	-	-	584,859	571,146	13,713

The accompanying notes are an integral part of this schedule.

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

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued Revenue 7/1/2020	(Memo Only) Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Cash Receipts	Accrued Revenue 6/30/2021
<u>U.S. Department of Education</u>									
Passed through Michigan Department of Education									
Title I Grants to Local Educational Agencies	84.010	211530-2021	\$ 130,396	\$ -	\$ -	\$ -	\$ 122,238	\$ 92,728	\$ 29,510
Total CFDA #84.010			130,396	-	-	-	122,238	92,728	29,510
Passed through Ottawa Area Intermediate School District									
English Language Acquisition State Grants	84.365	N/A	4,032	-	-	-	4,032	4,032	-
Passed through Michigan Department of Education									
English Language Acquisition State Grants	84.365	210570-2021	1,619	-	-	-	1,619	1,619	-
Total CFDA #84.365			5,651	-	-	-	5,651	5,651	-
Supporting Effective Instruction State Grants	84.367	210520-2021	44,501	-	-	-	41,327	41,327	-
Student Support and Academic Enrichment	84.424	210750-2021	20,000	-	-	-	20,000	20,000	-
Education Stabilization Fund									
COVID-19 Elementary and Secondary School									
Emergency Relief Fund (ESSER I)	84.425D	203710-2021	76,871	3,600	76,451	-	420	4,020	-
Total CFDA #84.425 and Education Stabilization Fund			76,871	3,600	76,451	-	420	4,020	-
Total U.S. Department of Education			277,419	3,600	76,451	-	189,636	163,726	29,510

The accompanying notes are an integral part of this schedule.

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

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued Revenue 7/1/2020	(Memo Only) Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Cash Receipts	Accrued Revenue 6/30/2021
<u>U.S. Department of Health and Human Services</u>									
Passed through Allegan Area Education Service Agency Medicaid Cluster									
Medical Assistance Program	93.778	N/A	\$ 797	\$ -	\$ 1,126	\$ -	\$ 797	\$ 797	\$ -
<u>U.S. Department of Treasury</u>									
Passed through Michigan Department of Education									
COVID-19 Coronavirus Relief Funds	21.019	11(p)	574,784	-	-	-	574,784	574,784	-
COVID-19 Coronavirus Relief Funds		103(2)	20,232	-	-	-	20,232	20,232	-
Total Passed through Michigan Department of Education			595,016	-	-	-	595,016	595,016	-
Passed through Gun Lake Tribe									
COVID-19 Coronavirus Relief Funds	21.019		25,000	-	-	-	25,000	25,000	-
Passed through MAISA/Copper County ISD									
COVID-19 Coronavirus Relief Funds - MiConnect Connectivity Funding	21.019		28,341	-	-	-	28,341	28,341	-
Total CFDA #21.019			648,357	-	-	-	648,357	648,357	-
Total U.S. Department of Treasury			648,357	-	-	-	648,357	648,357	-
TOTAL FEDERAL AWARDS			\$ 1,511,432	\$ 3,600	\$ 77,577	\$ -	\$ 1,423,649	\$ 1,384,026	\$ 43,223

The accompanying notes are an integral part of this schedule.

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

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE 3 - RECONCILING WITH AUDITED FINANCIAL STATEMENTS

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

General fund	\$ 838,790
Other nonmajor governmental funds	<u>584,859</u>
Total per financial statements	<u><u>\$ 1,423,649</u></u>

**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, 2021, 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 17, 2021.

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.

Maney Costeiran PC

September 17, 2021

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

To the Board of Education
Hopkins Public Schools

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Manes Costeiran PC

September 17, 2021

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements *Unmodified*

Internal control over financial reporting:

➤ Material weakness(es) identified ? _____ Yes X No

➤ Significant deficiency(ies) identified that are not considered to be material weakness(es) ? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

➤ Material weakness(es) identified: _____ Yes X No

➤ Significant deficiency(ies) identified that are not considered to be material weakness(es) ? _____ Yes X None reported

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

Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
21.019	COVID-19 Coronavirus Relief Funds

Dollar threshold used to distinguish between type A and type B \$ 750,000

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

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Question Costs

None

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

The District was not subject to the Single Audit Act in the previous year.