

HUDSONVILLE PUBLIC SCHOOLS

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

YEAR ENDED JUNE 30, 2022

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-10
BASIC FINANCIAL STATEMENTS.....	11
Government-wide Financial Statements	
Statement of Net Position.....	12
Statement of Activities.....	13
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	14-15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	16-17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Notes to Financial Statements	19-48
REQUIRED SUPPLEMENTARY INFORMATION	49
Budgetary Comparison Schedule - General Fund	50
Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability.....	51
Schedule of the Reporting Unit's Pension Contributions.....	52
Schedule of the Reporting Unit's Proportionate Share of the Net OPEB Liability.....	53
Schedule of the Reporting Unit's OPEB Contributions.....	54
Notes to Required Supplementary Information	55
ADDITIONAL SUPPLEMENTARY INFORMATION	56
Nonmajor Governmental Fund Types	
Combining Balance Sheet.....	57
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	58
Long-Term Debt	
Bonded Debt.....	59-66
School Loan Revolving Fund	67
Schedule of Expenditures of Federal Awards.....	68-69
Notes to Schedule of Expenditures of Federal Awards.....	70

TABLE OF CONTENTS

Page

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 <i>GOVERNMENT AUDITING STANDARDS</i>	71-72
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	73-75
Schedule of Findings and Questioned Costs	76
Schedule of Prior Year Audit Findings	77



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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Hudsonville Public Schools

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hudsonville Public Schools, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Hudsonville Public Schools' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hudsonville Public Schools, as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter – Restatement of financial statements

As discussed in Note 13 to the financial statements, an error and necessary restatement of deferred outflows of resources was discovered subsequent to the release of the financial statements. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hudsonville Public Schools' basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, including the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2022 on our consideration of Hudsonville 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 Hudsonville 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 Hudsonville Public Schools' internal control over financial reporting and compliance.

Maney Costeiran PC

September 16, 2022

(Except as to Note 13, which is as of October 26, 2022)

HUDSONVILLE PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION & ANALYSIS

This section of the Hudsonville Public Schools' (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2022. Please read it in conjunction with the District's financial statements which immediately follow this section. A comparative analysis with the prior year has been provided.

District-wide Financial Statements

The first two statements are District-wide financial statements that provide short-term and long-term financial information about the District's overall financial status. These statements are required by generally accepted accounting principles (GAAP) as described in the Government Accounting Standards Board (GASB) Statement No. 34. The statements are compiled using the full accrual basis of accounting and more closely represent financial statements presented by business and industry. All of the District's assets, liabilities, deferred inflows of resources, and deferred outflows of resources, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt and other long-term obligations of the District resulting in total net position.

Over time, increases or decreases in the District's net position is one indicator of whether its financial position is improving or deteriorating. To assess the District's overall financial health, one should consider additional factors which may include the State's and/or region's economic condition, changes in the District's property tax base, and age and condition of its capital assets.

Fund Financial Statements

For the most part, the fund financial statements are comparable to financial statements for the previous fiscal year. The fund level statements are reported on a modified accrual basis in that only those assets that are deemed "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The formats of the fund statements comply with requirements of the Michigan Department of Education's "Accounting Manual". In the state of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds categorized as Special Revenue, Debt Service, and Capital Projects Funds.

In the fund financial statements, capital assets purchased are considered expenditures in the year of acquisition with no asset being reported. The issuance of debt is treated as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

HUDSONVILLE PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION & ANALYSIS

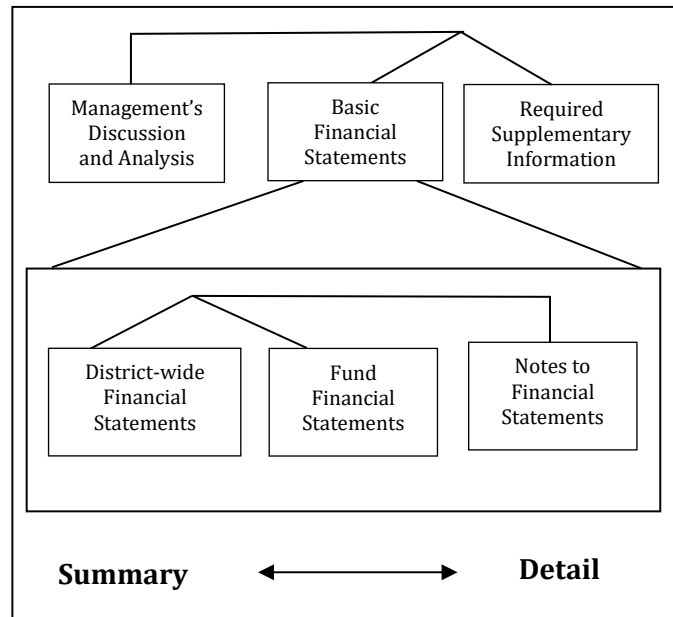
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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-1
Organization of Hudsonville Public Schools'
Annual Financial Report



FUND FINANCIAL STATEMENTS

The fund financial statements are reported on a modified accrual basis and consist of governmental funds. Governmental funds include most of the District's basic services 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 on future District programs. Some of these funds are established by State law and by bond covenants while others can be established for the District to control and manage money for a particular purpose such as school lunch and student/school activities.

**HUDSONVILLE PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position - The District's combined net deficit declined as of June 30, 2022 as compared to the previous year ended June 30, 2021.

Hudsonville Public Schools' Net Position		
	2022	2021
Current assets	\$ 88,497,624	\$ 117,614,647
Capital assets	194,325,963	164,902,408
Total assets	282,823,587	282,517,055
Deferred outflows of resources	44,567,825	56,908,194
Non-current liabilities	236,061,279	242,395,358
Net pension liability	110,329,347	157,894,246
Net other postemployment benefits liability	7,150,216	25,032,022
Other liabilities	21,194,096	17,634,795
Total liabilities	374,734,938	442,956,421
Deferred inflows of resources	70,438,225	25,384,615
Net position		
Net investment in capital assets	10,861,111	11,950,264
Restricted for capital projects (sinking fund)	3,154,527	1,918,809
Unrestricted	(131,797,389)	(142,784,860)
Total net position	<u>\$ (117,781,751)</u>	<u>\$ (128,915,787)</u>

The District's combined net position at the beginning of the fiscal year was (\$128,915,787) and on June 30, 2022 it is (\$117,781,751) which represents an improvement of \$11,134,036 as recorded in the statement of activities.

**HUDSONVILLE PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

Changes in Hudsonville Public Schools' Net Position		
	2022	2021
Revenues		
Program revenues		
Charges for services	\$ 2,958,240	\$ 2,191,258
Operating grants and contributions	22,007,162	18,756,676
General revenues		
Property taxes	20,951,980	19,728,794
Investment earnings	73,555	132,432
State sources	53,383,185	50,918,675
Interdistrict sources	8,420,922	8,380,451
Gain on disposal of capital assets	44,907	9,225
Other	873,254	703,548
Total revenues	108,713,205	100,821,059
Expenses		
Instruction	50,778,771	58,855,128
Support services	27,707,021	33,513,257
Community services	2,549,295	2,523,418
Food services	98,242	181,702
Student / school activities	1,057,470	503,356
Unallocated depreciation/amortization	6,305,476	4,786,522
Interest on long-term debt	9,082,894	8,675,001
Total expenses	97,579,169	109,038,384
Change in net position	\$ 11,134,036	\$ (8,217,325)

STATE OF MICHIGAN UNRESTRICTED AID (State Foundation Grant)

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

- a. The Michigan State Aid Act per student foundation allowance which was established under Proposal A has increased from \$4,200 per student in 1995 to \$8,700 per student in 2021-2022. The per student State foundation allowance increased \$589 as compared to the prior year.
- b. The District's non-homestead levy for 2021-2022 was 18.0000 mills which the voters approved in May of 2021.

Student enrollment decreased from 7,083 in 2020-2021 to 6,968 in 2021-2022. For the subsequent school year, it is hopeful that enrollment will remain consistent with 2021-2022.

**HUDSONVILLE PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

GOVERNMENTAL FUNDS

Results of Operations

For the fiscal years ended June 30, 2022 and 2021, the total fund-level results of operations were:

	2022	2021
REVENUES		
Local sources	\$ 26,065,191	\$ 23,247,243
State sources	71,469,302	64,936,032
Federal sources	4,016,190	5,351,027
Interdistrict sources	8,420,922	8,380,452
	<u>8,420,922</u>	<u>8,380,452</u>
TOTAL REVENUES	<u><u>\$ 109,971,605</u></u>	<u><u>\$ 101,914,754</u></u>
EXPENDITURES		
Current		
Instruction	\$ 55,658,846	\$ 52,112,405
Supporting services	30,923,327	26,419,219
Food service activities	117,745	166,691
Student / school activities	1,057,470	503,356
Community service activities	3,011,015	2,239,502
Capital outlays	38,247,755	15,440,968
Debt service		
Principal	11,655,000	9,820,000
Interest	8,821,402	9,703,637
Other	4,501	261,993
	<u>4,501</u>	<u>261,993</u>
TOTAL EXPENDITURES	<u><u>\$ 149,497,061</u></u>	<u><u>\$ 116,667,771</u></u>

HUDSONVILLE PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION & ANALYSIS

The following summarizes the revenues and expenses by comparing fiscal year 2022 to 2021 as shown in the previous results of operations.

- State sources increased due to increases in the foundation allowance on a per pupil basis as well as increases to 147c funding and the utilization of 11r(4) ESSER equalization funding.
- Federal sources decreased due to the Coronavirus Relief Funds received in the previous year which was partially offset by new Elementary and Secondary School Emergency Relief Funds in the current year.
- Expenses increased from approximately \$116.7 million in 2021 to \$149.5 million in 2022, an increase of approximately \$32.8 million. The increase is due to additional funds spent on capital expenditures in the 2020 capital projects fund as well as increases in instruction and supporting services to cover COVID-19 related costs.

GENERAL FUND AND BUDGET HIGHLIGHTS

Original vs. Final Budget

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The original 2021-2022 budget was approved in June 2021.

The 2021-2022 budget was revised once during the fiscal year and approved by the Board of Education in June 2022. The final budget revision anticipated higher revenues and higher expenditures than was expected in June 2021 when the original budget was approved. The increase in revenues was a result of receiving significantly more state funding than anticipated. The increase in expenditures was the result of COVID-19 related purchases and added operational costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2022, the District had invested \$282.2 million in a broad range of capital assets as shown below:

Hudsonville Public Schools' Capital Assets				
	2022			2021
	Cost	Accumulated Depreciation/ Amortization	Net Book Value	Net Book Value
Land	\$ 8,168,366	\$ -	\$ 8,168,366	\$ 8,168,366
Construction in progress	43,275,211	-	43,275,211	10,020,386
Building and additions	216,222,372	78,380,225	137,842,147	143,070,821
Equipment and furniture	8,080,421	5,765,956	2,314,465	1,297,432
Buses and other vehicles	6,436,827	3,711,053	2,725,774	2,345,403
Total	<u>\$ 282,183,197</u>	<u>\$ 87,857,234</u>	<u>\$ 194,325,963</u>	<u>\$ 164,902,408</u>

**HUDSONVILLE PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS**

LONG-TERM OBLIGATIONS

At year-end, the District had \$236.1 million in long-term obligations, an approximately \$6.2 million decrease when compared to the prior year. The District paid down its outstanding bonds with principal payments of \$11.7 million. This was offset against additional borrowings on the school loan revolving fund of \$7.2 million.

Hudsonville Public Schools Outstanding Long-Term Obligations		
	<u>2022</u>	<u>2021</u>
General obligation bonds - net	\$ 216,716,366	\$ 229,913,881
Compensated absences and early retirement incentives	1,442,676	1,644,957
Notes from direct borrowings and direct placements	<u>17,902,237</u>	<u>10,660,037</u>
	<u><u>\$ 236,061,279</u></u>	<u><u>\$ 242,218,875</u></u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

There are several factors that could significantly affect the financial health of the District in the future.

The School District's Board of Education and administration considered many factors when finalizing the School District's 2021-22 budget. The 2021-22 budget was adopted in June 2021, based on an estimate of students that will be enrolled in October 2021 and estimated per pupil funding. The 2021-22 budget was approved with a \$250 per pupil increase. Based on early enrollment data at the start of the 2022-23 school year, it is anticipated that the fall student count will be the same or slightly lower than the estimates used in creating the 2022-23 budget. The per pupil funding for the 2021-22 school year increased \$339 more than budgeted. Throughout the 2021-22 school year significant planning efforts were made to make best use of the Federal and State Covid relief funds allocated as a part of ESSER III. The vast majority of the allocation of those funds for the District will be spent on staff for additional programming in the 2022-23 and 2023-24 school years. At the conclusion of this extra funding those staff will be offered other positions within the district.

The district will continue to monitor State tax collections as Michigan, along with the rest of the nation, work to transition from the mandatory shut downs implemented by public health officials during the COVID-19 pandemic. The majority of the district's revenue stream is from State revenues. The State of Michigan continues to be dominated by the automotive sector. Although projections for sales of cars and light trucks produced in Michigan remains strong, global supply chain challenges could cause an interruption in production that could negatively impact State tax collections.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the revenues it receives. If you have any questions about this report or need any additional information, please contact Patrick Briggs in the Business Office, Hudsonville Public Schools, 3886 Van Buren St., Hudsonville, Michigan, phone number 616-669-1740.

BASIC FINANCIAL STATEMENTS

HUDSONVILLE PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 16,932,852
Investments	1,001,208
Receivables	
Accounts receivable	86,094
Intergovernmental	13,699,833
Prepays	145,095
Restricted cash and cash equivalents - capital projects	2,153,324
Restricted investments - capital projects	54,479,218
Capital assets not being depreciated/amortized	51,443,577
Capital assets, net of accumulated depreciation/amortization	<u>142,882,386</u>
TOTAL ASSETS	<u>282,823,587</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	5,445,730
Related to pensions	28,032,222
Related to other postemployment benefits	<u>11,089,873</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>44,567,825</u>
LIABILITIES	
Accounts payable	8,823,396
Accrued salaries and related items	6,368,435
Accrued retirement	2,686,741
Unearned revenue	883,398
Accrued interest	1,962,341
Noncurrent liabilities	
Due within one year	12,020,773
Due in more than one year	224,040,506
Accrued interest due in more than one year	469,785
Net pension liability	110,329,347
Net other postemployment benefits liability	<u>7,150,216</u>
TOTAL LIABILITIES	<u>374,734,938</u>
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	36,308,373
Related to other postemployment benefits	26,757,146
Related to state aid funding for pension	<u>7,372,706</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>70,438,225</u>
NET POSITION	
Net investment in capital assets	10,861,111
Restricted for capital projects (sinking fund)	3,154,527
Unrestricted	<u>(131,797,389)</u>
TOTAL NET POSITION	<u><u>\$ (117,781,751)</u></u>

See notes to financial statements.

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

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 50,778,771	\$ -	\$ 15,621,679	\$ (35,157,092)
Support services	27,707,021	389,637	3,905,420	(23,411,964)
Community services	2,549,295	2,524,166	1,202,217	1,177,088
Food services	98,242	44,437	74,185	20,380
Student / school activities	1,057,470	-	1,203,661	146,191
Unallocated depreciation/amortization	6,305,476	-	-	(6,305,476)
Interest on long-term debt	9,082,894	-	-	(9,082,894)
Total governmental activities	<u>\$ 97,579,169</u>	<u>\$ 2,958,240</u>	<u>\$ 22,007,162</u>	<u>(72,613,767)</u>
General revenues				
Property taxes, levied for general purposes				5,902,916
Property taxes, levied for debt service				13,222,872
Property taxes, levied for capital projects (sinking fund)				1,826,192
Investment earnings				73,555
State sources				53,383,185
Intermediate sources				8,420,922
Gain on disposal of capital assets				44,907
Other				<u>873,254</u>
Total general revenues				<u>83,747,803</u>
CHANGE IN NET POSITION				11,134,036
NET POSITION, beginning of year				<u>(128,915,787)</u>
NET POSITION, end of year				<u><u>\$ (117,781,751)</u></u>

See notes to financial statements.

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

	General Fund	2020 Capital Projects Fund	Debt Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 13,322,556	\$ -	\$ 80,827	\$ 3,529,469	\$ 16,932,852
Investments	1,001,208	-	-	-	1,001,208
Receivables					
Accounts receivable	45,047	-	-	41,047	86,094
Intergovernmental	13,645,095	-	-	54,738	13,699,833
Due from other funds	153,719	-	-	14,193	167,912
Prepays	145,095	-	-	-	145,095
Restricted cash and cash equivalents - capital projects	-	-	-	2,153,324	2,153,324
Restricted investments - capital projects	-	53,478,010	-	1,001,208	54,479,218
TOTAL ASSETS	\$ 28,312,720	\$ 53,478,010	\$ 80,827	\$ 6,793,979	\$ 88,665,536
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 170,703	\$ 8,625,711	\$ 38	\$ 26,944	\$ 8,823,396
Due to other funds	-	-	-	167,912	167,912
Accrued salaries and related items	6,368,435	-	-	-	6,368,435
Accrued retirement	2,686,741	-	-	-	2,686,741
Unearned revenue	322,765	-	-	560,633	883,398
TOTAL LIABILITIES	9,548,644	8,625,711	38	755,489	18,929,882
FUND BALANCES					
Nonspendable					
Prepays	145,095	-	-	-	145,095
Restricted for:					
Debt service	-	-	80,789	-	80,789
Food service	-	-	-	10,162	10,162
Capital projects	-	44,852,299	-	3,154,527	48,006,826

See notes to financial statements.

	General Fund	2020 Capital Projects Fund	Debt Fund	Total Nonmajor Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES (continued)					
FUND BALANCES (continued)					
Committed					
Student/school activities	\$ -	\$ -	\$ -	\$ 1,058,064	\$ 1,058,064
Community service	-	-	-	1,815,737	1,815,737
Assigned					
Budgeted use of fund balance	439,924	-	-	-	439,924
Early retirement incentive	151,731	-	-	-	151,731
West Community Education Television	427,948	-	-	-	427,948
Unassigned	17,599,378	-	-	-	17,599,378
TOTAL FUND BALANCES	18,764,076	44,852,299	80,789	6,038,490	69,735,654
TOTAL LIABILITIES AND FUND BALANCES	\$ 28,312,720	\$ 53,478,010	\$ 80,827	\$ 6,793,979	\$ 88,665,536

Total governmental fund balances

\$ 69,735,654

Amounts reported for governmental activities in the statement of net position are different because:

Deferred outflows of resources - deferred charges on refunding	5,445,730
Deferred outflows of resources - related to pensions	28,032,222
Deferred inflows of resources - related to pensions	(36,308,373)
Deferred outflows of resources - related to other postemployment benefits	11,089,873
Deferred inflows of resources - related to other postemployment benefits	(26,757,146)
Deferred inflows of resources - related to state aid funding for pensions	(7,372,706)

Capital assets used in governmental activities are not financial resources and are not reported in the funds:

The cost of the capital assets is	\$ 282,183,197
Accumulated depreciation/amortization is	(87,857,234)
	194,325,963

Long-term liabilities are not due and payable in the current period and are not reported in the funds:

General obligation bonds	(216,716,366)
Notes from direct borrowings and direct placements	(17,902,237)
Compensated absences and early retirement incentives	(1,442,676)
Accrued interest	(2,432,126)
Net pension liability	(110,329,347)
Net other postemployment benefits liability	(7,150,216)

Net position of governmental activities

\$ (117,781,751)

HUDSONVILLE PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	General Fund	2020 Capital Projects Fund	Debt Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Local sources	\$ 6,671,382	\$ 726,263	\$ 13,227,106	\$ 5,440,440	\$ 26,065,191
State sources	71,410,284	-	41,467	17,551	71,469,302
Federal sources	2,744,083	-	-	1,272,107	4,016,190
Interdistrict sources	8,237,148	-	-	183,774	8,420,922
TOTAL REVENUES	89,062,897	726,263	13,268,573	6,913,872	109,971,605
EXPENDITURES					
Current					
Instruction	55,658,846	-	-	-	55,658,846
Supporting services	30,923,327	-	-	-	30,923,327
Community service activities	420,721	-	-	2,590,294	3,011,015
Food service activities	-	-	-	117,745	117,745
Student/school activities	-	-	-	1,057,470	1,057,470

See notes to financial statements.

	General Fund	2020 Capital Projects Fund	Debt Fund	Total Nonmajor Funds	Total Governmental Funds
EXPENDITURES (continued)					
Capital outlay	\$ -	\$ 38,006,516	\$ -	\$ 241,239	\$ 38,247,755
Debt service					
Principal repayment	-	-	11,655,000	-	11,655,000
Interest	-	-	8,821,402	-	8,821,402
Other	-	-	4,501	-	4,501
TOTAL EXPENDITURES	<u>87,002,894</u>	<u>38,006,516</u>	<u>20,480,903</u>	<u>4,006,748</u>	<u>149,497,061</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,060,003</u>	<u>(37,280,253)</u>	<u>(7,212,330)</u>	<u>2,907,124</u>	<u>(39,525,456)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	44,907	-	-	-	44,907
Proceeds from school loan revolving fund	-	-	7,242,200	-	7,242,200
Transfers in	-	-	-	12	12
Transfers out	(12)	-	-	-	(12)
TOTAL OTHER FINANCING SOURCES (USES)	<u>44,895</u>	<u>-</u>	<u>7,242,200</u>	<u>12</u>	<u>7,287,107</u>
NET CHANGE IN FUND BALANCES	2,104,898	(37,280,253)	29,870	2,907,136	(32,238,349)
FUND BALANCES					
Beginning of year	<u>16,659,178</u>	<u>82,132,552</u>	<u>50,919</u>	<u>3,131,354</u>	<u>101,974,003</u>
End of year	<u>\$ 18,764,076</u>	<u>\$ 44,852,299</u>	<u>\$ 80,789</u>	<u>\$ 6,038,490</u>	<u>\$ 69,735,654</u>

See notes to financial statements.

HUDSONVILLE 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, 2022

Net change in fund balances total governmental funds **\$ (32,238,349)**

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/amortization:

Depreciation/amortization expense	(6,305,476)
Capital outlay	35,729,031

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	1,994,151
Accrued interest payable, end of the year	(1,962,341)

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 bonded debt	11,655,000
Proceeds from school loan revolving fund and school bond loan fund	(7,242,200)
Accrued interest from school loan revolving fund	(293,302)
Amortization of deferred charges on refunding	(399,935)
Amortization of bond premium	1,542,515

Compensated absences and early retirement incentives 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 early retirement incentives, beginning of the year	1,644,957
Accrued compensated absences and early retirement incentives, end of the year	(1,442,676)

Some revenues and expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Pension related items	2,032,514
Other postemployment benefits related items	7,718,953

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:

Change in state aid funding for pension	<u>(1,298,806)</u>
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Change in net position of governmental activities	<u><u>\$ 11,134,036</u></u>
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HUDSONVILLE 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 the District. All fiduciary activities, if any, are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

Reporting Entity

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

Basis of Presentation - Government-wide Financial Statements

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

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

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds. 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.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long term general obligation debt of governmental funds.

The *2020 Bonded Construction Capital Projects fund* is used to account for capital projects activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of section 1351a of the revised school code.

**HUDSONVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

The projects for which the 2020 School Building and Site Bonds were issued were in process as of June 30, 2022 and the cumulative revenues, other financing sources (uses), and expenditures recognized for the construction period were as follows:

	<u>2020 Capital Projects Fund</u>
Revenues and other financing sources	<u>\$ 98,314,598</u>
Expenditures and other financing uses	<u>\$ 53,462,299</u>

Other Nonmajor Funds

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service, community education, and student/school activities as special revenue funds.

The *Capital Projects Sinking Fund* accounts for the receipt of property taxes levied for sinking fund and subsequent expenditures of those funds. The fund has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

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. 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 the fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

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.

**HUDSONVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

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

The state portion of the Foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the Foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 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 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.

**HUDSONVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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:

- a. The Administration 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.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. 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.
- d. 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.
- e. The budget was amended once during the fiscal year. Although the district does consider the amendment to be significant, it was deemed necessary due to circumstances that were not reasonably expected at the time the original budget was adopted.

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.

**HUDSONVILLE 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

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

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

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. 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.

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.

**HUDSONVILLE 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)

Capital Assets

Capital assets, which include land, construction in progress, building and additions, land improvements, computer and office equipment, outdoor equipment, and transportation equipment 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 \$10,000 and an estimated useful life in excess of one year. 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.

Land and construction in progress, if any, are not depreciated. The other capital assets 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	20 - 50 years
Equipment and furniture	5 - 10 years
Buses and other vehicles	5 - 10 years

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, 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.

**HUDSONVILLE 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)

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.

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.

In the computation of net investments in capital assets, school loan revolving fund principal proceeds of \$17,902,237 are considered capital-related debt. Accrued interest on the school loan revolving fund of \$469,785 has been included in the calculation of unrestricted net position.

In addition, in 2016 and 2020, the District issued bonded debt to make principal and interest payments related to the school loan revolving fund. As of June 30, 2022, the outstanding balances were \$3,220,000 and \$8,400,000, respectively. Of this amount, 8.21% and 7.04% of the proceeds are not considered capital related debt as this amount was used to pay off accrued interest. The allocation of this debt that is not considered capital related debt at June 30, 2022 is \$264,362 and \$591,360, respectively.

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.

**HUDSONVILLE 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

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

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

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

Revenues and Expenditures/Expenses

Program Revenues

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

**HUDSONVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

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 are due upon receipt of the billing by the taxpayer. The actual due date is September 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2022, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General Fund	
Non-Principal Residence Exemption (PRE)	18.0000
Commercial Personal Property (CPP)	6.0000
Debt Service Fund	
PRE, Industrial Personal Property, Non-PRE, CPP	7.0000
Capital Projects Sinking Fund	
PRE, Industrial Personal Property, Non-PRE, CPP	0.9668

Compensated Absences (Vacation and Sick Leave) and Early Retirement Incentives

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits. Sick pay is accrued for the estimated amount that the District will pay upon employment termination; vacation pay is accrued when incurred. In addition, the District has offered early retirement incentives to select employees which are accrued when the future payments are granted. All of these liabilities are reported in the government-wide financial statements. A liability for the compensated absences amount is report in the governmental funds only for employee terminations as of year end. The early retirement incentives liability is reported as an assigned fund balance in the governmental funds as of year end. Generally, the funds that report each employee's compensation are used to liquidate the obligations.

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.

**HUDSONVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2022 the District had deposits subject to the following risks:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2022, \$18,810,022 of the District's bank balance of \$19,314,354 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$19,086,176.

Custodial Credit Risk - Investments

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

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

Interest Rate Risk

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

Investment Type	Fair Value	Weighted Average Maturity
MILAF External Investment Pool - CMC	\$ 7,141,915	N/A
MILAF External Investment Pool - MAX	16,461,275	N/A
Freddie Mac Federal Agency Note	5,354,281	0.069
U.S. Treasury Notes	24,520,539	0.744
JP Morgan 100% US Treasury Money Market Fund	2,002,416	0.110
	<u>\$ 55,480,426</u>	
Total fair value		
Portfolio weighted average maturity		<u>0.591</u>

One day maturity equals 0.0027, one year equals 1.00

Foreign Currency Risk

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

HUDSONVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk

The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Agency</u>
MILAF External Investment Pool - CMC	\$ 7,141,915	AAAm	Standard & Poor's
MILAF External Investment Pool - MAX	16,461,275	AAAm	Standard & Poor's
Total fair value	<u>\$ 23,603,190</u>		

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.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Balance at June 30, 2022</u>
Investments by fair value level				
Freddie Mac Federal Agency Note	\$ -	\$ 5,354,281	\$ -	\$ 5,354,281
U.S. Treasury Notes	24,520,539	-	-	24,520,539
JP Morgan 100% US Treasury				
Money Market Fund	-	2,002,416	-	2,002,416
Total	<u>\$ 24,520,539</u>	<u>\$ 7,356,697</u>	<u>\$ -</u>	<u>\$31,877,236</u>

**HUDSONVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement (continued)

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

The District voluntarily invests certain excess funds in an external pooled investment fund which included money market funds. The pooled investment fund utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

<u>Investment Type</u>	<u>Amortized Cost</u>
MILAF External Investment Pool - CMC	\$ 7,141,915
MILAF External Investment Pool - MAX	<u>16,461,275</u>
	<u><u>\$ 23,603,190</u></u>

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1.

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

	<u>Primary Government</u>
Cash and cash equivalents	\$ 16,932,852
Investments	1,001,208
Restricted cash and cash equivalents - capital projects	2,153,324
Restricted investments - capital projects	<u>54,479,218</u>
	<u><u>\$ 74,566,602</u></u>

**HUDSONVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

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

	Government- wide
State aid	\$ 12,409,331
Federal revenue	1,101,827
Interdistrict	173,675
Other	15,000
	<u>\$ 13,699,833</u>

No allowance for doubtful accounts is considered necessary based on previous experience.

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2021	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2022
Assets not being depreciated/amortized				
Land	\$ 8,168,366	\$ -	\$ -	\$ 8,168,366
Construction in progress	10,020,386	35,135,017	1,880,192	43,275,211
Subtotal	18,188,752	35,135,017	1,880,192	51,443,577
Other capital assets				
Building and additions	217,538,719	354,696	1,671,043	216,222,372
Equipment and furniture	7,123,889	1,338,710	382,178	8,080,421
Buses and other vehicles	6,716,706	780,800	1,060,679	6,436,827
Subtotal	231,379,314	2,474,206	3,113,900	230,739,620
Accumulated depreciation/amortization				
Building and additions	74,467,898	5,583,370	1,671,043	78,380,225
Equipment and furniture	5,826,457	321,677	382,178	5,765,956
Buses and other vehicles	4,371,303	400,429	1,060,679	3,711,053
Total accumulated depreciation/amortization	84,665,658	6,305,476	3,113,900	87,857,234
Net capital assets being depreciated/amortized	146,713,656	(3,831,270)	-	142,882,386
Net governmental capital assets	<u>\$ 164,902,408</u>	<u>\$ 31,303,747</u>	<u>\$ 1,880,192</u>	<u>\$ 194,325,963</u>

Depreciation/amortization for the fiscal year ended June 30, 2022 amounted to \$6,305,476. The District determined that it was impractical to allocate depreciation/amortization to the various activities as the assets serve multiple functions.

HUDSONVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the District for the year ended June 30, 2022:

	General Obligation Bonds	Notes from Direct Borrowings and Direct Placements	Compensated Absences and Early Retirement Incentives	Total
Balance July 1, 2021	\$ 229,913,881	\$ 10,660,037	\$ 1,644,957	\$ 242,218,875
Additions	-	7,242,200	-	7,242,200
Deletions	<u>(13,197,515)</u>	<u>-</u>	<u>(202,281)</u>	<u>(13,399,796)</u>
Balance June 30, 2022	216,716,366	17,902,237	1,442,676	236,061,279
Due within one year	<u>(11,960,000)</u>	<u>-</u>	<u>(60,773)</u>	<u>(12,020,773)</u>
Due in more than one year	<u><u>\$ 204,756,366</u></u>	<u><u>\$ 17,902,237</u></u>	<u><u>\$ 1,381,903</u></u>	<u><u>\$ 224,040,506</u></u>

**HUDSONVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

Long-term obligations at June 30, 2022 are comprised of the following issues:

General Obligation Bonds

2013 Refunding bonds due in annual installments of \$1,450,000 to \$1,580,000 through May 1, 2029, with interest rates ranging from 3.00% to 5.00%.	\$ 10,715,000
2015 Refunding bonds due in annual installments of \$1,885,000 to \$2,035,000 through May 1, 2027, with interest rates of 5.00%.	9,970,000
2016 School Building and Site bonds due in annual installments of \$700,000 to \$975,000 through May 1, 2041, with interest rates ranging from 4.00% to	16,325,000
2016 Refunding bonds due in an annual installment of \$3,220,000 on May 1, 2023, with an interest rate of 2.62%.	3,220,000
2017 Refunding bonds due in annual installments of \$1,990,000 to \$4,665,000 through May 1, 2041, with an interest rate of 5.00%.	59,360,000
2018 Refunding bonds due in annual installments of \$955,000 to \$960,000 through May 1, 2024, with interest rates of 5.00%.	1,915,000
2020 Refunding bonds due in annual installments of \$1,000,000 to \$2,100,000 through May 1, 2030, with interest rates ranging from 2.43% to 2.67%.	8,400,000
2020 School Building and Site bonds due in annual installments of \$1,625,000 to \$4,775,000 through May 1, 2049, with interest rates ranging from 4.00% to 5.00%.	80,230,000
Plus issuance premium	<u>26,581,366</u>
Total general obligation bonds	216,716,366

Notes from Direct Borrowings and Direct Placements

Borrowing from the State of Michigan under the School Loan Revolving Fund, excluding interest at 1.19% at June 30, 2022.	<u>17,902,237</u>
Total general obligation bonds and notes from direct borrowings and direct placement	234,618,603
Compensated absences and early retirement incentives	<u>1,442,676</u>
Total long-term obligations	<u><u>\$ 236,061,279</u></u>

HUDSONVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

Borrowing from the State of Michigan - The school loan revolving funds 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 were 1.19% at June 30, 2022 for the school loan revolving funds. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 7.00 mills. Currently the District levies 7.00 mills. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the 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.

The annual requirements to amortize long-term obligations outstanding, including interest, exclusive of compensated absences payments as of June 30, 2022, are as follows:

Year Ending June 30,	General Obligation Bonds		Notes from Direct Borrowings and Direct Placements		Other	Total
	Principal	Interest	Principal	Interest		
2023	\$ 11,960,000	\$ 8,343,170	\$ -	\$ -	\$ -	\$ 20,303,170
2024	9,020,000	7,845,026	-	-	-	16,865,026
2025	8,215,000	7,486,100	-	-	-	15,701,100
2026	9,400,000	7,115,800	-	-	-	16,515,800
2027	9,740,000	6,705,250	-	-	-	16,445,250
2028 - 2032	38,015,000	27,839,272	-	-	-	65,854,272
2033 - 2037	35,895,000	19,753,750	-	-	-	55,648,750
2038 - 2042	38,085,000	10,742,750	-	-	-	48,827,750
2043 - 2047	20,440,000	4,389,800	-	-	-	24,829,800
2048 - 2049	9,365,000	565,600	-	-	-	9,930,600
	190,135,000	100,786,518	-	-	-	290,921,518
Issuance premium	26,581,366	-	-	-	-	26,581,366
Compensated absences and early retirement incentives	-	-	-	-	1,442,676	1,442,676
School loan revolving fund	-	-	17,902,237	469,785	-	18,372,022
	<u>\$ 216,716,366</u>	<u>\$ 100,786,518</u>	<u>\$ 17,902,237</u>	<u>\$ 469,785</u>	<u>\$ 1,442,676</u>	<u>\$ 337,317,582</u>

Interest expense (all funds) for the year ended June 30, 2022 was approximately \$9,083,000.

**HUDSONVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

Benefits Provided - Overall

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

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

Benefits Provided - Pension

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

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

**HUDSONVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2010

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

Pension Reform 2012

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

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

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

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

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

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

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

**HUDSONVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

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

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

Pension Reform of 2017

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

**HUDSONVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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.

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

**HUDSONVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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, 2021 were determined as of the September 30, 2018 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2018 are amortized over an 18-year period beginning October 1, 2020 and ending September 30, 2038.

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

	Pension	Other Postemployment Benefit
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

The District's pension contributions for the year ended June 30, 2022 were equal to the required contribution total. Total pension contributions were approximately \$16,173,000. Of the total pension contributions approximately \$16,120,000 was contributed to fund the Defined Benefit Plan and approximately \$53,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. Total OPEB contributions were approximately \$3,919,000. Of the total OPEB contributions approximately \$3,891,000 was contributed to fund the Defined Benefit Plan and approximately \$28,000 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).

**HUDSONVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

Pension Liabilities

The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2020 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPERS (Plan) Non-university Employers</u>	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Total Pension Liability	\$ 86,392,473,395	\$ 85,290,583,799
Plan Fiduciary Net Position	\$ 62,717,060,920	\$ 50,939,496,006
Net Pension Liability	\$ 23,675,412,475	\$ 34,351,087,793
Proportionate Share	0.46601%	0.45965%
Net Pension Liability for the District	\$ 110,329,347	\$ 157,894,246

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

For the year ended June 30, 2022, the District recognized pension expense of \$14,087,223.

At June 30, 2022, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual pension plan investment earnings	\$ -	\$ 35,470,530
Differences between expected and actual experience	1,709,049	649,709
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,438,118	188,134
Changes of assumptions	6,954,768	-
Reporting Unit's contributions subsequent to the measurement date	<u>14,930,287</u>	<u>-</u>
	<u>\$ 28,032,222</u>	<u>\$ 36,308,373</u>

HUDSONVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

\$14,930,287, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

<u>Year Ending</u>	<u>Amount</u>
2022	\$ (1,176,651)
2023	(4,793,913)
2024	(7,831,217)
2025	(9,404,657)

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

OPEB Liabilities

The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2020 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPERS (Plan) Non-university Employers</u>	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Total other postemployment benefits liability	\$ 12,046,393,511	\$ 13,206,903,534
Plan fiduciary net position	\$ 10,520,015,621	\$ 7,849,636,555
Net other postemployment benefits liability	\$ 1,526,377,890	\$ 5,357,266,979
Proportionate share	0.46844%	0.46725%
Net other postemployment benefits liability for the District	\$ 7,150,216	\$ 25,032,022

**HUDSONVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

For the year ended June 30, 2022, the District recognized OPEB benefit of \$3,828,378.

At June 30, 2022, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual other postemployment benefits plan investment earnings	\$ -	\$ 5,389,247
Differences between expected and actual experience	-	20,409,783
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,704,462	63,700
Changes of assumptions	5,977,226	894,416
Reporting Unit's contributions subsequent to the measurement date	3,408,185	-
	<u>\$ 11,089,873</u>	<u>\$ 26,757,146</u>

\$3,408,185, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

Year Ending	Amount
2022	\$ (4,796,831)
2023	(4,448,550)
2024	(4,224,671)
2025	(3,975,362)
2026	(1,440,986)
2027	(189,058)

**HUDSONVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions

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

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

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

Inflation - 3.0%.

Mortality Assumptions:

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

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

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

Experience Study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2020. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 valuation.

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

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

Healthcare Cost Trend Rate for Other Postemployment Benefit - Pre 65, 7.75% for year one and graded to 3.5% in year fifteen. Post 65, 5.25% for year one and graded to 3.5% in year fifteen 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.

**HUDSONVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

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

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

The target asset allocation at September 30, 2021 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%	5.40%
International Equity Pools	15.00%	7.50%
Private Equity Pools	16.00%	9.10%
Real Estate and Infrastructure Pools	10.00%	5.40%
Fixed Income Pools	10.50%	-0.70%
Absolute Return Pools	9.00%	2.60%
Real Return/Opportunistic Pools	12.50%	6.10%
Short Term Investment Pools	2.00%	-1.30%
	100.00%	

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

Rate of Return - For fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 27.3% and 27.14%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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.

**HUDSONVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	\$ 157,741,045	\$ 110,329,347	\$ 71,021,940

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 benefit liability	\$ 13,286,393	\$ 7,150,216	\$ 1,942,794

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

	Other Postemployment Benefit		
	Current		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 1,740,306	\$ 7,150,216	\$ 13,237,017

**HUDSONVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - 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 2021 Annual Comprehensive Financial Report.

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

NOTE 7 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2022 are as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	
General	\$ 153,719	Community education	\$ 162,231
Student / school activities	<u>14,193</u>	Food service	<u>5,681</u>
	<u>\$ 167,912</u>		<u>\$ 167,912</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 9 - TRANSFERS

During the year the general fund transferred \$12 to the food service fund to allocate state revenues.

**HUDSONVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - CONTINGENT LIABILITIES

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

NOTE 11 - NEW ACCOUNTING STANDARD

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

Summary:

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

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

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENT

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.

HUDSONVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 13 - RESTATEMENT OF FINANCIAL STATEMENTS

Subsequent to the issuance of these financial statements, the District discovered an error in the reporting of its deferred outflows relating to pensions and other postemployment benefits. The statement of net position and the statement of activities have been restated to reflect the corrected error. The effects of the restatement are as follows:

	As previously reported	Restated
Statement of net position:		
Deferred outflows of resources related to pensions	\$ 22,944,279	\$ 28,032,222
Deferred outflows of resources related to other postemployment benefits	8,826,817	11,089,873
Net position	(125,132,750)	(117,781,751)
Statement of activities:		
Instruction expenses	55,696,590	50,778,771
Support services expenses	29,890,268	27,707,021
Community services expenses	2,784,526	2,549,295
Food services expenses	112,944	98,242

REQUIRED SUPPLEMENTARY INFORMATION

**HUDSONVILLE PUBLIC SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2022**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 6,056,399	\$ 6,629,600	\$ 6,671,382	\$ 41,782
State sources	66,308,726	70,582,090	71,410,284	828,194
Interdistrict sources	8,456,241	8,231,331	8,237,148	5,817
Federal sources	2,150,492	2,718,842	2,744,083	25,241
TOTAL REVENUES	82,971,858	88,161,863	89,062,897	901,034
EXPENDITURES				
Current				
Instruction				
Basic programs	43,951,378	45,590,219	45,102,138	488,081
Added needs	10,670,087	10,802,431	10,556,708	245,723
Total instruction	54,621,465	56,392,650	55,658,846	733,804
Supporting services				
Pupil	4,822,089	5,270,426	5,224,545	45,881
Instructional staff	3,426,183	3,556,658	3,494,205	62,453
Operation/maintenance	6,366,779	7,383,458	7,101,335	282,123
Pupil transportation	4,037,993	4,385,725	4,310,414	75,311
Administration	10,012,257	11,033,011	10,792,828	240,183
Total supporting services	28,665,301	31,629,278	30,923,327	705,951
Community services	561,384	471,767	420,721	51,046
TOTAL EXPENDITURES	83,848,150	88,493,695	87,002,894	1,490,801
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(876,292)	(331,832)	2,060,003	2,391,835
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	9,020	22,271	44,907	22,636
Transfers in	100,000	10,000	-	(10,000)
Transfers out	-	-	(12)	(12)
TOTAL OTHER FINANCING SOURCES (USES)	109,020	32,271	44,895	12,624
NET CHANGE IN FUND BALANCE	\$ (767,272)	\$ (299,561)	2,104,898	\$ 2,404,459
FUND BALANCE				
Beginning of year			16,659,178	
End of year			<u>\$ 18,764,076</u>	

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

	2021	2020	2019	2018	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.46601%	0.45965%	0.44767%	0.43766%	0.42768%	0.41329%	0.39521%	0.39240%
Reporting Unit's proportionate share of net pension liability	\$ 110,329,347	\$ 157,894,246	\$ 148,254,233	\$ 131,567,977	\$ 110,828,957	\$ 103,111,660	\$ 96,529,926	\$ 86,431,831
Reporting Unit's covered-employee payroll	\$ 42,280,150	\$ 41,399,853	\$ 39,446,618	\$ 37,949,513	\$ 36,135,959	\$ 35,583,352	\$ 33,014,151	\$ 34,121,961
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	260.95%	381.39%	375.84%	346.69%	306.70%	289.78%	292.39%	253.30%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	72.60%	59.49%	60.08%	62.12%	64.21%	63.27%	63.17%	66.20%

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

**HUDSONVILLE PUBLIC SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED OF THE YEAR ENDED JUNE 30)**

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required pension contributions	\$ 16,119,737	\$ 14,030,985	\$ 12,796,179	\$ 11,953,043	\$ 6,630,224	\$ 8,898,423	\$ 8,624,112	\$ 7,413,354
Pension contributions in relation to statutorily required contributions	16,119,737	14,030,985	12,796,179	11,953,043	6,630,224	8,898,423	8,624,112	7,413,354
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll (pension)	\$ 44,473,114	\$ 41,701,845	\$ 41,298,069	\$ 39,011,522	\$ 37,313,016	\$ 35,950,784	\$ 33,834,973	\$ 33,844,020
Pension contributions as a percentage of covered-employee payroll	36.25%	33.65%	30.98%	30.64%	17.77%	24.75%	25.49%	21.90%

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting Unit's proportion of net other postemployment benefits liability (%)	0.46844%	0.46725%	0.45158%	0.44594%	0.42806%
Reporting Unit's proportionate share of net other postemployment benefits liability	\$ 7,150,216	\$ 25,032,022	\$ 32,413,372	\$ 35,447,355	\$ 37,907,128
Reporting Unit's covered-employee payroll	\$ 42,280,150	\$ 41,399,853	\$ 39,446,618	\$ 37,949,513	\$ 36,135,959
Reporting Unit's proportionate share of net other postemployment benefits liability as a percentage of its covered-employee payroll	16.91%	60.46%	82.17%	93.41%	104.90%
Plan fiduciary net position as a percentage of total other postemployment benefits liability (Non-university employers)	87.33%	59.76%	48.67%	43.10%	36.39%

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

HUDSONVILLE PUBLIC SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED OF THE YEAR ENDED JUNE 30)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required other postemployment benefits contributions	\$ 3,890,575	\$ 3,395,540	\$ 3,318,548	\$ 3,064,365	\$ 2,736,235
Other postemployment benefits contributions in relation to statutorily required contributions	<u>3,890,575</u>	<u>3,395,540</u>	<u>3,318,548</u>	<u>3,064,365</u>	<u>2,736,235</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll (OPEB)	\$ 44,473,114	\$ 41,701,845	\$ 41,298,069	\$ 39,011,522	\$ 37,313,016
Other post employment benefit contributions as a percentage of covered-employee payroll	8.75%	8.14%	8.04%	7.86%	7.33%

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

**HUDSONVILLE PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 1 - PENSION INFORMATION

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

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

NOTE 2 - OPEB INFORMATION

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

Changes of Assumptions - the assumption changes for 2021 were:

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

ADDITIONAL SUPPLEMENTARY INFORMATION

**HUDSONVILLE PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2022**

	Special Revenue				
	Food Service	Community Education	Student/ School Activities	Capital Projects - Sinking	Total Nonmajor Funds
ASSETS					
Cash and cash equivalents	\$ 9,411	\$ 2,502,709	\$ 1,017,349	\$ -	\$ 3,529,469
Receivables					
Accounts receivable	-	10,330	30,717	-	41,047
Intergovernmental	10,727	44,011	-	-	54,738
Due from other funds	-	-	14,193	-	14,193
Restricted cash and cash equivalents - capital projects	-	-	-	2,153,324	2,153,324
Restricted investments - capital projects	-	-	-	1,001,208	1,001,208
TOTAL ASSETS	\$ 20,138	\$ 2,557,050	\$ 1,062,259	\$ 3,154,532	\$ 6,793,979
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ 22,744	\$ 4,195	\$ 5	\$ 26,944
Due to other funds	5,681	162,231	-	-	167,912
Unearned revenue	4,295	556,338	-	-	560,633
TOTAL LIABILITIES	9,976	741,313	4,195	5	755,489
FUND BALANCES					
Restricted					
Food service	10,162	-	-	-	10,162
Capital projects	-	-	-	3,154,527	3,154,527
Committed					
Student/school activities	-	-	1,058,064	-	1,058,064
Community service	-	1,815,737	-	-	1,815,737
TOTAL FUND BALANCES	10,162	1,815,737	1,058,064	3,154,527	6,038,490
TOTAL LIABILITIES AND FUND BALANCES	\$ 20,138	\$ 2,557,050	\$ 1,062,259	\$ 3,154,532	\$ 6,793,979

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

	Special Revenue			Capital	Total
	Food Service	Community Education	Student/ School Activities	Projects - Sinking	Nonmajor Funds
REVENUES					
Local sources	\$ 44,438	\$ 2,364,750	\$ 1,203,661	\$ 1,827,591	\$ 5,440,440
State sources	4,295	7,447	-	5,809	17,551
Federal sources	69,890	1,202,217	-	-	1,272,107
Interdistrict sources	-	183,774	-	-	183,774
TOTAL REVENUES	118,623	3,758,188	1,203,661	1,833,400	6,913,872
EXPENDITURES					
Community service activities	-	2,590,294	-	-	2,590,294
Food service	117,745	-	-	-	117,745
Student / school activities	-	-	1,057,470	-	1,057,470
Capital outlay	-	-	-	241,239	241,239
TOTAL EXPENDITURES	117,745	2,590,294	1,057,470	241,239	4,006,748
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	878	1,167,894	146,191	1,592,161	2,907,124
OTHER FINANCING SOURCES (USES)					
Trasnfers in	12	-	-	-	12
NET CHANGE IN FUND BALANCES	890	1,167,894	146,191	1,592,161	2,907,136
FUND BALANCES					
Beginning of year	9,272	647,843	911,873	1,562,366	3,131,354
End of year	\$ 10,162	\$ 1,815,737	\$ 1,058,064	\$ 3,154,527	\$ 6,038,490

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

\$22,830,000 Refunding bonds issued March 12, 2013.

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ 1,580,000	\$ 199,925	\$ 199,925	2023	\$ 1,979,850
1,580,000	160,425	160,425	2024	1,900,850
1,560,000	128,825	128,825	2025	1,817,650
1,540,000	97,625	97,625	2026	1,735,250
1,520,000	66,825	66,825	2027	1,653,650
1,485,000	44,025	44,025	2028	1,573,050
1,450,000	21,750	21,750	2029	1,493,500
<u>\$ 10,715,000</u>	<u>\$ 719,400</u>	<u>\$ 719,400</u>		<u>\$ 12,153,800</u>

The bonds were approved by the Board of Education at the February 14, 2013 meeting to be used to refunding a portion of a prior bond issue. The bonds will carry interest rates of 3.00% to 5.00%.

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

\$19,560,000 Building and site bonds issued October 13, 2015.

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ 700,000	\$ 397,375	\$ 397,375	2023	\$ 1,494,750
725,000	383,375	383,375	2024	1,491,750
725,000	368,875	368,875	2025	1,462,750
750,000	354,375	354,375	2026	1,458,750
775,000	335,625	335,625	2027	1,446,250
800,000	316,250	316,250	2028	1,432,500
800,000	296,250	296,250	2029	1,392,500
825,000	276,250	276,250	2030	1,377,500
850,000	255,625	255,625	2031	1,361,250
850,000	234,375	234,375	2032	1,318,750
875,000	213,125	213,125	2033	1,301,250
900,000	191,250	191,250	2034	1,282,500
925,000	168,750	168,750	2035	1,262,500
950,000	145,625	145,625	2036	1,241,250
975,000	121,875	121,875	2037	1,218,750
975,000	97,500	97,500	2038	1,170,000
975,000	73,125	73,125	2039	1,121,250
975,000	48,750	48,750	2040	1,072,500
975,000	24,375	24,375	2041	1,023,750
<u>\$ 16,325,000</u>	<u>\$ 4,302,750</u>	<u>\$ 4,302,750</u>		<u>\$ 24,930,500</u>

The bonds were approved by the Board of Education at the October 8, 2015 meeting to be used for school building and site purposes. The bonds will carry interest rates ranging from 4.00% to 5.00%.

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

\$18,915,000 Refunding bonds issued February 5, 2015.

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ 1,885,000	\$ 249,250	\$ 249,250	2023	\$ 2,383,500
1,985,000	202,125	202,125	2024	2,389,250
2,030,000	152,500	152,500	2025	2,335,000
2,035,000	101,750	101,750	2026	2,238,500
2,035,000	50,875	50,875	2027	2,136,750
<u>\$ 9,970,000</u>	<u>\$ 756,500</u>	<u>\$ 756,500</u>		<u>\$ 11,483,000</u>

The bonds were approved by the Board of Education at the December 11, 2014 meeting to be used to refunding a portion of a prior bond issue. The bonds will carry interest rates of 5.00%.

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

\$12,270,000 Refunding bonds issued April 12, 2016.

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
<u>\$ 3,220,000</u>	<u>\$ 42,198</u>	<u>\$ 42,198</u>	2023	<u>\$ 3,304,396</u>

The bonds were approved by the Board of Education at the March 28, 2016 meeting to refinance a portion of the principal and interest relating to borrowings from the State of Michigan through the school loan revolving fund. The bonds carry an interest rate of 2.62%.

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

\$61,255,000 Refunding bonds issued December 13, 2017.

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ 1,990,000	\$ 1,457,937	\$ 1,457,937	2023	\$ 4,905,874
2,085,000	1,408,188	1,408,188	2024	4,901,376
2,140,000	1,382,125	1,382,125	2025	4,904,250
2,245,000	1,328,625	1,328,625	2026	4,902,250
2,360,000	1,272,500	1,272,500	2027	4,905,000
2,475,000	1,213,500	1,213,500	2028	4,902,000
2,600,000	1,151,625	1,151,625	2029	4,903,250
2,730,000	1,086,625	1,086,625	2030	4,903,250
2,865,000	1,018,375	1,018,375	2031	4,901,750
3,010,000	946,750	946,750	2032	4,903,500
3,160,000	871,500	871,500	2033	4,903,000
3,320,000	792,500	792,500	2034	4,905,000
3,485,000	709,500	709,500	2035	4,904,000
3,660,000	622,375	622,375	2036	4,904,750
3,845,000	530,875	530,875	2037	4,906,750
4,035,000	434,750	434,750	2038	4,904,500
4,240,000	333,875	333,875	2039	4,907,750
4,450,000	227,875	227,875	2040	4,905,750
4,665,000	116,625	116,625	2041	4,898,250
<u>\$ 59,360,000</u>	<u>\$ 16,906,125</u>	<u>\$ 16,906,125</u>		<u>\$ 93,172,250</u>

The bonds were approved by the Board of Education at the November 9, 2017 meeting to be used to refunding a portion of a prior bond issue. The bonds will carry an interest rate of 5.00%.

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

\$5,665,000 Refunding bonds issued March 13, 2018.

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ 960,000	\$ 47,875	\$ 47,875	2023	\$ 1,055,750
955,000	23,875	23,875	2024	1,002,750
<u>\$ 1,915,000</u>	<u>\$ 71,750</u>	<u>\$ 71,750</u>		<u>\$ 2,058,500</u>

The bonds were approved by the Board of Education at the March 8, 2018 meeting to be used to refunding a portion of a prior bond issue. The bonds will carry an interest rate of 5.00%.

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

\$8,400,000 Refunding bonds issued January 14, 2020.

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ -	\$ 107,800	\$ 107,800	2023	\$ 215,600
-	107,800	107,800	2024	215,600
-	107,800	107,800	2025	215,600
1,000,000	107,800	107,800	2026	1,215,600
1,150,000	95,675	95,675	2027	1,341,350
2,050,000	81,294	81,294	2028	2,212,588
2,100,000	55,146	55,146	2029	2,210,292
2,100,000	28,046	28,046	2030	2,156,092
<u>\$ 8,400,000</u>	<u>\$ 691,361</u>	<u>\$ 691,361</u>		<u>\$ 9,782,722</u>

The bonds were approved by the Board of Education at the January 13, 2020 meeting to refinance a portion of the principal and interest relating to borrowings from the State of Michigan through the school loan revolving fund. The bonds will carry interest rates from 2.43% to 2.67%.

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

\$81,795,000 Building and site bonds issued March 10, 2020.

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ 1,625,000	\$ 1,669,225	\$ 1,669,225	2023	\$ 4,963,450
1,690,000	1,636,725	1,636,725	2024	4,963,450
1,760,000	1,602,925	1,602,925	2025	4,965,850
1,830,000	1,567,725	1,567,725	2026	4,965,450
1,900,000	1,531,125	1,531,125	2027	4,962,250
1,995,000	1,483,625	1,483,625	2028	4,962,250
2,095,000	1,433,750	1,433,750	2029	4,962,500
2,200,000	1,381,375	1,381,375	2030	4,962,750
2,310,000	1,326,375	1,326,375	2031	4,962,750
2,425,000	1,268,625	1,268,625	2032	4,962,250
2,550,000	1,208,000	1,208,000	2033	4,966,000
2,650,000	1,157,000	1,157,000	2034	4,964,000
2,755,000	1,104,000	1,104,000	2035	4,963,000
2,865,000	1,048,900	1,048,900	2036	4,962,800
2,980,000	991,600	991,600	2037	4,963,200
3,100,000	932,000	932,000	2038	4,964,000
3,225,000	870,000	870,000	2039	4,965,000
3,355,000	805,500	805,500	2040	4,966,000
3,490,000	738,400	738,400	2041	4,966,800
3,625,000	668,600	668,600	2042	4,962,200
3,775,000	596,100	596,100	2043	4,967,200
3,925,000	520,600	520,600	2044	4,966,200
4,080,000	442,100	442,100	2045	4,964,200
4,245,000	360,500	360,500	2046	4,966,000
4,415,000	275,600	275,600	2047	4,966,200
4,590,000	187,300	187,300	2048	4,964,600
4,775,000	95,500	95,500	2049	4,966,000
<u>\$ 80,230,000</u>	<u>\$ 26,903,175</u>	<u>\$ 26,903,175</u>		<u>\$ 134,036,350</u>

The bonds were approved by the Board of Education at the February 24, 2020 meeting to be used for school building and site purposes. The bonds will carry interest rates ranging from 4.00% to 5.00%.

**HUDSONVILLE PUBLIC SCHOOLS
SCHEDULE OF BORROWINGS - STATE OF MICHIGAN
SCHOOL LOAN REVOLVING FUND
JUNE 30, 2022**

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 (SLRF). 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 are summarized as follows:

Year Ended June 30,	SLRF		
	Net Loan Proceeds (Repayments)	Net Interest Accrued (Repayments)	Total
2012	\$ 2,500,000	\$ 18,944	\$ 2,518,944
2013	3,291,584	101,312	3,392,896
2014	3,130,670	229,259	3,359,929
2015	2,218,037	333,516	2,551,553
2016	(9,583,315)	(670,953)	(10,254,268)
2017	2,532,665	65,341	2,598,006
2018	2,012,061	142,886	2,154,947
2019	1,596,436	219,579	1,816,015
2020	(7,695,947)	(583,053)	(8,279,000)
2020	3,802,846	165,869	3,968,715
2021	6,855,000	153,783	7,008,783
2022	7,242,200	293,302	7,535,502
Total	<u>\$ 17,902,237</u>	<u>\$ 469,785</u>	<u>\$ 18,372,022</u>

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

Federal Agency/Pass-through Agency/Program Title	Pass-through Grantor's Number	Federal Assistance Listing Number	Award Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue July 1,2021	Current Year Receipts	Federal Expenditures	Accrued (Unearned) Revenue 6/30/2022
<u>U.S. Department of Agriculture</u>								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
COVID-19 - Summer Food Service Program for Children	210904	10.559	\$ 128,318	\$ 110,984	\$ 9,095	\$ 26,429	\$ 17,334	\$ -
Child and Adult Care Food Program	211920	10.558	50,641	42,023	688	9,306	8,618	-
	222021	10.558	43,938	-	-	41,801	43,938	2,137
Total ALN 10.558			94,579	42,023	688	51,107	52,556	2,137
Total U.S. Department of Agriculture			222,897	153,007	9,783	77,536	69,890	2,137
<u>U.S. Department of Education</u>								
Passed through Michigan Department of Education								
Title I Grants to Local Educational Agencies	211530-2021	84.010	139,342	133,359	35,465	35,465	-	-
	221530-2122	84.010	143,704	-	-	94,617	127,882	33,265
Total ALN 84.010			283,046	133,359	35,465	130,082	127,882	33,265
Supporting Effective Instruction State Grants	210520-2021	84.367	148,753	141,632	58,473	58,473	-	-
	220520-2122	84.367	113,747	-	-	85,563	106,687	21,124
Total ALN 84.367			262,500	141,632	58,473	144,036	106,687	21,124
Student Support and Academic Enrichment Program	210750-2021	84.424	15,521	8,646	3,446	7,082	3,636	-
	220750-2122	84.424	13,383	-	-	7,230	10,349	3,119
Total ALN 84.424			28,904	8,646	3,446	14,312	13,985	3,119
Education Stabilization Fund								
COVID-19 Elementary and Secondary School								
Emergency Relief Fund (ESSER Formula Funds I)	203710-1920	84.425D	133,086	133,086	29,599	29,599	-	-
COVID-19 Elementary and Secondary School								
Emergency Relief Fund (ESSER II Credit Recovery 9-12)	213742-2122	84.425D	66,550	-	-	-	12,894	12,894
COVID-19 Elementary and Secondary School								
Emergency Relief Fund (ESSER II Before and After School Programs K-12)	213752-2122	84.425D	25,000	-	-	-	25,000	25,000
COVID-19 Governor's Emergency Education Relief								
Funds (GEER II Teacher and Support Staff Payments)	211202-2122	84.425C	7,000	-	-	-	7,000	7,000
COVID-19 Elementary and Secondary School								
Emergency Relief Fund (ESSER III State Equalization Payments - Section 11t)	213723-2122	84.425U	6,757,538	-	-	-	71,845	71,845
COVID-19 Elementary and Secondary School								
Emergency Relief Fund (ESSER II - Benchmark Assessment)	213762-2122	84.425D	59,263	-	-	-	56,990	56,990
Total ALN 84.425 and Education Stabilization Fund Passed through Michigan Department of Education			7,048,437	133,086	29,599	29,599	173,729	173,729

The accompanying notes are an integral part of this schedule.

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

Federal Agency/Pass-through Agency/Program Title	Pass-through Grantor's Number	Federal Assistance Listing Number	Award Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue July 1,2021	Current Year Receipts	Federal Expenditures	Accrued (Unearned) Revenue 6/30/2022
<u>U.S. Department of Education (continued)</u>								
Passed through Ottawa Area Intermediate School District								
Special Education Cluster								
Special Education Grants to States	210450-2021	84.027A	\$ 1,650,320	\$ 1,650,320	\$ 608,726	\$ 608,726	\$ -	\$ -
	220450-2122	84.027A	1,684,744	-	-	1,061,987	1,684,744	622,757
COVID -19 - Special Education Grants to States 21/22 ARP	221280-2122	84.027X	391,665	-	-	247,590	391,665	144,075
Total ALN 84.027			3,726,729	1,650,320	608,726	1,918,303	2,076,409	766,832
Special Education Preschool Grants	210460-2021	84.173A	42,772	42,772	16,037	16,037	-	-
Special Education Preschool Grants	220460-2122	84.173A	34,513	-	-	21,663	34,513	12,850
COVID -19 - Special Education Preschool Grants 21/22 ARP	221285-2122	84.173X	26,785	-	-	16,518	26,785	10,267
Total ALN 84.173			104,070	42,772	16,037	54,218	61,298	23,117
Total Special Education Cluster			3,830,799	1,693,092	624,763	1,972,521	2,137,707	789,949
English Language Acquisition State Grants	212320-2021	84.365A	15,049	7,287	2,343	2,343	-	-
	222320-2022	84.365A	15,644	-	-	6,610	13,901	7,291
Total ALN 84.365			30,693	7,287	2,343	8,953	13,901	7,291
Education for Homeless Children and Youth	212320-2021	84.196	1,840	1,840	1,691	1,691	-	-
Education Stabilization Fund								
COVID-19 - Homeless Students Grant ARP FY22	2011020-2122	84.425W	4,208	-	-	-	3,645	3,645
Total U.S. Department of Education			11,490,427	2,118,942	755,780	2,301,194	2,577,536	1,032,122
<u>U.S. Department of Health and Human Services</u>								
Passed through Ottawa Area Intermediate School District								
Medicaid Cluster								
Medical Assistance Program	n/a	93.778	9,022	-	-	9,022	9,022	-
Passed through Ottawa County Department of Health and Human Services								
Loan Repayment Program for General Research	n/a	93.232	45,609	-	-	19,092	45,609	26,517
Total U.S. Department of Health and Human Services			54,631	-	-	28,114	54,631	26,517
<u>U.S. Department of Treasury</u>								
Passed through Ottawa Area Intermediate School District								
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	22S439-2122	21.027	144,000	-	-	70,865	111,916	41,051
TOTAL FEDERAL AWARDS			\$ 11,911,955	\$ 2,271,949	\$ 765,563	\$ 2,477,709	\$ 2,813,973	\$ 1,101,827

The accompanying notes are an integral part of this schedule.

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

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Hudsonville Public Schools under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations 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 Hudsonville Public Schools, it is not intended to and does not present the financial position or changes in net position of Hudsonville Public Schools.

Management has utilized the NexSys Cash Management System and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

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. Hudsonville Public Schools has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS

Federal expenditures are reported as revenue in the following funds in the financial statements June 30, 2022:

General fund	\$ 2,744,083
Other nonmajor governmental funds	<u>1,272,107</u>
Total federal revenue in the fund financial statements	4,016,190
Less: Federal assistance funding not subject to single audit act	<u>(1,202,217)</u>
Expenditures per schedule of expenditures of federal awards	<u><u>\$ 2,813,973</u></u>

NOTE 4 - RECONCILIATION OF FEDERAL PROGRAMS FROM MULTIPLE FUNDING SOURCES

Education stabilization funds reported in the schedule of expenditures of federal awards are reported from the following sources for the year ended June 30, 2022:

U.S. Department of Education	
Passed through Michigan Department of Education	\$ 173,729
Passed through Ottawa Area Intermediate School District	<u>3,645</u>
Total ALN 84.425	<u><u>\$ 177,374</u></u>



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

To the Board of Education
Hudsonville 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 Hudsonville Public Schools as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Hudsonville Public Schools' basic financial statements and have issued our report thereon dated September 16, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hudsonville 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 Hudsonville Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of the Hudsonville Public Schools' internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hudsonville 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 16, 2022



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

To the Board of Education of
Hudsonville Public Schools

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hudsonville Public Schools' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Hudsonville Public Schools' major federal programs for the year ended June 30, 2022. Hudsonville Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Hudsonville Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Hudsonville Public Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Hudsonville Public Schools' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Hudsonville Public Schools' internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Manes Costeiran PC

September 16, 2022

**HUDSONVILLE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes X None

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: Yes X None
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? 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:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.173 and 84.027	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Question Costs

None

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

There were no audit findings in the previous year.