

# **Hillsdale Community Schools**

Financial Report  
With Supplemental Information

Year Ended June 30, 2021

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**WILLIS & JURASEK**

CPAS AND CONSULTANTS

## **Independent Auditors' Report**

Board of Education  
Hillsdale Community Schools  
Hillsdale, Michigan

### **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 Hillsdale Community Schools, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's 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.

### ***Auditors' 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 auditors' 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 Hillsdale Community Schools, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and certain pension and OPEB 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hillsdale Community Schools' basic financial statements. The combining nonmajor fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 supplementary information is fairly stated, in all material respects, to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2021 (under separate cover), on our consideration of Hillsdale Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Hillsdale Community Schools' internal control over financial reporting and compliance.

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.  
September 10, 2021

# Hillsdale Community Schools

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## Management's Discussion and Analysis Year Ended June 30, 2021

Our discussion and analysis of Hillsdale Community Schools' financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2021. The management's discussion and analysis is provided at the beginning of the audit to provide in layman's terms, the past and current position of the School District's financial condition. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the revenues and expenditures by program for all the District's funds.

### **USING THIS ANNUAL REPORT**

The School District's annual report consists of a series of financial statements that show information for the School District as a whole, its funds, and its fiduciary responsibilities. The Statement of Net Position and the Statement of Activities (pages 1 - 2), provide information about the activities of the School District as a whole and present a longer-term view of the School District's finances. Our fund financial statements start on page 3. Our governmental activities statements tell how we financed our services in the short-term, as well as what remains for future spending. Fund financial statements report the School District's operations in more detail than governmental-wide financial statements by providing information about the School District's most significant funds. The remaining statement provides information about activities for which the School District acts solely as an agent for the benefit of student groups.

### **Reporting the School District as a Whole**

One of the most important questions asked about the School District is, "Is the School District as a whole better off or worse off financially 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 answer this question. We prepared these statements to include all assets and liabilities, using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenue and expenses, regardless of when cash is received or paid.

These two statements report the School District's *net position* – the difference between assets and liabilities – 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 – are one indicator of whether its *financial health* is improving or deteriorating. The relationship between revenues and expenses indicates 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 non-financial factors, such as the quality of the education provided and the safety of the school to assess the *overall health* of the School District.

### **Reporting the School District's Most Significant Funds**

The School District's Fund Financial Statements, which begin on page 3, provide detailed information about the School District's 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 other funds to help it control and manage money for particular purposes (like the Food Service Fund and the Student Activity Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like the Building & Site Fund).

# Hillsdale Community Schools

## Management's Discussion and Analysis Year Ended June 30, 2021

Governmental fund reporting focuses on showing how money flows into and out of the funds and the balances left at year-end that are available for spending in future periods. 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 School District's operations 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 reconciliations on pages 4 and 6.

### The School District as a Whole

The School District's net position at June 30, 2021 was \$(12,805,388). Of this amount, \$(23,265,968) was unrestricted. Restricted net position is reported separately to show legal constraints that limit the School District's ability to use those assets for day-to-day operations. Below we focus our attention on the net position (TABLE 1) and changes in net position (TABLE 2) of the School District's governmental activities.

**TABLE 1 – Net Position**  
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Current assets	\$ 7,625,650	\$ 6,564,328
Non-current assets	<u>9,568,108</u>	<u>9,213,668</u>
Total assets	<u>17,193,758</u>	<u>15,777,996</u>
Deferred outflows of resources	<u>7,470,697</u>	<u>9,255,940</u>
Current liabilities	1,789,134	1,752,242
Non-current liabilities	<u>31,123,171</u>	<u>31,970,259</u>
Total liabilities	<u>32,912,305</u>	<u>33,722,501</u>
Deferred inflows of resources	<u>4,557,538</u>	<u>4,204,617</u>
Net position:		
Invested in capital assets – net of related debt	9,568,108	9,213,668
Restricted for capital projects	892,472	931,715
Unrestricted	<u>(23,265,968)</u>	<u>(23,038,565)</u>
Total net position	<u>\$ (12,805,388)</u>	<u>\$ (12,893,182)</u>

# Hillsdale Community Schools

## Management's Discussion and Analysis Year Ended June 30, 2021

### The School District as a Whole (Concluded)

**TABLE 2 – Changes in Net Position**

Years ended June 30, 2021 and 2020

	2021	2020
Program Revenue		
Charges for Services	\$ 185,813	\$ 336,323
Operating Grants and Contributions	4,620,967	3,546,990
General Revenue		
Property Taxes-general purposes	2,104,791	2,052,090
Property Taxes-capital projects	771,330	735,103
State School Aid	9,803,209	9,652,945
Miscellaneous	85,480	103,251
Total Revenue	<u>\$ 17,571,590</u>	<u>\$ 16,426,702</u>
Expenses		
Instruction	\$ 9,890,517	\$ 9,893,051
Support Services	5,579,303	5,204,717
Food Service	901,228	901,933
Student Activities	152,190	203,638
Community Services	1,040	4,474
Capital Outlay	-	56,137
Other	128,748	1,495
Depreciation – Unallocated	830,771	803,715
Interest on Long-Term Debt	-	567
Total Expenses	<u>\$ 17,483,797</u>	<u>\$ 17,069,727</u>
INCREASE (DECREASE) IN NET POSITION	<u>\$ 87,793</u>	<u>\$ (643,025)</u>

As shown above, the cost of all our governmental activities this year was \$17,483,797. However, the amount that our taxpayers ultimately financed for those activities through school property taxes was \$2,876,121. The remainder of the cost was paid by charges for services, State Aid and use of prior years' accumulation of funds.

There were several reasons for the change in the financial condition from 2020 to 2021:

- Continued monitoring of costs
- Program reductions (cancelled events) due to COVID 19
- Unfilled staff vacancies
- Supplemental funds made available to the District at both the state and federal level.

### **MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS**

The School District's budgets are prepared according to Michigan law. The most significant budgeted fund is the General Fund. During the fiscal year ended June 30, 2021, the School District amended the General Fund Budget two times.

# Hillsdale Community Schools

## Management's Discussion and Analysis Year Ended June 30, 2021

### General Fund

The actual revenue and other financing sources of the General Fund was \$15,869,541, above the original budget estimate of \$13,695,886 and above the final amended budget of \$15,782,217. Enrollment decreased from the prior year. However, the State of Michigan utilized a blended count formula to reduce the negative financial impact that would otherwise have occurred.

The actual expenditures and other financing uses of the General Fund were \$14,818,504, below the original budget estimate of \$14,966,064 and below the final amended budget of \$15,242,657.

### CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of fiscal year 20201, the School District had \$30,002,210 invested in land and buildings, furniture and equipment, and vehicles. We have estimated that these assets have depreciated by \$20,434,102 through June 30, 2021; therefore, we currently have net book value of \$9,568,108

Total additions for consisted of new school buses, food service equipment, new doors, and the Gier renovation.

	2021	2020
Land	\$ 77,434	\$ 77,434
Construction in progress	-	118,028
Buildings and improvements	22,791,421	21,857,949
Furniture and equipment	5,259,010	5,183,879
Vehicles	1,642,694	1,348,058
Infrastructure	231,651	231,651
Less: accumulated depreciation	(20,434,102)	(19,603,311)
	<u>\$ 9,568,108</u>	<u>\$ 9,213,668</u>

At June 30, 2021, the School District had \$0 in general obligation debt.

### FACTORS BEARING ON THE DISTRICT'S FUTURE

Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions*, and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, have been implemented. The purpose of these standards is to improve accounting and financial reporting for pensions and other postemployment benefits (OPEB). They established standards for measuring and recognizing pension and OPEB liabilities, pension and OPEB expenses, and the related deferred inflows and deferred outflows of resources. Implementation of these standards requires recording of the full unfunded portion of the District's pension and OPEB plans administered through the Michigan Public School Employees' Retirement System (MPERS). With the recording of these pension and OPEB liabilities, the liabilities of the District exceeded its assets. The balance of the net position at the close of the most recent fiscal year was \$(12,805,388) (negative net position).

Supplemental funds from both the state and federal levels enabled the District to remain financially solid throughout this fiscal year despite a decrease in student enrollment.

The COVID pandemic impacted the school system in nearly every aspect of operations and program delivery this year. Staff were reassigned and redeployed to perform a variety of tasks not previously common in schools. Staff



# Hillsdale Community Schools

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## Management's Discussion and Analysis Year Ended June 30, 2021

and student attendance has been unstable due somewhat to personal illness, but more from close contact quarantines. Many programs and school events were either reduced or eliminated, including sports, music concerts, and field trips. Vacant/unfilled staff positions resulted in lower than expected expenses in some areas.

While the fund balance increased due to lower than planned expenses, a negative impact occurred from a decrease in services provided to students. Human growth and development cannot just "catch up" by working more hours through extended day and summer school programs. Addressing the loss of learning due to the COVID pandemic will impact the district's operations for several years. Redesign of the curriculum's scope & sequence is necessary and will be a multi-year process.

The school district continued working with the Hillsdale County ISD to implement transportation agreements, food service agreements, and special education program agreements. These efforts resulted in positive revenue contributions to the district's budget. These collaborations are more about cost containment and efficiency than they are about increasing the fund balance.

The District has been successful in committing funds in preparation of large purchases for items such as buses, curriculum and technology. This allows the district to make purchases without loan financing, thus eliminating interest and other financing expenses. Continued utilization of this proactive will provide for an updated curriculum and well-maintained resources across the district.

The school district needs to remain intentional about cost containment in order to maintain a stable financial position.

### **CONTACTING THE SCHOOL DISTRICT FINANCIAL MANAGEMENT**

This report is designed to give an overview of the financial conditions of the Hillsdale Community Schools. If you have any questions about this report or need further information, you may contact the Superintendent's Office by phone at 517-437-4401 located inside Hillsdale High School, at 30 S. Norwood Avenue, Hillsdale, Michigan 49242.

# Hillsdale Community Schools

## Statement of Net Position

June 30, 2021

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and investments	\$ 4,456,445
Receivables	55,639
Due from other governmental units	2,854,762
Inventories	23,049
Prepaid expenses	75,946
Land contract receivable:	
Due within one year	16,477
Due in more than one year	143,332
Capital assets:	
Cost of capital assets	30,002,210
Less: accumulated depreciation	(20,434,102)
Net capital assets	9,568,108
Total assets	<u>17,193,758</u>
<b>Deferred Outflows of Resources:</b>	
Pension related	5,584,759
OPEB related	1,885,938
Total deferred outflows of resources	<u>7,470,697</u>
<b>Liabilities:</b>	
Accounts payable and accrued expenses	1,526,041
Unearned revenue	263,093
Long-term liabilities:	
Due in more than one year:	
Compensated absences	62,361
Net pension liability	26,881,262
Net OPEB liability	4,179,548
Total liabilities	<u>32,912,305</u>
<b>Deferred Inflows of Resources:</b>	
Pension related	1,324,487
OPEB related	3,233,051
Total deferred inflows of resources	<u>4,557,538</u>
<b>Net Position:</b>	
Invested in capital assets, net of related debt	9,568,108
Restricted for:	
Capital projects	892,472
Unrestricted	(23,265,968)
Total net position	<u>\$ (12,805,388)</u>

See Notes to Financial Statements.

## Hillsdale Community Schools

Statement of Activities  
Year Ended June 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Governmental Activities Net (Expenses) Revenues and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>Primary Government</b>				
Governmental activities:				
Instruction	\$ 9,890,517	\$ 6,027	\$ 2,846,956	\$ (7,037,534)
Support services	5,579,303	146,187	677,230	(4,755,886)
Food service activities	901,228	33,599	982,747	115,118
Student activities	152,190	-	114,034	(38,156)
Community services	1,040	-	-	(1,040)
Other	128,748	-	-	(128,748)
Depreciation (unallocated)	830,771	-	-	(830,771)
Total governmental activities	<u>\$ 17,483,797</u>	<u>\$ 185,813</u>	<u>\$ 4,620,967</u>	<u>(12,677,017)</u>
<b>General Revenues:</b>				
Taxes:				
Property taxes, levied for general purposes				2,104,791
Property taxes, levied for capital projects				771,330
State aid not restricted to specific purposes				9,803,209
Unrestricted investment earnings				5,848
Other				79,632
Total general revenues				<u>12,764,810</u>
<b>Change in Net Position</b>				87,793
<b>Net Position - Beginning of Year</b>				<u>(12,893,181)</u>
<b>Net Position - End of Year</b>				<u>\$ (12,805,388)</u>

**Hillsdale Community Schools**

Balance Sheet  
Governmental Funds  
June 30, 2021

	<u>General Fund</u>	<u>Building &amp; Site Fund 2</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>				
Cash and investments	\$ 3,090,316	\$ 877,336	\$ 488,793	\$ 4,456,445
Due from other funds	22,041	-	-	22,041
Receivable from other governments	2,849,278	-	53,524	2,902,802
Other receivables	7,191	-	408	7,599
Inventories	-	-	23,049	23,049
Prepaid expenditures	27,815	-	48,131	75,946
Total assets	<u>\$ 5,996,641</u>	<u>\$ 877,336</u>	<u>\$ 613,905</u>	<u>\$ 7,487,882</u>
<b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities:</b>				
Accounts payable	\$ 45,762	\$ -	\$ 22,638	\$ 68,400
Due to other funds	-	-	22,041	22,041
Salaries payable and related	1,419,273	-	38,368	1,457,641
Unearned revenue	254,846	-	8,247	263,093
Total liabilities	<u>1,719,881</u>	<u>-</u>	<u>91,294</u>	<u>1,811,175</u>
<b>Fund Balances:</b>				
Nonspendable:				
Inventories	-	-	23,049	23,049
Prepaid expenditures	27,815	-	48,131	75,946
Restricted:				
Capital projects	-	877,336	15,136	892,472
Food services	-	-	241,751	241,751
Student activities	-	-	194,544	194,544
Committed	705,934	-	-	705,934
Assigned	1,160,352	-	-	1,160,352
Unassigned	2,382,659	-	-	2,382,659
Total fund balances	<u>4,276,760</u>	<u>877,336</u>	<u>522,611</u>	<u>5,676,707</u>
Total liabilities and fund balances	<u>\$ 5,996,641</u>	<u>\$ 877,336</u>	<u>\$ 613,905</u>	<u>\$ 7,487,882</u>

## Hillsdale Community Schools

### Reconciliation of Fund Balances on the Balance Sheet of Governmental Funds to Net Position of Governmental Activities on the Statement of Net Position

June 30, 2021

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**Total Fund Balances - Governmental Funds** \$ 5,676,707

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.

The cost of capital assets is	\$ 30,002,210	
Accumulated depreciation is	<u>(20,434,102)</u>	
		9,568,108

Land contract receivable is not due and receivable in the current period and is not reported in the funds. 159,809

Long-term liabilities and related deferred outflows and inflows are not due and payable in the current period and are not reported in the funds.

Compensated absences	(62,361)	
Deferred outflows related to net pension liability	5,584,759	
Deferred outflows related to net OPEB liability	1,885,938	
Deferred inflows related to net pension liability	(1,324,487)	
Deferred inflows related to net OPEB liability	(3,233,051)	
Net pension liability	(26,881,262)	
Net OPEB liability	<u>(4,179,548)</u>	
		<u>(28,210,012)</u>

**Total Net Position - Governmental Activities** \$ (12,805,388)

**Hillsdale Community Schools**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2021

	<b>General Fund</b>	<b>Building &amp; Site Fund 2</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>				
Local sources	\$ 2,219,781	\$ 752,875	\$ 126,777	\$ 3,099,433
State sources	11,544,457	19,223	31,855	11,595,535
Federal sources	1,901,819	-	950,892	2,852,711
Interdistrict and other	138,836	-	22,995	161,831
<b>Total revenues</b>	<b>15,804,893</b>	<b>772,098</b>	<b>1,132,519</b>	<b>17,709,510</b>
<b>Expenditures:</b>				
Instruction	9,105,534	-	-	9,105,534
Support services	5,540,598	-	-	5,540,598
Community services	1,040	-	-	1,040
Food service activities	-	-	895,604	895,604
Student activities	-	-	152,190	152,190
Other	163,482	-	-	163,482
Debt service:				-
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	630,680	198,854	829,534
<b>Total expenditures</b>	<b>14,810,654</b>	<b>630,680</b>	<b>1,246,648</b>	<b>16,687,982</b>
<b>Revenues Over (Under) Expenditures</b>	<b>994,239</b>	<b>141,418</b>	<b>(114,129)</b>	<b>1,021,528</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from sale of capital assets	900	-	16,324	17,224
Transfers in	63,748	-	7,850	71,598
Transfers out	(7,850)	-	(63,748)	(71,598)
<b>Total other financing sources (uses)</b>	<b>56,798</b>	<b>-</b>	<b>(39,574)</b>	<b>17,224</b>
<b>Net Changes in Fund Balances</b>	<b>1,051,037</b>	<b>141,418</b>	<b>(153,703)</b>	<b>1,038,752</b>
<b>Fund Balances - Beginning of Year</b>	<b>3,225,723</b>	<b>735,918</b>	<b>676,314</b>	<b>4,637,955</b>
<b>Fund Balances - End of Year</b>	<b>\$ 4,276,760</b>	<b>\$ 877,336</b>	<b>\$ 522,611</b>	<b>\$ 5,676,707</b>

## Hillsdale Community Schools

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2021

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**Net Change in Fund Balances - Total Governmental Funds** \$ 1,038,752

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	\$ (830,771)	
Capital outlay	<u>1,185,211</u>	
		354,440

Governmental funds report land contract proceeds as current financial resources when received. In contrast, the Statement of Activities treats such items as a receivable. Governmental funds report payment of land contract principal as an other financing source. In contrast, the Statement of Activities treats such payments as a reduction in receivables.

Principal payments	<u>(14,323)</u>	
		(14,323)

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds.

Change in compensated absences	<u>1,759</u>	
		1,759

Governmental funds report the required pension and OPEB contributions for the District's fiscal year ended June 30 as expenditures. The Statement of Activities reports the fully accrued pension and OPEB expenses based upon a September year-end to coincide with the State of Michigan's fiscal year.

Changes in pension related liabilities and deferrals	(1,683,163)	
Changes in OPEB related liabilities and deferrals	<u>390,328</u>	
		(1,292,835)

**Change in Net Position of Governmental Activities** \$ 87,793

**Hillsdale Community Schools**  
Notes to Financial Statements

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**Note 1 – Summary of Significant Accounting Policies**

The basic financial statements of Hillsdale Community Schools (the “School District” or “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

**Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District’s reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the District does not contain any component units.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**District-Wide and Fund Financial Statements**

**District-Wide Statements** – The district-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District’s government-wide activities are considered governmental activities.

The Statement of Net Position presents all governmental activities on a consolidated basis. The Statement of Net Position reports all assets and liabilities including those of a long-term nature. The net difference is reported as net position. Net position is categorized as net investment in capital assets, restricted net position, and unrestricted net position. It is the District’s policy to allocate resource outlays first to restricted net position with the remainder allocated to unrestricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other unrestricted items are not included as program revenues but instead as general revenue. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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



**Hillsdale Community Schools**  
Notes to Financial Statements

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

**District-Wide and Fund Financial Statements (Continued)**

**Fund-Based Statements** – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, severance pay, claims, and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period, are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The School District reports the following major governmental funds:

**General Fund** – The General Fund is the School District’s primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

**Building & Site Fund 2** – The Building & Site Fund 2 is used to record tax receipts or other revenue and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment, and for remodeling.

Additionally, the government reports the following fund types:

**Special Revenue Funds** – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes (not including expendable trusts or major capital projects). The District maintains the Food Service Fund and the Student Activities Fund.

**Capital Projects Funds** – Capital Projects Funds are used to record tax receipts or other revenue and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment and for remodeling. In addition to the Building and Site Fund 2, which is a major fund, the District maintains the Building and Site Fund 1.

**Revenue, Assets, Liabilities, and Net Position or Equity**

**State Revenue** – The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of State funds to school districts based on information supplied by the districts. For the year ended June 30, 2021, the foundation allowance was based on pupil membership counts taken in February 2020 and October 2020.

The State portion of the foundation is provided primarily by a State education property tax millage of 6 mills and an allocated portion of State sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2020 to August 2021. The unpaid portion at June 30<sup>th</sup> is reported as due from other governmental units.

**Hillsdale Community Schools**  
Notes to Financial Statements

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Revenue, Assets, Liabilities, and Net Position or Equity (Continued)**

**State Revenue (Continued)** – The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year, are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

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

For the year ended June 30, 2021, the District levied the following amounts per \$1,000 of assessed valuation:

General Fund – non-primary residence	17.7970
General Fund – commercial personal property	5.7970
Building & Site Funds	2.2423

Tax abatements provided to property tax payers, if any, were not significant, and thus, no disclosure was deemed required in accordance with GASB Statement No. 77, *Tax Abatement Disclosures*.

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in bankers' acceptances and commercial paper are recorded at amortized cost.

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

**Receivables and Payables** – In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. The District has determined the uncollectible amounts are immaterial and no provision has been recorded.

**Hillsdale Community Schools**  
Notes to Financial Statements

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Revenue, Assets, Liabilities, and Net Position or Equity (Continued)**

**Inventories and Prepaid Items** – Inventories are valued at cost on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

**Capital Assets** - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. The government defines capital assets as assets with an initial individual cost of \$5,000 or greater 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 fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

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

Buildings and improvements	15-50 years
Infrastructure	20 years
Buses and other vehicles	5-10 years
Furniture and equipment	5-10 years

**Compensated Absences** - The District reports a liability for compensated absences which consists of unpaid, accumulated sick leave balances. The liability has been calculated using the vesting method in which leave amounts for employees who are currently eligible to receive termination payments are included.

**Long-Term Obligations** – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life 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 as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Deferred Outflows/Inflows of Resources** – In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position or fund balance that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District currently reports deferred outflows of resources related to deferred pension and OPEB plan expenses. Deferred pension and OPEB plan expenses are recognized in the applicable plan years. The District also currently reports deferred outflows of resources from pension and OPEB payments made subsequent to the measurement date to be recognized as the corresponding time lags are met.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District currently reports deferred inflows of resources related to its pension and OPEB plan earnings. These future resources will be amortized and recognized over a time period established by the actuary and relate to differences between actuarial estimates and actual results.

**Hillsdale Community Schools**  
Notes to Financial Statements

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Revenue, Assets, Liabilities, and Net Position or Equity (Continued)**

**Defined Benefit Pension Plan** – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public Employees' Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value. See Note 11 for detailed information.

**Postemployment Benefits Other Than Pensions** – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public Employees' Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Related investments are reported at fair value. See Note 11 for detailed information.

**Fund Equity** – The District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In accordance with this guidance, fund balances of governmental funds are categorized according to five defined categories of fund balance. These categories consist of *nonspendable* amounts which are not in spendable form or are legally or contractually required to be maintained intact; *restricted* amounts that are constrained for specific purposes set by external parties or law; *committed* amounts that are constraints set by the highest decision making authority (the School Board) through adoption of a resolution and may only be removed by the School Board through a rescindment resolution; *assigned* amounts that have an intended purpose but require no formal specific action; and *unassigned* amounts which are the residual of the other categories and have no specific purpose.

It is the District's policy to generally use fund balance in order according to the hierarchy of fund balance categories, from restricted down to unassigned.

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

**Note 2 – Stewardship, Compliance, and Accountability**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriations lapse at fiscal year-end. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplemental information.
2. Public hearings are conducted to obtain taxpayer comments.

**Hillsdale Community Schools**  
Notes to Financial Statements

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**Note 2 – Stewardship, Compliance, and Accountability (Continued)**

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the *Uniform Budgeting and Accounting Act* (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, for the General Fund are noted in the required supplemental information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditures functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to fiscal year-end.

**Note 3 – Deposits and Investments**

At year-end, the District's deposits were reported in the basic financial statements in the following categories:

	<b>Governmental Activities</b>
Cash and cash equivalents	\$ 4,456,445

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking and savings accounts)	\$ 4,455,745
Petty cash and cash on hand	700
Total	\$ 4,456,445

**Investment and Deposit Risk** – The District's cash and investments are subject to several types of risk, as noted below.

**Custodial Credit Risk – Deposits** – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District requires that financial institutions be evaluated and only those with an acceptable risk level are used for the District's deposits for custodial credit risk. At year-end, the District's deposit balance of approximately \$4,500,000 had \$4,000,000 of bank deposits that were uninsured and uncollateralized.

**Custodial Credit Risk – Investments** – Custodial credit risk of investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have an investment policy for custodial credit risk.

**Interest Rate Risk** – State law limits the allowable investments and the maturities of some of the allowable investments. The District's investment policy does not have specific limits in excess of State law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Hillsdale Community Schools**  
Notes to Financial Statements

**Note 3 – Deposits and Investments (Continued)**

**Credit Risk** – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers’ acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools. See Note 1 for a full description of allowed investments. The District’s investment policy does not further limit its investment choices.

**Note 4 – Receivables**

Receivables at year end totaled \$2,910,401 and consist mainly of amounts due from the Michigan Department of Education for State aid and federal grants.

**Note 5 – Capital Assets**

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Year-End Balance</b>
Capital assets not being depreciated:				
Land	\$ 77,434	\$ -	\$ -	\$ 77,434
Construction in progress	118,028	-	118,028	-
Subtotal	<u>195,462</u>	<u>-</u>	<u>118,028</u>	<u>77,434</u>
Capital assets being depreciated:				
Buildings and improvements	21,857,949	933,472	-	22,791,421
Infrastructure	231,651	-	-	231,651
Buses and other vehicles	1,348,058	294,636	-	1,642,694
Furniture and equipment	5,183,879	75,131	-	5,259,010
Subtotal	<u>28,621,537</u>	<u>1,303,239</u>	<u>-</u>	<u>29,924,776</u>
Accumulated depreciation:				
Buildings and improvements	13,501,443	669,197	-	14,170,640
Infrastructure	217,367	11,584	-	228,951
Buses and other vehicles	877,842	129,612	-	1,007,454
Furniture and equipment	5,006,679	20,378	-	5,027,057
Subtotal	<u>19,603,331</u>	<u>830,771</u>	<u>-</u>	<u>20,434,102</u>
Net capital assets being depreciated	<u>9,018,206</u>	<u>472,468</u>	<u>-</u>	<u>9,490,674</u>
Net capital assets	<u>\$ 9,213,668</u>	<u>\$ 472,468</u>	<u>\$ 118,028</u>	<u>\$ 9,568,108</u>

Depreciation for the current year totaled \$830,771. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

**Hillsdale Community Schools**  
Notes to Financial Statements

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**Note 6 – Interfund Receivables, Payables and Transfers**

The District reports interfund balances between some of its funds. The sum of all balances presented in the table below agrees with the sum of interfund balances presented in the statements of net position/balance sheet for governmental funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

As of year-end, the Food Service Fund owed the General Fund \$22,041.

A transfer of \$63,748 was made from the Food Service Fund to the General Fund for the current year to cover the indirect costs and \$7,850 was transferred from the General Fund to the Food Service Fund to cover expenditures allowable under a State grant program.

**Note 7 – Unearned Revenue**

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

Grant and categorial aid payments received prior to meeting all eligibility requirements	\$ 254,646
Food service deposits	8,247
Other	<u>200</u>
	<u>\$ 263,093</u>

**Note 8 – Long-Term Debt**

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Activity is summarized as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
Governmental Activities:					
Compensated absences	\$ 64,120	\$ -	\$ 1,759	\$ 62,361	\$ -
Total governmental activities	\$ 64,120	\$ -	\$ 1,759	\$ 62,361	\$ -

**Hillsdale Community Schools**  
Notes to Financial Statements

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**Note 9 – Committed and Assigned Fund Balance**

Portions of fund equity are segregated for specific future use and are, therefore, not available for future general appropriations or expenditure. Assigned fund balance represents those amounts that are expected to be used to cover expenditures that exceed revenue in the subsequent year. Fund balance commitments represent those amounts that are segregated by Board directive for future use as follows:

**General Fund**

Committed:	
Curriculum	\$ 114,168
HESPA agreement	46,766
Technology device replacement	27,500
Bus	33,000
Maintenance truck	30,000
HHS cafeteria project	65,000
Capital projects	389,500
Total committed	<u>\$ 705,934</u>

**Note 10 – Risk Management**

The School District is exposed to various risks of loss related torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said year, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The School District has purchased commercial insurance for other risks of loss, including property and casualty, errors and omissions, fleet, and employee health and accident insurance. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

**COVID-19 Risk Considerations** – The continuing pandemic, in both the U.S. and globally in regards to the outbreak of the coronavirus (COVID-19) has made evaluation of the future uncertain. Areas that may be affected by the change in the daily lives and work include investment values, levels of sales and services, availability of cash, supply chains, etc. As a result, funding to schools from the State and federal governments is subject to risk and potential change. Because of the uncertainty of the full impact, no amounts can be estimated and have not been reflected in these financial statements.



**Hillsdale Community Schools**  
Notes to Financial Statements

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**Note 11 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions**

**Organization**

**Pension/OPEB Plan Description** – The School District participates in the Michigan Public School Employees' Retirement System ("MPSERS" or "the System"), a State-wide, cost-sharing, multiple-employer defined benefit public employee retirement plan governed by the State of Michigan. The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees, and covers substantially all employees of the School District. There are currently approximately 700 participating employers in the System which meets the definition of a qualified pension trust fund under Section 401(a) of the Internal Revenue Code. In addition, the System maintains a health plan ("OPEB") which provides postemployment healthcare benefits to all eligible retirees as an elective option including health, prescription drug, dental, and vision coverage.

The System was originally created under Public Act 136 of 1945, recodified, and currently operates under the provisions of Public Act 300 of 1980, as amended. Section 25 of this Act establishes a governing board and its authority to promulgate or amend the provisions of the System. The board consists of twelve members – eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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

The System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan Comprehensive Annual Financial Report and are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools). Information provided in this report includes financial data, actuarial assumptions data, and detailed information about the pension plan and OPEB plan fiduciary net positions.

**Pension Benefits Provided** – Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits for DB plan members are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account, if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

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

**Hillsdale Community Schools**  
Notes to Financial Statements

**Note 11 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)**

**OPEB Benefits Provided (Continued)** – Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

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

**Pension/OPEB Plan Contributions** – Public Act 300 of 1980, as amended, requires contributions from both the participating employers and the active plan members. The School District, as a participating employer, is required to contribute amounts necessary to finance the coverage of pension and OPEB 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 (plan members) during the year, with an additional amount paid in to finance a portion of the unfunded actuarial accrued liability.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability will be amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

**Pension Plan Contributions** – The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2020:

<b><u>Benefit Type</u></b>	<b><u>Member Rates</u></b>	<b><u>Status</u></b>
Basic (Defined Benefit)	0.0% - 4.0%	Closed
MIP (Defined Benefit)	3.0% - 7.0%	Closed
Pension Plus (Hybrid)	3.0% - 6.4%	Closed
Pension Plus 2 (Hybrid)	6.2%	Open
Defined Contribution	0.0%	Open

Employer contributions range from 13.39% to 19.59% and are determined based on employee elections. The District’s required and actual contributions to the plan for the year ended September 30, 2020 were \$2,150,535. The District’s required and actual pension contributions include an allocation of \$877,287 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 September 30, 2020.

**Hillsdale Community Schools**  
Notes to Financial Statements

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**Note 11 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)**

**OPEB Contributions** – OPEB contributions are also subject to law under Public Act 300 of 1980, as amended, and the provisions may be amended only by action of the State Legislature. Employers are required to contribute amounts necessary to finance the coverage of active and retired members.

Employer contributions range from 5.99% to 8.09% for the plan year ended September 30, 2020 and are determined based on employee elections. Required contributions to the OPEB plan from the District were \$551,205 for the year ended September 30, 2020. The District's required and actual OPEB contributions include an allocation of \$0 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 September 30, 2020.

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

**Proportionate Share of School District's Net Pension Liability** - At June 30, 2021, the District reported a liability of \$26,881,262 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2019. The District's proportionate share of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the System during the measurement period by the percent of statutorily required pension contributions from all applicable employers during the measurement period. At September 30, 2020, the District's proportionate share was .07825450 percent, a decrease of .00086985 percent from its proportion measured as of September 30, 2019.

**Pension Expense** - For the year ended June 30, 2021, the School District recognized pension expense of \$1,298,408, inclusive of payments to fund the MPSERS UAAL stabilization rate.

**Proportionate Share of School District's Net OPEB Liability** - At June 30, 2021, the District reported a liability of \$4,179,548 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2019. The District's proportionate share of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the System during the measurement period by the percent of statutorily required OPEB contributions from all applicable employers during the measurement period. At September 30, 2020, the District's proportionate share was .07801642 percent, a decrease of .00143503 percent from its proportion measured as of September 30, 2019.

**OPEB Expense** - For the year ended June 30, 2021, the School District recognized OPEB benefit of \$568,842 inclusive of payments to fund the MPSERS UAAL stabilization rate.

**Hillsdale Community Schools**  
Notes to Financial Statements

**Note 11 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)**

**Pension/OPEB Liabilities, Pension/OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions/OPEB (Continued)**

**Deferred Outflows and Deferred Inflows** - At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>Pension</u>	<u>OPEB</u>	<u>Pension</u>	<u>OPEB</u>
Difference between expected and actual experience	\$ 410,724	\$ -	\$ 57,374	\$ 3,114,154
Changes of assumptions	2,978,703	1,378,080	-	-
Net difference between projected and actual earnings on pension/OPEB plan investments	112,943	34,883	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	89,039	42,028	249,005	118,897
District contributions subsequent to the measurement date	1,993,350	430,947	1,018,108	-
Total	<u>\$ 5,584,759</u>	<u>\$ 1,885,938</u>	<u>\$ 1,324,487</u>	<u>\$ 3,233,051</u>

\$1,993,350 reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

\$430,947 reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021.

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

<u>Year Ended</u> <u>June 30</u>	<u>Pension</u>	<u>OPEB</u>
2022	\$ 1,567,085	\$ (472,205)
2023	1,045,089	(423,613)
2024	518,322	(353,359)
2025	154,534	(291,998)
2026	-	(236,885)

**Payables to the Pension/OPEB Plan** - The District reported an accrued pension/OPEB plan payable at June 30, 2021 of \$423,576. This amount represents employee withholdings and the employer amount payable for wages earned at June 30, 2021 but not yet paid. The District is current on all required pension and OPEB plan payments. Amounts accrued at year end represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from State revenue Section 147c restricted to fund the MPSERS unfunded actuarial accrued liability (UAAL).

**Hillsdale Community Schools**  
Notes to Financial Statements

**Note 11 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)**

**Actuarial Assumptions**

**Actuarial Valuations and Assumptions** - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

A summary of actuarial assumptions as of the latest actuarial valuation follows:

Valuation date	September 30, 2019
Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans	6.80%
Pension Plus Plan	6.80%
Pension Plus 2 Plan	6.00%
OPEB	6.95%
Projected salary increases	2.75 – 11.55%, including wage inflation at 2.75%
Healthcare cost trend rate	7.00% Year 1 graded to 3.5% Year 15; 3% Year 12
Cost of living pension adjustments	3.0% annual non-compounded for MIP members
Mortality: Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Mortality: Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Mortality: Disabled Members:	RP-2014 Male and Female Employee Disabled Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions (OPEB) – applies to individuals hired before September 4, 2012:	
Opt-Out Assumption	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree’s death.
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Additional assumption information includes the following:

- Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation. The total pension/OPEB liability as of September 30, 2020 is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years – 4.4892 for pension plan employers and 5.9870 for OPEB plan employers.
- Recognition period for assets in years is 5.0000.

**Hillsdale Community Schools**  
Notes to Financial Statements

**Note 11 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)**

**Actuarial Assumptions (Continued)**

- Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Long-Term Expected Rate of Return on Plan Assets** – The long-term expected rate of return on pension/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 pension/OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension/OPEB plan's target asset allocation as of September 30, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic equity pools	25.0%	5.6%
Private equity pools	16.0%	9.3%
International equity	15.0%	7.4%
Fixed income pools	10.5%	0.5%
Real estate and infrastructure pools	10.0%	4.9%
Absolute return pools	9.0%	3.2%
Real return/opportunistic pools	12.5%	6.6%
Short-term investment pools	2.0%	(0.1)%
Total	<u>100.0%</u>	

\*Long-term rates of return are net of administrative expenses and 2.1% inflation.

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

**Discount Rate** - Discount rates of 6.80% and 6.95% were used to measure the total pension and OPEB liabilities, respectively (6.0% for the Pension Plus 2 plan). These discount rates were based on the long-term expected rates of return on pension and OPEB plan investments of 6.80% and 6.95%, respectively (6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on these assumptions, the pension/OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension/OPEB plan investments was applied to all periods of projected benefits payments to determine the total pension/OPEB liabilities.

**Hillsdale Community Schools**  
Notes to Financial Statements

**Note 11 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)**

**Actuarial Assumptions (Continued)**

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

<b>1% Decrease</b> <b>5.80%/5.80%/5.00%</b>	<b>Current Single Discount Rate</b> <b>Assumption</b> <b>6.80%/6.80%/6.00%</b>	<b>1% Increase</b> <b>7.80%/7.80%/7.00%</b>
<u>\$34,793,233</u>	<u>\$26,881,262</u>	<u>\$20,324,001</u>

\*Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.

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

<b>1% Decrease</b> <b>5.95%</b>	<b>Current</b> <b>Discount Rate</b> <b>6.95%</b>	<b>1% Increase</b> <b>7.95%</b>
<u>\$5,369,104</u>	<u>\$4,179,548</u>	<u>\$3,178,041</u>

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate** - The following presents the School District's proportionate share of the net OPEB liability calculated using the assumed trend rates, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher:

<b>1% Decrease</b>	<b>Current Healthcare</b> <b>Cost Trend Rate</b>	<b>1% Increase</b>
<u>\$3,139,695</u>	<u>\$4,179,548</u>	<u>\$5,362,252</u>

**Note 12 – Federal and State Grants**

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

**Note 13 - Sinking Fund**

The Building & Site Funds 1 & 2 are sinking funds which record capital project activities funded with sinking fund millage. For these funds, the School District has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

**Hillsdale Community Schools**  
Notes to Financial Statements

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**Note 14 – Upcoming Accounting and Reporting Changes**

Statement No. 87, *Leases*, was issued by the Governmental Accounting Standards Board to increase the usefulness of government financial statements by requiring reporting of certain lease liabilities that currently are not reported as such. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model based on the premise that leases are financings of the right to use the underlying asset. The Statement also addresses standards for note disclosures to include information regarding the timing, significance, and purpose of a government's leasing arrangements. Statement No. 87 will be effective for the District's fiscal year ending June 30, 2022.



## **Required Supplementary Information**

**Hillsdale Community Schools**  
 Budgetary Comparison Schedule - General Fund  
 Year Ended June 30, 2021

	<b>Budgeted Amounts</b>		<b>Actual</b>
	<b>Original</b>	<b>Final</b>	
<b>Revenues:</b>			
Local sources	\$ 2,241,333	\$ 2,187,712	\$ 2,219,781
State sources	10,593,102	11,523,491	11,544,457
Federal sources	828,956	1,868,450	1,901,819
Interdistrict and other	32,495	136,664	138,836
<b>Total revenues</b>	<b>13,695,886</b>	<b>15,716,317</b>	<b>15,804,893</b>
<b>Expenditures:</b>			
Instruction:			
Basic programs	7,542,382	7,680,519	7,583,091
Added needs	1,796,629	1,499,229	1,472,005
Adult education	89,764	65,363	50,438
Support services:			
Pupil	560,085	560,467	545,809
Instructional staff	205,191	153,239	145,985
General administration	280,965	349,255	325,730
School administration	940,257	868,330	866,874
Business	270,758	260,177	253,108
Operation & maintenance	1,468,237	1,720,255	1,599,274
Pupil transportation	1,182,171	1,308,976	1,225,545
Central services	196,760	194,769	181,319
Athletic activities	391,945	400,877	396,954
Community services:			
Community activities	5,920	9,601	1,040
Other	35,000	163,750	163,482
<b>Total expenditures</b>	<b>14,966,064</b>	<b>15,234,807</b>	<b>14,810,654</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(1,270,178)</b>	<b>481,510</b>	<b>994,239</b>
<b>Other Financing Sources (Uses):</b>			
Proceeds from sale of capital assets	-	900	900
Transfers in	-	65,000	63,748
Transfers out	-	(7,850)	(7,850)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>58,050</b>	<b>56,798</b>
<b>Net Changes in Fund Balances</b>	<b>(1,270,178)</b>	<b>539,560</b>	<b>1,051,037</b>
<b>Fund Balances - Beginning of Year</b>	<b>3,225,723</b>	<b>3,225,723</b>	<b>3,225,723</b>
<b>Fund Balances - End of Year</b>	<b>\$ 1,955,545</b>	<b>\$ 3,765,283</b>	<b>\$ 4,276,760</b>

**Hillsdale Community Schools**  
Schedule of the District's Proportionate Share of the Net Pension Liability of the MPSERS Plan  
Last Seven Fiscal Years (Amounts Determined Each Year as of September 30)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of net pension liability (%)	<u>0.0783%</u>	<u>0.0791%</u>	<u>0.0794%</u>	<u>0.0788%</u>	<u>0.0773%</u>	<u>0.0799%</u>	<u>0.0797%</u>
District's proportionate share of net pension liability	<u>\$ 26,881,262</u>	<u>\$ 26,203,314</u>	<u>\$ 23,866,007</u>	<u>\$ 20,415,791</u>	<u>\$ 19,297,803</u>	<u>\$ 19,506,725</u>	<u>\$ 17,563,376</u>
District's covered-employee payroll	<u>\$ 7,056,226</u>	<u>\$ 6,961,486</u>	<u>\$ 6,789,096</u>	<u>\$ 6,729,182</u>	<u>\$ 6,446,326</u>	<u>\$ 6,665,510</u>	<u>\$ 7,306,122</u>
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	<u>380.96%</u>	<u>376.40%</u>	<u>351.53%</u>	<u>303.39%</u>	<u>299.36%</u>	<u>292.65%</u>	<u>240.39%</u>
Plan fiduciary net position as a percentage of total pension liability	<u>59.72%</u>	<u>60.31%</u>	<u>62.36%</u>	<u>64.21%</u>	<u>63.27%</u>	<u>63.17%</u>	<u>66.20%</u>

**Hillsdale Community Schools**  
 Schedule of the District's Pension Contributions to the MPSERS Plan  
 Last Seven Fiscal Years (Amounts Determined Each Year as of June 30)

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Statutorily required contributions	\$ 2,150,535	\$ 2,101,968	\$ 2,109,775	\$ 1,967,098	\$ 1,826,368	\$ 1,856,739	\$ 1,238,370
Contributions in relation to statutorily required contributions	2,150,535	2,101,968	2,109,775	1,967,098	1,826,368	1,856,739	1,238,370
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 7,019,190	\$ 7,056,226	\$ 6,845,589	\$ 6,718,276	\$ 6,903,006	\$ 6,469,382	\$ 6,746,650
Contributions as a percentage of covered-employee payroll	30.64%	29.79%	30.82%	29.28%	26.46%	28.70%	18.36%

### Hillsdale Community Schools

Schedule of the District's Proportionate Share of the Net OPEB Liability of the MPSERS Plan  
Last Four Fiscal Years (Amounts Determined as of September 30)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of net OPEB liability (%)	<u>0.0780%</u>	<u>0.0795%</u>	<u>0.0797%</u>	<u>0.0789%</u>
District's proportionate share of net OPEB liability	<u>\$ 4,179,548</u>	<u>\$ 5,702,825</u>	<u>\$ 6,333,217</u>	<u>\$ 6,982,649</u>
District's covered-employee payroll	<u>\$ 7,056,226</u>	<u>\$ 6,961,486</u>	<u>\$ 6,789,096</u>	<u>\$ 6,729,182</u>
District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	<u>59.23%</u>	<u>81.92%</u>	<u>93.29%</u>	<u>103.77%</u>
Plan fiduciary net position as a percentage of total OPEB liability	<u>59.44%</u>	<u>48.46%</u>	<u>42.95%</u>	<u>36.39%</u>

### Hillsdale Community Schools

Schedule of the District's OPEB Contributions to the MPSERS Plan  
Last Four Fiscal Years (Amounts Determined as of June 30)

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	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Statutorily required OPEB contributions	\$ 551,205	\$ 545,520	\$ 533,269	\$ 486,412
OPEB contributions in relation to statutorily required contributions	551,205	545,520	533,269	486,412
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll (OPEB)	\$ 7,019,190	\$ 7,056,226	\$ 6,845,589	\$ 6,718,276
OPEB contributions as a percentage of covered-employee payroll	7.85%	7.73%	7.79%	7.24%

## Hillsdale Community Schools

Notes to Required Supplementary Information Pension and OPEB Schedules  
Year Ended June 30, 2021

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**Changes of Benefit Terms:** There were no changes of benefit terms in 2020.

**Changes of Assumptions:** For the State's fiscal year ended September 30, 2020:

The investment rate of return for Pension Plus 2 Plans changed from 6.80% to 6.00% net of investment expenses.

The healthcare cost trend rate was 7.5% Year 1 graded to 3.50% Year 12. This changed to 7.00% Year 1 graded to 3.50% Year 15; 3.00% year 12.

The recognition period for liabilities, an average of the expected remaining service lives of all employees, changed to 4.4892 from 4.4977 for pension plan employers and to 5.9870 from 5.7101 for OPEB plan employers.

## **Other Supplementary Information**



## Hillsdale Community Schools

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2021

<b><u>Assets</u></b>	<b>Special Revenue</b>		<b>Capital Projects</b>	<b>Total Nonmajor Governmental Funds</b>
	<b>Food Service Fund</b>	<b>Student Activity Fund</b>	<b>Building &amp; Site Fund 1</b>	
Cash and investments	\$ 279,113	\$ 194,544	\$ 15,136	\$ 488,793
Receivable from other governments	53,524	-	-	53,524
Other receivables	408	-	-	408
Inventories	23,049	-	-	23,049
Prepaid expenditures	48,131	-	-	48,131
Total assets	\$ 404,225	\$ 194,544	\$ 15,136	\$ 613,905
<b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities:</b>				
Accounts payable	\$ 22,638	\$ -	\$ -	\$ 22,638
Due to other funds	22,041	-	-	22,041
Deferred revenue	8,247	-	-	8,247
Accrued salaries and related	38,368	-	-	38,368
Total liabilities	91,294	-	-	91,294
<b>Fund Balances:</b>				
Nonspendable:				
Inventories	23,049	-	-	23,049
Prepaid expenses	48,131	-	-	48,131
Restricted	241,751	194,544	15,136	451,431
Total fund balances	312,931	194,544	15,136	522,611
Total liabilities and fund balances	\$ 404,225	\$ 194,544	\$ 15,136	\$ 613,905

See Notes to Financial Statements.

**Hillsdale Community Schools**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2021

	<u>Special Revenue</u>		<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service Fund</u>	<u>Student Activity Fund</u>	<u>Building &amp; Site Fund 1</u>	
<b>Revenues:</b>				
Local sources	\$ 10,875	\$ 114,034	\$ 1,868	\$ 126,777
State sources	31,855	-	-	31,855
Federal sources	950,892	-	-	950,892
Interdistrict and other	22,995	-	-	22,995
Total revenues	<u>1,016,617</u>	<u>114,034</u>	<u>1,868</u>	<u>1,132,519</u>
<b>Expenditures:</b>				
Food service activities	895,604	-	-	895,604
Student activities	-	152,190	-	152,190
Capital outlay	-	-	198,854	198,854
Total expenditures	<u>895,604</u>	<u>152,190</u>	<u>198,854</u>	<u>1,246,648</u>
<b>Revenues Over (Under) Expenditures</b>	<u>121,013</u>	<u>(38,156)</u>	<u>(196,986)</u>	<u>(114,129)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from sale of capital assets	-	-	16,324	16,324
Transfers in	7,850	-	-	7,850
Transfers out	(63,748)	-	-	(63,748)
Total other financing sources (uses)	<u>(55,898)</u>	<u>-</u>	<u>16,324</u>	<u>(39,574)</u>
<b>Net Changes in Fund Balances</b>	65,115	(38,156)	(180,662)	(153,703)
<b>Fund Balances - Beginning of Year</b>	<u>247,816</u>	<u>232,700</u>	<u>195,798</u>	<u>676,314</u>
<b>Fund Balances - End of Year</b>	<u>\$ 312,931</u>	<u>\$ 194,544</u>	<u>\$ 15,136</u>	<u>\$ 522,611</u>

See Notes to Financial Statements.