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# Hudsonville Public Schools

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**Financial Report  
with Supplemental Information  
June 30, 2020**

<b>Independent Auditor's Report</b>	1-2
<b>Management's Discussion and Analysis</b>	3-8
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of the Balance Sheet to the Statement of Net Position	12
Statement of Revenue, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	14
Notes to Financial Statements	15-34
<b>Required Supplemental Information</b>	35
Budgetary Comparison Schedule - General Fund	36
Schedule of the School District's Proportionate Share of the Net Pension Liability	37
Schedule of Pension Contributions	38
Schedule of the School District's Proportionate Share of the Net OPEB Liability	39
Schedule of OPEB Contributions	40
Notes to Required Supplemental Information	41
<b>Other Supplemental Information</b>	42
Nonmajor Governmental Funds:	
Combining Balance Sheet	43
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	44
Schedule of Bonded Indebtedness	45-46
<b>Federal Awards Supplemental Information</b>	Issued Under Separate Cover

## **Independent Auditor's Report**

To the Board of Directors  
Hudsonville Public Schools

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hudsonville Public Schools (the "School District") as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise Hudsonville Public Schools' basic financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hudsonville Public Schools as of June 30, 2020 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 2 to the basic financial statements, as of July 1, 2019, the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

To the Board of Directors  
Hudsonville Public Schools

### ***Required Supplemental Information***

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

### ***Other Information***

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2020 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, grant agreements, and other matters. The purpose of that report is 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 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.

*Plante & Moran, PLLC*

October 19, 2020

This section of the annual financial report for Hudsonville Public Schools (the "School District") presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2020. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

### ***Using This Annual Report***

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Hudsonville Public Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term and what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds, the General Fund, the 2020 Capital Projects Fund, and the Debt Fund, with all other funds presented in one column as nonmajor funds. This report is composed of the following elements:

#### **Management's Discussion and Analysis (MD&A) (Required Supplemental Information)**

##### **Basic Financial Statements**

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

##### **Required Supplemental Information**

Budgetary Comparison Schedule - General Fund

Schedule of the School District's Proportionate Share of the Net Pension Liability

Schedule of Pension Contributions

Schedule of the School District's Proportionate Share of the Net OPEB Liability

Schedule of OPEB Contributions

##### **Other Supplemental Information**

### ***Reporting the School District as a Whole - Government-wide Financial Statements***

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the School District's net position, the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the statement of net position, as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position, as reported in the statement of activities, are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

## Hudsonville Public Schools

### Management's Discussion and Analysis (Continued)

The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

#### ***Reporting the School District's Fund Financial Statements***

The School District's fund financial statements provide detailed information about the most significant funds, not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service Fund is an example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects).

#### **Governmental Funds**

Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

#### ***The School District as a Whole***

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2020 and 2019:

	Governmental Activities	
	2020	2019
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 119.5	\$ 21.7
Capital assets	159.0	159.6
Total assets	278.5	181.3
<b>Deferred Outflows of Resources</b>	62.8	60.7
<b>Liabilities</b>		
Current liabilities	11.4	9.4
Noncurrent liabilities	246.6	156.2
Net pension liability	148.3	131.6
Net OPEB liability	32.4	35.4
Total liabilities	438.7	332.6
<b>Deferred Inflows of Resources</b>	23.3	23.5
<b>Net Position</b>		
Net investment in capital assets	13.9	11.8
Restricted	1.5	1.6
Unrestricted	(136.1)	(127.5)
Total net position	<u>\$ (120.7)</u>	<u>\$ (114.1)</u>

The above analysis focuses on net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was \$(120.7) million at June 30, 2020. Net investment in capital assets totaling \$13.9 million compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position (\$(136.1) million) was unrestricted.

The \$(136.1) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the School District to meet working capital and cash flow requirements, as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

Regardless of the negative net position in the statement of net position, the School District will be able to meet future obligations it will face when educating students due to an increasing fund balance in the School District's General Fund.

As required by the Governmental Accounting Standards Board (GASB), the School District adopted GASB Statement No. 84, *Fiduciary Activities*, as of July 1, 2019. This standard provides guidance on the identification and reporting of fiduciary activities and required the School District to evaluate activities to determine if they were fiduciary in nature. The standard also changed the reporting and presentation requirements of fiduciary activities. The effect of the adoption on the governmental activities was to increase July 1, 2019 beginning net position by \$850,239, which represents the activities that used to be reported as fiduciary but are now reported as governmental under GASB 84. The governmental statement of net position at June 30, 2020 and statement of activities for the year ended June 30, 2020 include all the balances and transactions for those activities that used to be reported as fiduciary but are now reported as governmental. All school districts were required to adopt this new standard, unless they elected to defer for one year, as allowed under GASB 95.

## Hudsonville Public Schools

### Management's Discussion and Analysis (Continued)

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2020 and 2019:

	Governmental Activities	
	2020	2019
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 2.3	\$ 2.8
Operating grants	22.4	18.0
General revenue:		
Taxes	18.4	17.0
State aid not restricted to specific purposes	49.9	48.7
Other	1.6	0.5
Total revenue	94.6	87.0
<b>Expenses</b>		
Instruction	57.3	48.3
Support services	28.5	22.2
Athletics	1.4	1.5
Food services	0.2	0.2
Community services	2.8	2.6
Payments to other public schools	0.1	-
Debt service	7.1	5.8
Depreciation expense (unallocated)	4.7	4.8
Total expenses	102.1	85.4
<b>Change in Net Position</b>	(7.5)	1.6
<b>Net Position</b> - Beginning of year (as restated)	(113.2)	(115.7)
<b>Net Position</b> - End of year	<u><u>\$ (120.7)</u></u>	<u><u>\$ (114.1)</u></u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$102.1 million. Certain activities were partially funded from those who benefited from the programs (\$2.3 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$22.4 million). We paid for the remaining public benefit portion of our governmental activities with \$18.4 million in taxes, \$49.9 million in state foundation allowance, and our other revenue (i.e., interest and general entitlements).

The School District experienced a decrease in net position of \$7.5 million. The key reason for the change in net position was the increase in deferred outflows for OPEB and pension costs.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

#### ***The School District's Funds***

As we noted earlier, the School District uses funds to help it control and manage money for effective management. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.



## Hudsonville Public Schools

### Management's Discussion and Analysis (Continued)

As the School District completed this year, the governmental funds reported a combined fund balance of \$109.9 million, which is an increase of \$95.9 million from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, the fund balance increased by \$2.5 million to \$13.4 million. The change is mainly due to less spending on classroom supplies, curriculum, transportation, athletics, utilities, and building maintenance after the state-mandated shutdown on March 13, 2020.

The 2020 Capital Projects Fund was new in the current year and had an increase in fund balance of \$94.0 million. This was due to the sale of the first series of bonds after passage of a \$139.9 million bond issue on November 5, 2019. The projects that will be funded with those bond proceeds are a new 5-6 building on the Baldwin Street campus, a new high school field house, a connector between the high school and the freshman campus, the addition of gymnasiums for three elementary schools, and technology replacements district wide.

Fund balance of our special revenue funds, the Food Service Fund, Community Education Fund, and Student Activities Fund, decreased from \$1.5 million last year to \$1.1 million this year as a result of refunds issued for child care and community education rentals. The amount the Community Education Fund paid to the General Fund for support decreased during the year.

The fund balance of our Debt Fund increased from \$0.1 million to \$0.2 million. Debt Fund fund balance is restricted since it can only be used to pay debt service obligations.

The fund balance of our Capital Projects Sinking Fund decreased by \$0.4 million. This is primarily due to the purchase of land for future school buildings and play fields.

#### **Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2020. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

There were significant revisions made to the 2019-2020 original budget. Budgeted revenue decreased by \$1.3 million due to an expected \$650 per student proration of state aid projected during the May 2020 Revenue Estimating Conference. The State actually prorated all schools by \$175 per student in July 2020 after the School District was required to adopt the final amended budget. The difference in the actual amount of the proration is the reason actual revenue from state sources was \$3.3 million higher than the final budget amount.

#### **Capital Assets and Debt Administration**

##### **Capital Assets**

As of June 30, 2020 and 2019, the School District had \$159.0 million and \$159.6 million, respectively, invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This represents a net decrease (including additions, disposals, and depreciation) of approximately \$0.6 million from 2019 to 2020.

	2020	2019
Land	\$ 7,183,559	\$ 5,717,895
Construction in progress	1,378,989	139,488
Buildings and improvements	146,894,472	150,737,440
Furniture and equipment	1,449,467	1,314,002
Buses and other vehicles	2,120,489	1,730,228
Total capital assets - Net of accumulated depreciation	<u>\$ 159,026,976</u>	<u>\$ 159,639,053</u>

We present more detailed information about our capital assets in the notes to the financial statements.

#### **Debt**

At the end of this year, the School District had \$211.6 million in bonds outstanding versus \$130.9 million in the previous year - a change of 61.7 percent. The increase was due to the sale of the 2020 general obligation building and site bonds and the 2020 refunder bonds.

Other obligations include accrued vacation pay, sick leave, employee retirement incentives, and the School Loan Revolving Fund. We present more detailed information about our long-term liabilities in the notes to the financial statements.

#### ***Economic Factors and Next Year's Budgets and Rates***

Our elected officials and administration consider many factors when setting the School District's 2020-2021 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2020-2021 budget was adopted in June 2020 based on an estimate of students who will enroll in September 2020. Approximately 63.8 percent of total General Fund revenue is from the state-funded portion of the foundation allowance. Under state law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2020 school year, we anticipate that the fall student count will be below the estimates used in creating the 2020-2021 budget.

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to the School District. The State periodically holds a Revenue Estimating Conference to estimate revenue. Based on the results of the most recent conference held in August 2020, the State estimates funds are sufficient to fund the appropriation, including a one-time increase of \$65 per pupil. The long term impact on the Michigan economy of COVID-19 is unknown. In the past six months, the economy has rebounded quicker than expected due to the CARES Act. It is not yet known if further federal stimulus will be provided.

All of the labor contracts are settled for the 2020-2021 school year. During the year, the School District will begin conversations with both the teacher and bus driver unions in preparation for their next bargained contracts.

The CARES Act has provided \$2.5 million in federal aid to assist the School District with the impact of COVID-19 on our operation through December 30, 2020. Without additional federal aid for virtual school, additional cleaning, and personal protective equipment, the School District will need to fund these needs from the General Fund.

**June 30, 2020**
**Governmental  
Activities**
**Assets**

Cash and cash equivalents (Note 4)	\$ 11,749,271
Receivables:	
Accounts receivable	55,943
Due from other governments	10,925,700
Prepaid costs	124,280
Restricted assets (Note 8)	96,542,902
Capital assets: (Note 6)	
Assets not subject to depreciation	8,562,548
Assets subject to depreciation - Net	<u>150,464,428</u>
Total assets	278,425,072

**Deferred Outflows of Resources**

Deferred charges on bond refunding (Note 9)	6,183,704
Deferred pension costs (Note 11)	45,673,522
Deferred OPEB costs (Note 11)	<u>10,990,282</u>
Total deferred outflows of resources	62,847,508

**Liabilities**

Accounts payable	1,323,055
Accrued liabilities and other	9,970,183
Unearned revenue (Note 5)	229,105
Noncurrent liabilities:	
Due within one year (Note 9)	11,499,243
Due in more than one year (Note 9)	234,999,992
Net pension liability (Note 11)	148,254,233
Net OPEB liability (Note 11)	<u>32,413,372</u>
Total liabilities	438,689,183

**Deferred Inflows of Resources**

Other deferred inflows (Note 11)	4,970,980
Deferred pension cost reductions (Note 11)	5,718,510
Deferred OPEB cost reductions (Note 11)	<u>12,592,369</u>
Total deferred inflows of resources	<u>23,281,859</u>

**Net Position**

Net investment in capital assets	13,850,682
Restricted - Capital projects	1,522,097
Unrestricted	<u>(136,071,241)</u>
Total net position	<u><u>\$ (120,698,462)</u></u>

# Hudsonville Public Schools

## Statement of Activities

Year Ended June 30, 2020

	Expenses	Program Revenue		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
Instruction	\$ 57,334,359	\$ -	\$ 21,232,821	\$ (36,101,538)
Support services	28,534,629	-	1,134,633	(27,399,996)
Athletics	1,422,520	170,195	-	(1,252,325)
Food services	207,822	108,104	48,060	(51,658)
Community services	2,826,836	2,081,690	13,532	(731,614)
Payments to other public schools	83,191	-	-	(83,191)
Interest	6,362,225	-	-	(6,362,225)
Other debt costs	662,445	-	-	(662,445)
Depreciation expense (unallocated) (Note 6)	4,737,916	-	-	(4,737,916)
Total primary government	<b>\$ 102,171,943</b>	<b>\$ 2,359,989</b>	<b>\$ 22,429,046</b>	(77,382,908)
General revenue:				
Taxes:				
Property taxes levied for general purposes				5,107,310
Property taxes levied for debt service				11,683,228
Property taxes levied for sinking fund				1,641,375
State aid not restricted to specific purposes				49,887,794
Interest and investment earnings				364,532
Gain on disposal of capital assets				9,020
Student activities				840,840
Other				388,235
Total general revenue				69,922,334
<b>Change in Net Position</b>				(7,460,574)
<b>Net Position - Beginning of year (as restated - Note 2)</b>				(113,237,888)
<b>Net Position - End of year</b>				<b><u>\$(120,698,462)</u></b>

## Hudsonville Public Schools

### Governmental Funds Balance Sheet

June 30, 2020

	General Fund	Debt Fund	2020 Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents (Note 4)	\$ 10,550,251	\$ -	\$ -	\$ 1,199,020	\$ 11,749,271
Receivables:					
Accounts receivable	22,206	414	-	33,323	55,943
Due from other governments	10,925,700	-	-	-	10,925,700
Due from other funds (Note 7)	18,807	-	-	4,429	23,236
Prepaid costs	124,280	-	-	-	124,280
Restricted assets (Note 8)	-	190,971	95,083,200	1,268,731	96,542,902
Total assets	<u>\$ 21,641,244</u>	<u>\$ 191,385</u>	<u>\$ 95,083,200</u>	<u>\$ 2,505,503</u>	<u>\$ 119,421,332</u>
<b>Liabilities</b>					
Accounts payable	\$ 169,546	\$ 1,167	\$ 1,095,904	\$ 56,438	\$ 1,323,055
Due to other funds (Note 7)	3,476	-	953	18,807	23,236
Accrued liabilities and other	7,983,143	-	-	-	7,983,143
Unearned revenue (Note 5)	169,516	-	-	59,589	229,105
Total liabilities	8,325,681	1,167	1,096,857	134,834	9,558,539
<b>Fund Balances</b>					
Nonspendable - Prepaids	124,280	-	-	-	124,280
Restricted:					
Debt service	-	190,218	-	-	190,218
Capital projects	-	-	93,986,343	1,239,389	95,225,732
Food service	-	-	-	4,757	4,757
Committed:					
Community service	-	-	-	202,505	202,505
Student activities	-	-	-	924,018	924,018
Assigned:					
Budgeted use of fund balance	1,321,344	-	-	-	1,321,344
Employee retirement incentive	260,512	-	-	-	260,512
West Community Education					
Television	345,653	-	-	-	345,653
Unassigned	11,263,774	-	-	-	11,263,774
Total fund balances	13,315,563	190,218	93,986,343	2,370,669	109,862,793
Total liabilities and fund balances	<u>\$ 21,641,244</u>	<u>\$ 191,385</u>	<u>\$ 95,083,200</u>	<u>\$ 2,505,503</u>	<u>\$ 119,421,332</u>

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**Governmental Funds**

**Reconciliation of the Balance Sheet to the Statement of Net Position**

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**June 30, 2020**

<b>Fund Balances Reported in Governmental Funds</b>	<b>\$ 109,862,793</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of capital assets	239,538,136
Accumulated depreciation	<u>(80,511,160)</u>
Net capital assets used in governmental activities	159,026,976
Deferred inflows and outflows related to bond refundings are not reported in the funds	6,183,704
Bonds payable, related unamortized bond premiums, and school loan revolving funds are not due and payable in the current period and are not reported in the funds	(245,103,821)
Accrued interest is not due and payable in the current period and is not reported in the funds	(1,987,040)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(1,134,902)
Early retirement incentive obligations	(260,512)
Net pension liability and related deferred inflows and outflows	(108,299,221)
Net OPEB liability and related deferred inflows and outflows	(34,015,459)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	<u>(4,970,980)</u>
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ (120,698,462)</u></u></b>

# Hudsonville Public Schools

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances

**Year Ended June 30, 2020**

	General Fund	Debt Fund	2020 Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>					
Local sources	\$ 5,855,747	\$ 11,760,622	\$ 272,825	\$ 4,496,315	\$ 22,385,509
State sources	62,493,624	22,379	-	16,730	62,532,733
Federal sources	1,800,492	-	-	48,060	1,848,552
Interdistrict sources	7,982,598	-	-	-	7,982,598
Total revenue	78,132,461	11,783,001	272,825	4,561,105	94,749,392
<b>Expenditures</b>					
Current:					
Instruction	49,801,671	-	-	-	49,801,671
Support services	22,882,845	-	-	915,867	23,798,712
Athletics	1,235,579	-	-	-	1,235,579
Food services	-	-	-	154,007	154,007
Community services	431,521	-	-	2,022,919	2,454,440
Debt service:					
Principal	-	9,440,000	-	-	9,440,000
Interest	-	6,040,660	-	-	6,040,660
Other debt costs	-	119,880	542,565	-	662,445
Capital outlay	1,470,578	-	2,593,801	1,981,069	6,045,448
Payments to other public schools	83,191	-	-	-	83,191
Total expenditures	75,905,385	15,600,540	3,136,366	5,073,862	99,716,153
<b>Excess of Revenue Over (Under)</b>					
<b>Expenditures</b>	2,227,076	(3,817,539)	(2,863,541)	(512,757)	(4,966,761)
<b>Other Financing Sources (Uses)</b>					
Face value of debt issued (Note 9)	-	8,400,000	81,795,000	-	90,195,000
Proceeds from sale of capital assets	9,020	-	-	-	9,020
Premium on debt issued (Note 9)	-	-	15,054,884	-	15,054,884
School Loan Revolving Fund proceeds	-	3,802,846	-	-	3,802,846
Transfers in (Note 7)	220,892	-	-	-	220,892
Payment to bond refunding escrow agent (Note 9)	-	(8,279,000)	-	-	(8,279,000)
Transfers out (Note 7)	-	-	-	(220,892)	(220,892)
Total other financing sources (uses)	229,912	3,923,846	96,849,884	(220,892)	100,782,750
<b>Net Change in Fund Balances</b>	2,456,988	106,307	93,986,343	(733,649)	95,815,989
<b>Fund Balances</b> - Beginning of year (as restated - Note 2)	10,858,575	83,911	-	3,104,318	14,046,804
<b>Fund Balances</b> - End of year	<u>\$ 13,315,563</u>	<u>\$ 190,218</u>	<u>\$ 93,986,343</u>	<u>\$ 2,370,669</u>	<u>\$ 109,862,793</u>

## Hudsonville Public Schools

### Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2020

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ 95,815,989</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capitalized capital outlay	4,125,839
Depreciation expense	<u>(4,737,916)</u>
Total	(612,077)
Revenue in support of pension contributions made subsequent to the measurement date	(47,043)
Issuing debt, net of premiums and discounts, provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position	(109,052,730)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt); amortization of premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds	18,388,378
Interest expense is recognized in the government-wide statements as it accrues	(990,943)
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	<u>(10,962,148)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ (7,460,574)</u></u></b>



June 30, 2020

### Note 1 - Nature of Business

Hudsonville Public Schools (the "School District") is a school district in the state of Michigan that provides educational services to students.

### Note 2 - Significant Accounting Policies

#### ***Accounting and Reporting Principles***

The School District follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the School District:

#### ***Reporting Entity***

The School District is governed by an elected seven-member Board of Education. In accordance with government accounting principles, there are no separate legal entities appropriate to be reported within these financial statements.

#### ***Report Presentation***

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. 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 primary government. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**June 30, 2020****Note 2 - Significant Accounting Policies (Continued)*****Fund Accounting***

The School District accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the School District to show the particular expenditures for which specific revenue is used. The various funds are aggregated into the following fund types:

**Governmental Funds**

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The School District reports the following funds as major governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Debt Fund is used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt for the outstanding bonds issued from 2011 through 2020.
- The 2020 Capital Projects Fund is used to record bond proceeds and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and technology upgrades and for remodeling and repairs. The fund operates until the purpose for which it was created is accomplished.

Additionally, the School District reports the following nonmajor governmental fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes. The School District's special revenue funds are the Food Service, Community Education, and Student Activities funds. Revenue sources for the Food Service Fund include sales to customers and dedicated grants from federal sources. Revenue sources for the Community Education Fund include tuition and fees for various community programs, including child care services, preschool, youth enrichment, and adult recreation activities. Lastly, revenue sources for the School Activities Fund includes fundraising revenue and donations earned and received by student groups. Any operating deficit generated by these activities is the responsibility of the General Fund.
- The Capital Projects Sinking Fund is used to record sinking fund property tax collections or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and technology upgrades and for remodeling and repairs. The fund operates until the purpose for which it was created is accomplished.

**Interfund Activity**

During the course of operations, the School District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

**June 30, 2020****Note 2 - Significant Accounting Policies (Continued)**

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

***Basis of Accounting***

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the School District has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the School District considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources.

***Specific Balances and Transactions*****Cash and Investments**

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Inventories and Prepaid Items**

Inventories are valued at cost on a first-in, first-out basis. In addition, certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements when applicable.

**Restricted Assets**

The following amounts are reported as restricted assets:

- Unspent bond proceeds and related interest of the bonded capital projects funds required to be set aside for construction or other allowable bond purchases
- Unspent property taxes levied held in the debt service funds required to be set aside for future bond principal and interest payments
- Unspent property taxes levied and held in the Capital Projects Sinking Fund required to be set aside for construction or allowable purchases

June 30, 2020

**Note 2 - Significant Accounting Policies (Continued)****Capital Assets**

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend the asset life are not capitalized.

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

	Depreciable Life - Years
Buildings and improvements	20 to 50
Furniture and equipment	5 to 10
Buses and other vehicles	5 to 10

**Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in governmental activities in the statement of net position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred.

In the fund financial statements, governmental fund types recognize bond issuances and premiums as other financing sources and bond discounts as other financing uses. The General Fund and debt service funds are generally used to liquidate governmental long-term debt.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until then.

The School District reports deferred outflows related to deferred charges on refundings and deferred pension and OPEB costs.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The School District reports deferred inflows related to revenue in support of pension contributions made subsequent to the measurement date and deferred pension and OPEB plan cost reductions.

**Net Position**

Net position of the School District is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

**June 30, 2020****Note 2 - Significant Accounting Policies (Continued)****Net Position Flow Assumption**

The School District will sometimes fund outlays for a particular purpose from both restricted 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 School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Fund Balance Flow Assumptions**

The School District will sometimes 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 School District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The School 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 School District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the School District that can, by passing a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The School District has, by resolution, authorized the superintendent and director of finance to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist only 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.

**Property Tax Revenue**

Properties are assessed as of December 31, and the related property taxes become a lien on July 1 of the following year. Tax collections are forwarded to the School District as collected by the assessing municipalities through March 1, at which time they are considered delinquent and added to county tax rolls. Any delinquent taxes collected by the county are remitted to the School District by June 30. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

**June 30, 2020****Note 2 - Significant Accounting Policies (Continued)****Grants and Contributions**

The School District receives federal, state, and local grants, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

**Pension and Other Postemployment Benefit (OPEB) Plans**

For purposes of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pension and OPEB plans, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPERS) and additions to/deductions from the MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

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

It is the School District's policy to permit specific employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the School District will pay upon employment termination; vacation pay is accrued when incurred. In addition, the School District has offered early retirement incentives to select employees that is 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 reported in 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.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Adoption of New Accounting Pronouncement**

During the current year, the School District adopted GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. As a result of implementing this standard, the activities of the Student Activities Fund were previously reported as fiduciary activities but no longer meet the definition of such and, therefore, are no longer reported within these statements as a fiduciary fund.

June 30, 2020

**Note 2 - Significant Accounting Policies (Continued)**

The effect of this new standard on fund balance/net position was as follows:

	Governmental Activities	Nonmajor Funds
Net position/fund balance - June 30, 2019 (as previously reported)	\$ (114,088,127)	\$ 2,254,079
Adjustment for GASB Statement No. 84 to change fund type	850,239	850,239
Net position/fund balance - June 30, 2019 (as restated)	<u>\$ (113,237,888)</u>	<u>\$ 3,104,318</u>

**Upcoming Accounting Pronouncement**

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires 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 an 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. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement that were originally effective for the School District's financial statements for the year ending June 30, 2021 were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

**Note 3 - Stewardship, Compliance, and Accountability****Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds except that, for the General Fund, debt service, capital outlay, and athletic expenses are reported within other function levels. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and combined function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the combined function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The School District changed budgeted amounts during the year in response to state aid and other funding changes.

The budget and actual information for the General Fund is presented in the same format as the adopted budget, which includes some classification differences from amounts reported in the statement of revenue, expenditures, and changes in fund balances.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services are rendered.

**Excess of Expenditures Over Appropriations in Budgeted Funds**

The School District did not have significant expenditure budget variances.



**June 30, 2020****Note 3 - Stewardship, Compliance, and Accountability (Continued)*****Capital Projects Fund Compliance***

The 2020 Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code. The cumulative expenditures recognized for the construction projects in the 2020 Capital Projects Fund were \$3,136,366 through the year ended June 30, 2020.

The Capital Projects Sinking Fund records capital project activities funded with Capital Projects Sinking Fund millage. For this fund, authorized prior to March 29, 2017, the School District has complied with the applicable provisions of §1212 of the State of Michigan Revised School Code.

**Note 4 - Deposits and Investments**

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper rated prime at the time of purchase that matures no more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The School District has designated six banks for the deposit of its funds.

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

***Custodial Credit Risk of Bank Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At year end, the School District had \$12,888,719 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The School District believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

***Custodial Credit Risk of Investments***

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School 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 School District does not have a policy for custodial credit risk. At June 30, 2020, the School District does not have investments with custodial credit risk.

***Interest Rate Risk***

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity.



June 30, 2020

**Note 4 - Deposits and Investments (Continued)*****Credit Risk***

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices. As of June 30, 2020, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Carrying Value	Rating	Rating Organization
<b>Primary Government</b>			
Michigan Liquid Asset Fund - MAX Class	\$ 94,986,187	AAAm	S&P
Michigan Liquid Asset Fund - Cash management	184,233	AAAm	S&P
Total	<u>\$ 95,170,420</u>		

The Michigan Liquid Asset Fund - MAX Class investment may not be redeemed for at least 14 calendar days, with the exception of direct investments of funds distributed by the State of Michigan. In addition, redemptions made prior to the 14-day period are subject to a penalty equal to 15 days' interest on the amount so redeemed. The Michigan Liquid Asset Fund - Cash management investment has no limitations or restrictions on participant withdrawals except for a one-day minimum investment period.

***Concentration of Credit Risk***

The School District places no limit on the amount it may invest in any one issuer. The School District does not have any investments subject to concentration of credit risk.

***Foreign Currency Risk***

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's investment policy prohibit investments in foreign currency.

**Note 5 - Unavailable/Unearned Revenue**

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2020, the School District had no unavailable revenue and \$229,105 of unearned revenue, primarily related to grant and categorical aid payment received prior to meeting all eligibility requirements.

June 30, 2020

**Note 6 - Capital Assets**

Capital asset activity of the School District's governmental activities was as follows:

**Governmental Activities**

	Balance July 1, 2019	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2020
Capital assets not being depreciated:					
Land	\$ 5,717,895	\$ -	\$ 1,465,664	\$ -	\$ 7,183,559
Construction in progress	139,488	(297,747)	1,537,248	-	1,378,989
Subtotal	5,857,383	(297,747)	3,002,912	-	8,562,548
Capital assets being depreciated:					
Buildings and improvements	216,835,949	17,985	328,019	-	217,181,953
Furniture and equipment	6,772,178	279,762	46,268	-	7,098,208
Buses and other vehicles	6,333,938	-	748,640	(387,151)	6,695,427
Subtotal	229,942,065	297,747	1,122,927	(387,151)	230,975,588
Accumulated depreciation:					
Buildings and improvements	66,098,509	-	4,188,972	-	70,287,481
Furniture and equipment	5,458,176	-	190,565	-	5,648,741
Buses and other vehicles	4,603,710	-	358,379	(387,151)	4,574,938
Subtotal	76,160,395	-	4,737,916	(387,151)	80,511,160
Net capital assets being depreciated	153,781,670	297,747	(3,614,989)	-	150,464,428
Net governmental activities capital assets	<u>\$ 159,639,053</u>	<u>\$ -</u>	<u>\$ (612,077)</u>	<u>\$ -</u>	<u>\$ 159,026,976</u>

Depreciation expense was not charged to activities, as the School District's assets benefit multiple activities and allocation is impractical.

**Construction Commitments**

The School District has active construction projects at year end. At year end, the School District's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
2020 Bond Fund	<u>\$ 999,559</u>	<u>\$ 1,417,084</u>

**Note 7 - Interfund Receivables, Payables, and Transfers**

The composition of interfund balances is as follows:

Fund Due To	Fund Due From			
	General Fund	2020 Capital Projects Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ -	\$ 18,807	\$ 18,807
Nonmajor governmental funds	3,476	953	-	4,429
Total	<u>\$ 3,476</u>	<u>\$ 953</u>	<u>\$ 18,807</u>	<u>\$ 23,236</u>

June 30, 2020

### Note 7 - Interfund Receivables, Payables, and Transfers (Continued)

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Transfers from the Community Education Fund to the General Fund were to cover general administrative and indirect costs related to community education activities.

### Note 8 - Restricted Assets

At June 30, 2020, restricted assets are composed of the following:

Description	Governmental Activities
Unspent bond proceeds	\$ 95,083,200
Unspent debt service funds	190,971
Unspent sinking fund millage	1,268,731
Total	<u>\$ 96,542,902</u>

### Note 9 - Long-term Debt

Long-term debt activity for the year ended June 30, 2020 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
General obligation bonds	\$ 130,855,000	\$ 90,195,000	\$ (9,440,000)	\$ 211,610,000	\$ 9,820,000
Unamortized bond premiums	15,809,915	15,054,884	(1,198,403)	29,666,396	1,542,515
Total bonds payable	146,664,915	105,249,884	(10,638,403)	241,276,396	11,362,515
Direct borrowing - School Loan Revolving Fund	8,136,965	3,969,460	(8,279,000)	3,827,425	-
Compensated absences	1,111,703	33,965	(10,766)	1,134,902	-
Early termination obligation	254,884	152,938	(147,310)	260,512	136,728
Total governmental activities long-term debt	<u>\$ 156,168,467</u>	<u>\$ 109,406,247</u>	<u>\$ (19,075,479)</u>	<u>\$ 246,499,235</u>	<u>\$ 11,499,243</u>

The School District had deferred outflows of \$6,183,704 related to deferred charges on bond refundings at June 30, 2020.

June 30, 2020

**Note 9 - Long-term Debt (Continued)****General Obligation Bonds and Contracts**

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The primary source of any required repayment is from the School District's property tax levy. The bonds issued are qualified bonds and are fully guaranteed by the State of Michigan. General obligations outstanding at June 30, 2020 are as follows:

Purpose	Remaining Annual Installments	Interest Rates	Maturing	Outstanding
\$79,850,000 general obligation unlimited tax bonds (2011)	\$1,845,000	5.00%	May 2021	\$ 1,845,000
\$22,830,000 general obligation unlimited tax and refunding bonds (2013)	\$1,450,000 - \$1,585,000	3.00 - 5.00%	May 2029	13,880,000
\$18,915,000 general obligation unlimited tax and refunding bonds (2015)	\$1,745,000 - \$2,035,000	5.00%	May 2027	13,530,000
\$19,560,000 general obligation unlimited tax bonds (2015)	\$700,000 - \$975,000	4.00 - 5.00%	May 2041	17,725,000
\$12,270,000 general obligation unlimited tax and refunding bonds (2016)	\$3,000,000 - \$3,220,000	2.06 - 2.62%	May 2023	9,370,000
\$61,255,000 general obligation unlimited tax and refunding bonds (2017)	\$1,895,000 - \$4,665,000	5.00%	May 2041	61,255,000
\$5,665,000 general obligation unlimited tax and refunding bonds (2018)	\$945,000 - \$955,000	4.00 - 5.00%	May 2024	3,810,000
\$8,400,000 general obligation unlimited tax and refunding bonds (2020)	\$1,000,000 - \$2,100,000	2.43 - 2.67%	May 2030	8,400,000
\$81,795,000 general obligation unlimited tax bonds (2020)	\$1,565,000 - \$4,775,000	4.00%	May 2049	81,795,000
Total governmental activities				<u>\$ 211,610,000</u>

**Debt Service Requirements to Maturity**

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities		
	Other Debt		
	Principal	Interest	Total
2021	\$ 9,820,000	\$ 9,703,639	\$ 19,523,639
2022	11,655,000	8,820,654	20,475,654
2023	11,960,000	8,343,152	20,303,152
2024	9,020,000	7,845,026	16,865,026
2025	8,215,000	7,486,100	15,701,100
2026-2030	44,845,000	31,558,072	76,403,072
2031-2035	32,930,000	22,931,400	55,861,400
2036-2040	40,605,000	14,569,250	55,174,250
2041-2045	24,535,000	6,213,600	30,748,600
2046-2049	18,025,000	1,837,800	19,862,800
Total	<u>\$ 211,610,000</u>	<u>\$ 119,308,693</u>	<u>\$ 330,918,693</u>

**June 30, 2020****Note 9 - Long-term Debt (Continued)*****School Loan Revolving Fund***

The School Loan Revolving Fund payable represents a direct borrowing from the State of Michigan for loans made to the School District, as authorized by the 1963 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 in accordance with Section 9 of Act No. 92 of the Public Acts of 2005 (the "Act"), as amended. The School Loan Revolving Fund is accessible to school districts for borrowings that initiated after July 19, 2005. Interest during the year ended June 30, 2020 ranged from 3.07 to 3.41 percent. Repayment begins as soon as annual tax collections exceed annual debt service payment requirements. The predetermined mandatory final loan repayment date is May 1, 2047. If the School District fails to levy the appropriate debt mills in accordance with the agreement or defaults in loan repayment, the School District shall increase its debt levy in the next succeeding year, and a default late charge of 3 percent will apply. 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 debt maturity schedule. The School Loan Revolving Fund principal and interest outstanding balances at June 30, 2020 were \$3,805,037 and \$22,388, respectively.

***Bond Refunding***

In previous years, the School District advance refunded the 2011 bonds. The proceeds of the advance refunding were submitted to the escrow agent as payment in full. At June 30, 2020, there is still \$64,380,000 of bonds outstanding that are considered defeased.

***Current Bond Refunding***

During the year, the School District issued \$8,400,000 in general obligation (revenue) bonds with an average interest rate of 2.56 percent. The net proceeds of these bonds (after payment of \$121,000 in underwriting fees, insurance, and other issuance costs) were used to immediately refund \$8,279,000 of outstanding School Bond Loan Fund balance with an average interest rate of 3.50 percent. As a result, that portion of the liability for the School Bond Loan Fund has been removed from long-term debt. The refunding reduced total debt service payments over the next 20 years by approximately \$198,000, which represents an economic gain of approximately \$439,000.

**Note 10 - Risk Management**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for substantially all claims and participates in the SET-SEG (risk pool) for claims relating to property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of 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.

**June 30, 2020****Note 11 - Michigan Public School Employees' Retirement System*****Plan Description***

The School District participates in the Michigan Public School Employees' Retirement System (MPSERS or the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. Certain school district employees also receive defined contribution retirement and health care benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment health care benefits to retirees and beneficiaries who elect to receive those benefits.

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment health care plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement Services at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

***Benefits Provided***

Benefit provisions of the defined benefit (DB) pension plan and the postemployment health care 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 pension plan and the postemployment health care plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member's date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits but with an actuarial reduction.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS, with the balance deducted from the monthly pension of each retiree health care recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

June 30, 2020

**Note 11 - Michigan Public School Employees' Retirement System (Continued)*****Contributions***

Public Act 300 of 1980, as amended, required the School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to the retiree health care plan and keeping the premium subsidy benefit described above or choosing not to pay the 3 percent 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 health care expenses in retirement. Participants in the PHF are automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stopped paying the 3 percent contribution to the retiree health care plan as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

The School District's contributions are determined based on employee elections. There are multiple different pension and health care benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The ranges of rates are as follows:

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

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The School District's required and actual pension contributions to the plan for the year ended June 30, 2020 were \$13,122,625, which include the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual pension contributions include an allocation of \$4,970,980 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2020.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2020 were \$3,503,835, which include the School District's contributions required for those members with a defined contribution benefit.



June 30, 2020

**Note 11 - Michigan Public School Employees' Retirement System (Continued)*****Net Pension Liability***

At June 30, 2020, the School District reported a liability of \$148,254,233 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018, which used update procedures to roll forward the estimated liability to September 30, 2019. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2019 and 2018, the School District's proportion was 0.4477 and 0.4377 percent, respectively, representing a change of 2.28 percent.

***Net OPEB Liability***

At June 30, 2020, the School District reported a liability of \$32,413,372 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2020 was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018, which used update procedures to roll forward the estimated liability to September 30, 2019. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2019 and 2018, the School District's proportion was 0.4516 and 0.4459 percent, respectively, representing a change of 1.28 percent.

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

For the year ended June 30, 2020, the School District recognized pension expense of \$25,580,421, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 664,523	\$ (618,206)
Changes in assumptions	29,028,283	-
Net difference between projected and actual earnings on pension plan investments	-	(4,751,296)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	5,053,708	(349,008)
The School District's contributions to the plan subsequent to the measurement date	10,927,008	-
Total	<u>\$ 45,673,522</u>	<u>\$ (5,718,510)</u>

The \$4,970,980 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2021	\$ 11,940,719
2022	9,046,475
2023	5,767,958
2024	2,272,852
Total	<u>\$ 29,028,004</u>



June 30, 2020

**Note 11 - Michigan Public School Employees' Retirement System (Continued)**

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

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

For the year ended June 30, 2020, the School District recognized OPEB expense of \$1,173,263.

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (11,893,383)
Changes in assumptions	7,023,322	-
Net difference between projected and actual earnings on OPEB plan investments	-	(563,684)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	1,466,032	(135,302)
Employer contributions to the plan subsequent to the measurement date	2,500,928	-
Total	<u>\$ 10,990,282</u>	<u>\$ (12,592,369)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending	Amount
2021	\$ (1,164,793)
2022	(1,164,793)
2023	(882,194)
2024	(550,229)
2025	(341,006)
Thereafter	-
Total	<u>\$ (4,103,015)</u>

June 30, 2020

**Note 11 - Michigan Public School Employees' Retirement System (Continued)*****Actuarial Assumptions***

The total pension liability and total OPEB liability as of September 30, 2019 are based on the results of an actuarial valuation as of September 30, 2018 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00% - 6.80%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.95%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75%
Health care cost trend rate - OPEB	7.50%	Year 1 graded to 3.5% year 12
Mortality basis		RP-2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP-2017 from 2006
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 2012 to 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation.

Significant assumption changes since the prior measurement date, September 30, 2018, for pension and OPEB include a reduction in both discount rates, continued impact of the updated experience study that resulted in a lower than projected per person health benefit costs for OPEB, and favorable investment experience for both plans. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2018.

***Discount Rate***

The discount rate used to measure the total pension liability was 6.00 to 6.80 percent as of September 30, 2019 depending on the plan option. The discount rate used to measure the total OPEB liability was 6.95 percent as of September 30, 2019. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

June 30, 2020

**Note 11 - Michigan Public School Employees' Retirement System (Continued)**

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.00 %	5.50 %
Private equity pools	18.00	8.60
International equity pools	16.00	7.30
Fixed-income pools	10.50	1.20
Real estate and infrastructure pools	10.00	4.20
Absolute return pools	15.50	5.40
Short-term investment pools	2.00	0.80
Total	100.00 %	

Long-term rates of return are net of administrative expense and inflation of 2.30 percent.

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the net pension liability of the School District, calculated using the discount rate depending on the plan option. The following also reflects what the School District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.00 - 5.80%)	Current Discount Rate (6.00 - 6.80%)	1 Percentage Point Increase (7.00 - 7.80%)
Net pension liability of the School District	\$ 192,739,987	\$ 148,254,233	\$ 111,374,010

***Sensitivity of the Net OPEB Liability to Changes in the Discount Rate***

The following presents the net OPEB liability of the School District, calculated using the current discount rate. It also reflects what the School District's 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:

	1 Percentage Point Decrease (5.95%)	Current Discount Rate (6.95%)	1 Percentage Point Increase (7.95%)
Net OPEB liability of the School District	\$ 39,759,872	\$ 32,413,372	\$ 26,244,353

June 30, 2020

**Note 11 - Michigan Public School Employees' Retirement System (Continued)**

***Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate***

The following presents the net OPEB liability of the School District, calculated using the current health care cost trend rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.50%)	Current Rate (7.50%)	1 Percentage Point Increase (8.50%)
Net OPEB liability of the School District	\$ 25,982,813	\$ 32,413,372	\$ 39,759,000

***Pension Plan and OPEB Plan Fiduciary Net Position***

Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

***Payable to the Pension Plan and OPEB Plan***

At June 30, 2020, the School District reported a payable of \$1,753,542 and \$356,629 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2020.

**Note 12 - Subsequent Events**

Following the passing of Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law on March 27, 2020 to combat the effects of the COVID-19 pandemic, the U.S. Department of Treasury distributed Coronavirus Relief Fund (CRF) payments to the State of Michigan. During July and August 2020, the School District received \$2,580,239 of these restricted CRF funds from the Michigan Department of Education. The CRF funds can only be used for eligible costs and are subject to certain Uniform Guidance and grant-specific reporting requirements.

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## Required Supplemental Information

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## Hudsonville Public Schools

### Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
<b>Revenue</b>				
Local sources	\$ 8,337,206	\$ 5,919,358	\$ 5,855,747	\$ (63,611)
State sources	60,483,153	59,242,526	62,493,624	3,251,098
Federal sources	1,826,426	1,862,847	1,800,492	(62,355)
Interdistrict sources	5,374,781	7,694,494	7,982,598	288,104
Total revenue	76,021,566	74,719,225	78,132,461	3,413,236
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	40,698,323	40,662,474	40,211,735	(450,739)
Added needs	9,388,831	10,038,810	9,812,596	(226,214)
Support services:				
Pupil	4,390,254	4,581,927	4,548,879	(33,048)
Instructional staff	1,913,107	2,402,199	2,325,929	(76,270)
School administration	8,633,889	9,050,512	8,779,469	(271,043)
Operations and maintenance	5,993,455	6,069,207	5,920,009	(149,198)
Pupil transportation services	3,616,887	3,923,610	3,816,294	(107,316)
Community services	2,334,229	259,958	490,474	230,516
Total expenditures	76,968,975	76,988,697	75,905,385	(1,083,312)
<b>Excess of Revenue (Under) Over Expenditures</b>	(947,409)	(2,269,472)	2,227,076	4,496,548
<b>Other Financing Sources</b>				
Proceeds from sale of capital assets	-	9,020	9,020	-
Transfers in	-	220,892	220,892	-
Total other financing sources	-	229,912	229,912	-
<b>Net Change in Fund Balance</b>	(947,409)	(2,039,560)	2,456,988	4,496,548
<b>Fund Balance - Beginning of year</b>	10,858,575	10,858,575	10,858,575	-
<b>Fund Balance - End of year</b>	<u>\$ 9,911,166</u>	<u>\$ 8,819,015</u>	<u>\$ 13,315,563</u>	<u>\$ 4,496,548</u>

## Hudsonville Public Schools

### Required Supplemental Information Schedule of the School District's Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System

	Last Six Plan Years					
	Plan Years Ended September 30					
	2019	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	0.44767 %	0.43766 %	0.42768 %	0.41329 %	0.39521 %	0.39240 %
School District's proportionate share of the net pension liability	\$ 148,254,233	\$ 131,567,977	\$ 110,828,957	\$ 103,111,660	\$ 96,529,926	\$ 86,431,831
School District's covered payroll	\$ 39,446,618	\$ 37,949,513	\$ 36,135,959	\$ 35,583,352	\$ 33,014,151	\$ 34,121,961
School District's proportionate share of the net pension liability as a percentage of its covered payroll	375.84 %	346.69 %	306.70 %	289.78 %	292.39 %	253.30 %
Plan fiduciary net position as a percentage of total pension liability	60.08 %	62.12 %	64.21 %	63.27 %	63.17 %	66.20 %

## Hudsonville Public Schools

### Required Supplemental Information Schedule of Pension Contributions Michigan Public School Employees' Retirement System

	Last Six Fiscal Years Years Ended June 30					
	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 12,796,179	\$ 11,953,043	\$ 6,630,224	\$ 8,898,423	\$ 8,624,112	\$ 7,413,354
Contributions in relation to the statutorily required contribution	12,796,179	11,953,043	6,630,224	8,898,423	8,624,112	7,413,354
<b>Contribution Excess</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>School District's Covered Payroll</b>	<b>\$ 41,298,069</b>	<b>\$ 39,011,522</b>	<b>\$ 37,313,016</b>	<b>\$ 35,950,784</b>	<b>\$ 33,834,973</b>	<b>\$ 33,844,020</b>
<b>Contributions as a Percentage of Covered Payroll</b>	30.98 %	30.64 %	17.77 %	24.75 %	25.49 %	21.90 %



## Hudsonville Public Schools

### Required Supplemental Information Schedule of the School District's Proportionate Share of the Net OPEB Liability Michigan Public School Employees' Retirement System

	Last Three Plan Years		
	Plan Years Ended September 30		
	2019	2018	2017
School District's proportion of the net OPEB liability	0.45158 %	0.44594 %	0.42806 %
School District's proportionate share of the net OPEB liability	\$ 32,413,372	\$ 35,447,355	\$ 37,907,128
School District's covered payroll	\$ 39,446,618	\$ 37,949,513	\$ 36,135,959
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	82.17 %	93.41 %	104.90 %
Plan fiduciary net position as a percentage of total OPEB liability	48.67 %	43.10 %	36.39 %

## Hudsonville Public Schools

### Required Supplemental Information Schedule of OPEB Contributions Michigan Public School Employees' Retirement System

#### Last Three Fiscal Years Years Ended June 30

	2020	2019	2018
Statutorily required contribution	\$ 3,318,548	\$ 3,064,365	\$ 2,736,235
Contributions in relation to the statutorily required contribution	3,318,548	3,064,365	2,736,235
<b>Contribution Excess</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>School District's Covered Payroll</b>	<b>\$ 41,298,069</b>	<b>\$ 39,011,522</b>	<b>\$ 37,313,016</b>
<b>Contributions as a Percentage of Covered Payroll</b>	<b>8.04 %</b>	<b>7.86 %</b>	<b>7.33 %</b>

June 30, 2020

#### ***Pension Information***

Ultimately, 10 years of data will be presented in both of the pension-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

#### **Benefit Changes**

There were no changes of benefit terms for each of the reported plan years ended September 30.

#### **Changes in Assumptions**

There were no significant changes of assumptions for each of the reported plan years ended September 30, except for the following:

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

#### ***OPEB Information***

Ultimately, 10 years of data will be presented in both of the OPEB-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

#### **Benefit Changes**

There were no changes of benefit terms for each of the reported plan years ended September 30.

#### **Changes in Assumptions**

There were no significant changes of assumptions for each of the reported plan years ended September 30, except for the following:

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.4 billion in 2019.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by \$1.4 billion in 2018.

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## Other Supplemental Information

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## Hudsonville Public Schools

### Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2020

	Special Revenue Funds			Capital Project Funds	
	Food Service Fund	Community Education Fund	Student Activities Fund	Capital Projects Sinking Fund	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 1,281	\$ 287,205	\$ 910,534	\$ -	\$ 1,199,020
Accounts receivable	-	19,776	13,495	52	33,323
Due from other funds	3,476	-	-	953	4,429
Restricted assets	-	-	-	1,268,731	1,268,731
Total assets	<u>\$ 4,757</u>	<u>\$ 306,981</u>	<u>\$ 924,029</u>	<u>\$ 1,269,736</u>	<u>\$ 2,505,503</u>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 26,091	\$ -	\$ 30,347	\$ 56,438
Due to other funds	-	18,796	11	-	18,807
Unearned revenue	-	59,589	-	-	59,589
Total liabilities	-	104,476	11	30,347	134,834
<b>Fund Balances</b>					
Restricted:					
Capital projects	-	-	-	1,239,389	1,239,389
Food service	4,757	-	-	-	4,757
Committed:					
Community service	-	202,505	-	-	202,505
Student activities	-	-	924,018	-	924,018
Total fund balances	<u>4,757</u>	<u>202,505</u>	<u>924,018</u>	<u>1,239,389</u>	<u>2,370,669</u>
Total liabilities and fund balances	<u>\$ 4,757</u>	<u>\$ 306,981</u>	<u>\$ 924,029</u>	<u>\$ 1,269,736</u>	<u>\$ 2,505,503</u>

## Hudsonville Public Schools

### Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds

Year Ended June 30, 2020

	Special Revenue Funds			Capital Project Funds	
	Food Service Fund	Community Education Fund	Student Activities Fund	Capital Projects Sinking Fund	Total
<b>Revenue</b>					
Local sources	\$ 108,158	\$ 1,902,870	\$ 840,840	\$ 1,644,447	\$ 4,496,315
State sources	-	13,532	-	3,198	16,730
Federal sources	48,060	-	-	-	48,060
Total revenue	156,218	1,916,402	840,840	1,647,645	4,561,105
<b>Expenditures</b>					
Current:					
Support services	-	103,607	767,061	45,199	915,867
Food services	154,007	-	-	-	154,007
Community services	-	2,022,919	-	-	2,022,919
Capital outlay	-	10,021	-	1,971,048	1,981,069
Total expenditures	154,007	2,136,547	767,061	2,016,247	5,073,862
<b>Excess of Revenue Over (Under) Expenditures</b>	2,211	(220,145)	73,779	(368,602)	(512,757)
<b>Other Financing Uses</b> - Transfers out	-	(220,892)	-	-	(220,892)
<b>Net Change in Fund Balances</b>	2,211	(441,037)	73,779	(368,602)	(733,649)
<b>Fund Balances</b> - Beginning of year (as restated)	2,546	643,542	850,239	1,607,991	3,104,318
<b>Fund Balances</b> - End of year	<u>\$ 4,757</u>	<u>\$ 202,505</u>	<u>\$ 924,018</u>	<u>\$ 1,239,389</u>	<u>\$ 2,370,669</u>

## Hudsonville Public Schools

### Other Supplemental Information Schedule of Bonded Indebtedness

June 30, 2020

Years Ending June 30	2011 Building and Site Bond		2013 Refunding Bond		2015 Refunding Bond		2015 Building and Site Bond		2016 Refunding Bond	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 1,845,000	\$ 92,250	\$ 1,585,000	\$ 558,100	\$ 1,745,000	\$ 676,500	\$ 700,000	\$ 850,750	\$ 3,000,000	\$ 226,448
2022	-	-	1,580,000	478,850	1,815,000	588,500	700,000	822,750	3,150,000	160,028
2023	-	-	1,580,000	399,850	1,885,000	498,500	700,000	794,750	3,220,000	84,396
2024	-	-	1,580,000	320,850	1,985,000	404,250	725,000	766,750	-	-
2025	-	-	1,560,000	257,650	2,030,000	305,000	725,000	737,750	-	-
2026	-	-	1,540,000	195,250	2,035,000	203,500	750,000	708,750	-	-
2027	-	-	1,520,000	133,650	2,035,000	101,750	775,000	671,250	-	-
2028	-	-	1,485,000	88,050	-	-	800,000	632,500	-	-
2029	-	-	1,450,000	43,500	-	-	800,000	592,500	-	-
2030	-	-	-	-	-	-	825,000	550,500	-	-
2031	-	-	-	-	-	-	850,000	511,250	-	-
2032	-	-	-	-	-	-	850,000	468,750	-	-
2033	-	-	-	-	-	-	875,000	426,750	-	-
2034	-	-	-	-	-	-	900,000	382,500	-	-
2035	-	-	-	-	-	-	925,000	337,500	-	-
2036	-	-	-	-	-	-	950,000	291,250	-	-
2037	-	-	-	-	-	-	975,000	243,750	-	-
2038	-	-	-	-	-	-	975,000	195,000	-	-
2039	-	-	-	-	-	-	975,000	146,250	-	-
2040	-	-	-	-	-	-	975,000	97,500	-	-
2041	-	-	-	-	-	-	975,000	48,750	-	-
2042	-	-	-	-	-	-	-	-	-	-
2043	-	-	-	-	-	-	-	-	-	-
2044	-	-	-	-	-	-	-	-	-	-
2045	-	-	-	-	-	-	-	-	-	-
2046	-	-	-	-	-	-	-	-	-	-
2047	-	-	-	-	-	-	-	-	-	-
2048	-	-	-	-	-	-	-	-	-	-
2049	-	-	-	-	-	-	-	-	-	-
Total remaining payments	<u>\$ 1,845,000</u>	<u>\$ 92,250</u>	<u>\$ 13,880,000</u>	<u>\$ 2,475,750</u>	<u>\$ 13,530,000</u>	<u>\$ 2,778,000</u>	<u>\$ 17,725,000</u>	<u>\$ 10,277,500</u>	<u>\$ 9,370,000</u>	<u>\$ 470,872</u>
Principal payments due	May 1		May 1		May 1		May 1		May 1	
Interest payments due	May 1 and November 1		May 1 and November 1		May 1 and November 1		May 1 and November 1		May 1 and November 1	
Interest rate	5.0%		3.0 - 5.0%		5.0%		4.0 - 5.0%		2.1 - 2.6%	
Original issue	<u>\$ 79,850,000</u>		<u>\$ 22,830,000</u>		<u>\$ 18,915,000</u>		<u>\$ 19,560,000</u>		<u>\$ 12,270,000</u>	

# Hudsonville Public Schools

## Other Supplemental Information Schedule of Bonded Indebtedness (Continued)

June 30, 2020

Years Ending June 30	2017 Refunding Bond		2018 Refunding Bond		2020 Refunding Bond		2020 Building and Site Bond		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2021	\$ -	\$ 3,010,626	\$ 945,000	\$ 190,500	\$ -	\$ 215,600	\$ -	\$ 3,882,865	\$ 19,523,639
2022	1,895,000	3,010,626	950,000	143,250	-	215,600	1,565,000	3,401,050	20,475,654
2023	1,990,000	2,915,856	960,000	95,750	-	215,600	1,625,000	3,338,450	20,303,152
2024	2,085,000	2,816,376	955,000	47,750	-	215,600	1,690,000	3,273,450	16,865,026
2025	2,140,000	2,764,250	-	-	-	215,600	1,760,000	3,205,850	15,701,100
2026	2,245,000	2,657,250	-	-	1,000,000	215,600	1,830,000	3,135,450	16,515,800
2027	2,360,000	2,545,000	-	-	1,150,000	191,350	1,900,000	3,062,250	16,445,250
2028	2,475,000	2,427,000	-	-	2,050,000	162,588	1,995,000	2,967,250	15,082,388
2029	2,600,000	2,303,250	-	-	2,100,000	110,292	2,095,000	2,867,500	14,962,042
2030	2,730,000	2,173,250	-	-	2,100,000	56,092	2,200,000	2,762,750	13,397,592
2031	2,865,000	2,036,750	-	-	-	-	2,310,000	2,652,750	11,225,750
2032	3,010,000	1,893,500	-	-	-	-	2,425,000	2,537,250	11,184,500
2033	3,160,000	1,743,000	-	-	-	-	2,550,000	2,416,000	11,170,750
2034	3,320,000	1,585,000	-	-	-	-	2,650,000	2,314,000	11,151,500
2035	3,485,000	1,418,400	-	-	-	-	2,755,000	2,208,000	11,128,900
2036	3,660,000	1,244,750	-	-	-	-	2,865,000	2,097,800	11,108,800
2037	3,845,000	1,061,750	-	-	-	-	2,980,000	1,983,200	11,088,700
2038	4,035,000	869,500	-	-	-	-	3,100,000	1,864,000	11,038,500
2039	4,240,000	667,750	-	-	-	-	3,225,000	1,740,000	10,994,000
2040	4,450,000	455,750	-	-	-	-	3,355,000	1,611,000	10,944,250
2041	4,665,000	233,250	-	-	-	-	3,490,000	1,476,800	10,888,800
2042	-	-	-	-	-	-	3,625,000	1,337,200	4,962,200
2043	-	-	-	-	-	-	3,775,000	1,192,200	4,967,200
2044	-	-	-	-	-	-	3,925,000	1,041,200	4,966,200
2045	-	-	-	-	-	-	4,080,000	884,200	4,964,200
2046	-	-	-	-	-	-	4,245,000	721,000	4,966,000
2047	-	-	-	-	-	-	4,415,000	551,200	4,966,200
2048	-	-	-	-	-	-	4,590,000	374,600	4,964,600
2049	-	-	-	-	-	-	4,775,000	191,000	4,966,000
Total remaining payments	<u>\$ 61,255,000</u>	<u>\$ 39,832,884</u>	<u>\$ 3,810,000</u>	<u>\$ 477,250</u>	<u>\$ 8,400,000</u>	<u>\$ 1,813,922</u>	<u>\$ 81,795,000</u>	<u>\$ 61,090,265</u>	<u>\$ 330,918,693</u>
Principal payments due	May 1		May 1		May 1		May 1		
Interest payments due	May 1 and November 1		May 1 and November 1		May 1 and November 1		May 1 and November 1		
Interest rate	5.0%		4.0 - 5.0%		2.4 - 2.7%		4.00%		
Original issue	<u>\$ 61,255,000</u>		<u>\$ 5,665,000</u>		<u>\$ 8,400,000</u>		<u>\$ 81,795,000</u>		