

HANOVER-HORTON SCHOOL DISTRICT



FINANCIAL STATEMENTS

YEAR ENDED
JUNE 30, 2021



Drake
Certified
Public
Accountants

HANOVER-HORTON SCHOOL DISTRICT

LIST OF PRINCIPAL INDIVIDUALS

Board of Education

Chris Blackledge	President
Kristin Flick	Vice President
Joe Childs	Secretary
Leon Densmore	Treasurer
Tim Evans	Board Member
Diane Anderson	Board Member
Gail Proctor	Board Member

Management

John Denney	Superintendent
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HANOVER-HORTON SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

Board of Education
Hanover-Horton School District
Horton, 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 the Hanover-Horton School District, 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 the Hanover-Horton School District, as of June 30, 2021, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Accounting Changes

As described in Note 23 to the financial statements, the School District adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities. Our opinions are not modified with respect to these matters.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis, budgetary comparison information, the Schedule of Reporting Unit's Proportionate Share of Net Pension Liability, the Schedule of Reporting Unit's Contributions for pensions, the Schedule of Reporting Unit's Proportionate Share of Net OPEB Liability, and the Schedule of Reporting Unit's Contributions for OPEB on pages 3-9 and 43-48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hanover-Horton School District’s basic financial statements. The other supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2021, on our consideration of the Hanover-Horton School District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hanover-Horton School District's 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 the Hanover-Horton School District’s internal control over financial reporting and compliance.

Karl Z. Drake

Drake Certified Public Accountants, PC
August 20, 2021



HANOVER-HORTON SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Hanover-Horton School District's annual financial report presents discussion and analysis of the School District's financial performance during the year ended June 30, 2021. It is best read in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Hanover-Horton School District financially as a whole. The District-Wide Financial Statements provide information about the activities of the entire School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the District-Wide financial statements by providing information about the School District's most significant funds - the General Fund, Capital Projects Fund #3, and the Sinking Fund, with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

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

Basic Financial Statements

District-Wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

Schedules for Net Pension Liability

Schedules for Net OPEB Liability

Budgetary Information for the General Fund, Capital Projects Fund #3, and Sinking Fund
(Required Supplemental Information)

Other Supplemental Information

Reporting the School District as a Whole - Government-Wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities (that 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. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.



Reporting the School District as a Whole - Government-Wide Financial Statements (Continued)

These two statements report the School District's net position - the difference between assets and liabilities, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to 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 schools, to assess the overall health of the School District.

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

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes funds as needed to help it control and manage money for particular purposes or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the School District use the following accounting approach:

Governmental Funds

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

Reporting the School District's Fiduciary Responsibilities - The School District as Trustee

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net position. These activities are excluded from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.



HANOVER-HORTON SCHOOL DISTRICT

Management's Discussion and Analysis

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2021 and 2020:

TABLE 1	Governmental Activities (In Millions)	
	2021	2020
ASSETS		
Current and other assets	\$ 6.2	\$ 8.1
Capital assets - net of accumulated depreciation	9.4	6.6
TOTAL ASSETS	15.6	14.7
DEFERRED OUTFLOWS OF RESOURCES	6.5	7.4
LIABILITIES		
Current liabilities	1.6	1.9
Long-term liabilities	29.8	30.4
TOTAL LIABILITIES	31.4	32.3
DEFERRED INFLOWS OF RESOURCES	3.9	3.7
NET POSITION		
Invested in property and equipment - net of related debt	4.7	1.8
Restricted	2.8	5.2
Unrestricted	(20.7)	(20.9)
TOTAL NET POSITION	\$ (13.2)	\$ (13.9)

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net position was (\$13.2) million at June 30, 2021. Capital assets, net of related debt totaling \$4.7 million compares the original cost, less depreciation of the School District's capital assets to long-term debt, including accrued interest on capital appreciation bonds, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use the net position for day-to-day operations. The remaining amount of net position (\$20.7) million was unrestricted.

The (\$20.7) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.



Management's Discussion and Analysis

The School District as a Whole (Continued)

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net position for fiscal year 2021 and 2020.

TABLE 2

	Governmental Activities	
	(In Millions)	
	2021	2020
REVENUE		
Program Revenue		
Charges for Services	\$ 0.1	\$ 0.2
Grants and Categoricals	3.7	2.2
General Revenue		
Property Taxes	1.8	1.7
State Aid	7.9	7.8
Other	0.2	0.2
TOTAL REVENUE	13.7	12.1
FUNCTION/PROGRAM EXPENSES		
Instruction	7.2	6.9
Support Services	4.5	4.5
Athletics	0.2	0.3
Food Services	0.5	0.4
Interest on Long-Term Debt	0.2	0.2
Depreciation (Unallocated)	0.4	0.5
TOTAL FUNCTION/PROGRAM EXPENSES	13.0	12.8
INCREASE (DECREASE) IN NET POSITION	\$ 0.7	\$ (0.7)

The primary reasons for the change in net position was additional grants and actuarial changes in the Net Pension Liability and Net OPEB Liability.

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



HANOVER-HORTON SCHOOL DISTRICT

Management's Discussion and Analysis

The School District's Funds

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$4.8 million, which is a decrease of \$1.8 million over last year. The primary reason for the decrease is capital outlay. The General Fund, the principal operating fund, saw the fund balance increase \$849,128 to \$2,095,269, which is more than the budgeted decrease of \$304,289.

- Capital Project Funds showed a decrease in fund balance of \$2,963,133, due to capital outlay.
- Combined, the Debt Service Funds showed a fund balance increase of \$38,445. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Fund Balances in the Debt Service Funds are restricted since they can only be used to pay debt service obligations.

General Budgetary Highlights

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

The School District has made cuts in line item spending as well as eliminating programs over the past few years in an attempt to lower expenditures. In addition, the School District has not replaced employees that have retired. Nine teaching positions were eliminated at the end of the 2014-15 school year in order to avoid going into deficit. In 2017, a bond was passed in order to address needed technology items to keep from making the purchases out of the general fund. Then in 2019, a bond was passed to address facility needs.

The 2020-2021 budget was prepared during a time of great unknowns due to the ongoing pandemic. A \$350 reduction in per pupil funding was used in calculations. However, the School Aid Fund was in much better shape than anticipated and additional funding was approved. Through the use of available Federal funds and careful spending, the fund balance increased.

Retirement costs have increased dramatically from 12% in 2001-2002 to as high as 30% in 2020-2021.

There was a slight increase in the State Foundation Allowance. However, there were other costs incurred by the School District due to changes in MPSERS.



Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital Asset

At June 30, 2021, the School District had \$9.4 million invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net increase (including additions and disposals) of \$2,724,178 or 40.98 percent, from last year.

	2021	2020
Land and Improvements	\$ 2,454,499	\$ 2,454,499
Buildings and Improvements	16,034,258	12,942,750
Buses and Other Vehicles	474,324	615,690
Furniture and Equipment	835,794	1,046,782
Total Capital Assets	19,798,875	17,059,721
Less Accumulated Depreciation	(10,427,542)	(10,412,566)
Net Capital Assets	\$ 9,371,333	\$ 6,647,155

Debt

At the end of this year, the School District had \$4.5 million in bonds and loans outstanding versus \$4.7 million in the previous year - a decrease of 3.06 percent. Debt consisted of the following:

	2021	2020
General Obligation Bonds	\$ 4,510,000	\$ 4,645,000
Equipment Loans	25,645	33,739
	\$ 4,535,645	\$ 4,678,739

The School District's general obligation bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of 4.5 million is significantly below the statutorily imposed limit.



HANOVER-HORTON SCHOOL DISTRICT

Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

The elected officials and administration considered many factors when setting the School District's 2021-2022 fiscal year budget. The two most important factors are the student count and the amount of revenue that the School District will receive per pupil. The birth rate is down in Michigan, and both the State and Jackson County unemployment rates are having a negative impact on the School District as well. The other budget impact is our per-pupil allocation. The state foundation revenue is determined by multiplying the blended student count (using two separate count days) by the per student foundation allocation. The per-pupil allocation in 2008-2009 was \$7,316. Since then, the School District has had several consecutive years of budget cuts, with some ability to partially restore funding through federal funds that were received in 2009-2011. In 2011-2012, the School District had some carry-over funds that it was able to use; however, all of these funding sources have expired. The 2020-2021 per-pupil allocation was \$8,111.

Additionally, staff has been required to pay 20% of the cost of health care. This has shifted some of the rising insurance costs to the employee. Changes have also been made in carriers, increased deductibles and co-pays; all in an attempt to reduce the cost of health care. All insured employees were covered through the Jackson County Health Consortium again in the 2020-2021 school year. The largest cost increase that the School District has experienced is the rising cost of the Michigan Public School Employee Retirement System or MPSERS. The Legislature has passed changes that are designed to limit future increases in the amount that School Districts are contributing into the system. The biggest unknown variables for the 2021-2022 school year is the fall enrollment number and the final per pupil allocation. After the final number is known, the 2021-2022 budget will need to be revised. With the spring student count of just over 1,060 students, the budget was developed with an anticipated enrollment of 1,060 students. There is also significant concern of the long-term overall financial impact that the pandemic will have at the local and state level.

Prior to 2011, the School District's revenue was dependent on the health of the state's School Aid Fund. If there was a surplus in the state School Aid Fund, School Districts received increases in their per pupil allocation. If the School Aid Fund was not generating adequate funding to meet their revenue obligations, local School Districts could receive mid-year budget reductions or a proration. Now that the School Aid Fund has been tapped by the legislature to help balance the state General Fund, local School District funding is even more precarious. The state's long-term commitment to local School Districts is uncertain at best, and budgeting is more challenging as costs continue to rise and revenue continues to decline.

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors and creditors of the Hanover-Horton School District with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Manager, 10400 Moscow Road, Horton, Michigan 49246.



BASIC FINANCIAL STATEMENTS



HANOVER-HORTON SCHOOL DISTRICT

District-Wide Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2021

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 4,377,496
Due From Other Governmental Units	1,839,244
Other Current Assets	12,920
TOTAL CURRENT ASSETS	<u>6,229,660</u>
NON-CURRENT ASSETS	
Capital Assets, Net	9,371,333
TOTAL ASSETS	<u>15,600,993</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension	4,998,111
OPEB	1,483,746
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>6,481,857</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 22,082,850</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	\$ 72,876
Accrued Salaries and Expenses	1,152,702
Accrued Interest	14,967
Unearned Revenue	-
Bonds and Loans Payable, Due within One Year	293,372
TOTAL CURRENT LIABILITIES	<u>1,533,917</u>
NON-CURRENT LIABILITIES	
Bonds Payable	4,365,000
Loans Payable	17,328
Compensated Absences and Severance Pay	94,605
Net Pension Liability	21,910,883
OPEB Liability	3,408,284
TOTAL NON-CURRENT LIABILITIES	<u>29,796,100</u>
TOTAL LIABILITIES	<u>31,330,017</u>
DEFERRED INFLOWS OF RESOURCES	
Pension	1,314,917
OPEB	2,619,788
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,934,705</u>
NET POSITION	
Net Investment in Capital Assets	4,695,633
Restricted	2,787,747
Unrestricted	(20,665,252)
TOTAL NET POSITION	<u>(13,181,872)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 22,082,850</u>

See Accompanying Notes to Financial Statements



District-Wide Financial Statements

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Expenses	Program Revenue		Governmental Activities
		Charges For Services	Operating Grants	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS				
Governmental Activities				
Instruction	\$ 7,232,379	\$ 1,650	\$ 1,871,224	\$ (5,359,505)
Support Services	4,536,197	-	1,177,179	(3,359,018)
Food Services	489,436	29,911	622,293	162,768
Community Services	100	-	-	(100)
Athletics	256,408	30,515	-	(225,893)
Interest on Long-Term Debt	184,143	-	-	(184,143)
Depreciation (Unallocated)	462,472	-	-	(462,472)
Total Governmental Activities	<u>13,161,135</u>	<u>62,076</u>	<u>3,670,696</u>	<u>(9,428,363)</u>
General Revenue				
Taxes				
Property Taxes, Levied for General Operations				1,233,135
Property Taxes, Levied for Debt Service				355,492
Property Taxes, Levied for Sinking Fund				237,402
State of Michigan Aid, Unrestricted				7,783,122
Interest Earnings				7,096
Other				190,434
Total General Revenue				<u>9,806,681</u>
CHANGE IN NET POSITION				<u>378,318</u>
NET POSITION - BEGINNING OF YEAR				<u>(13,560,190)</u>
NET POSITION - END OF YEAR				<u>\$ (13,181,872)</u>



HANOVER-HORTON SCHOOL DISTRICT

Governmental Funds

BALANCE SHEET

JUNE 30, 2021

	General	Capital Projects #3	Sinking	Other Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Investments	\$ 2,242,166	\$ 1,365,858	\$ -	\$ 769,472	\$ 4,377,496
Accounts Receivable	6,360	-	-	-	6,360
Due from Other Governmental Units	1,814,126	-	-	25,118	1,839,244
Due from Other Funds	186,176	-	767,553	50,531	1,004,260
Inventories	-	-	-	6,560	6,560
Prepaid Expenditures	-	-	-	-	-
TOTAL ASSETS	\$ 4,248,828	\$ 1,365,858	\$ 767,553	\$ 851,681	\$ 7,233,920
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 51,207	\$ -	\$ 544	\$ 21,125	\$ 72,876
Accrued Salaries and Withholdings	1,144,499	-	-	8,203	1,152,702
Due to Other Funds	817,798	-	10,580	175,882	1,004,260
Short-Term Loans	140,055	-	-	-	140,055
Unearned Revenue	-	-	-	-	-
TOTAL LIABILITIES	2,153,559	-	11,124	205,210	2,369,893
FUND BALANCES					
Non-spendable	-	-	-	6,560	6,560
Restricted	25,549	1,365,858	756,429	639,911	2,787,747
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unrestricted	2,069,720	-	-	-	2,069,720
TOTAL FUND BALANCES	2,095,269	1,365,858	756,429	646,471	4,864,027
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,248,828	\$ 1,365,858	\$ 767,553	\$ 851,681	\$ 7,233,920
TOTAL GOVERNMENTAL FUND BALANCES					\$ 4,864,027
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources, and are not reported in the funds:					
Cost of the Capital Assets					19,798,875
Accumulated Depreciation					(10,427,542)
					<u>9,371,333</u>
Long-term liabilities are not due and payable in the current period and are not reported in the fund:					
Bonds Payable					(4,510,000)
Loans Payable					(25,645)
Compensated Absences					(94,605)
Net Pension Liability					(21,910,883)
OPEB Liability					(3,408,284)
Accrued interest is not included as a liability in governmental funds					(14,967)
Deferred Outflow of Resources are not included in governmental funds					6,481,857
Deferred Inflow of Resources are not included in governmental funds					(3,934,705)
NET POSITION OF GOVERNMENTAL ACTIVITIES					<u><u>\$ (13,181,872)</u></u>

See Accompanying Notes to Financial Statements



Governmental Funds

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2021

	General	Capital Projects #3	Sinking	Other Non-Major Governmental Funds	Total Governmental Funds
REVENUE					
Local Sources	\$1,314,404	\$ 775	\$ 237,402	\$ 533,054	\$ 2,085,635
Inter-District Sources	505,990	-	-	-	505,990
State Sources	9,654,346	-	-	25,357	9,679,703
Federal Sources	671,189	-	-	596,936	1,268,125
Other Sources	-	-	-	-	-
TOTAL REVENUE	12,145,929	775	237,402	1,155,347	13,539,453
EXPENDITURES					
Instruction	6,732,379	-	-	-	6,732,379
Supporting Services	4,335,914	-	-	639,720	4,975,634
Athletic Activities	256,408	-	-	-	256,408
Community Services	100	-	-	-	100
Debt Service	-	-	-	318,298	318,298
Capital Outlay	-	2,963,908	42,612	-	3,006,520
TOTAL EXPENDITURES	11,324,801	2,963,908	42,612	958,018	15,289,339
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	821,128	(2,963,133)	194,790	197,329	(1,749,886)
OTHER FINANCING SOURCES (USES)					
Indirect costs	28,000	-	-	(28,000)	-
Loan Proceeds	-	-	-	-	-
Prior Period Adjustment	-	-	-	-	-
Transfers In (Out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	28,000	-	-	(28,000)	-
NET CHANGE IN FUND BALANCES	849,128	(2,963,133)	194,790	169,329	(1,749,886)
FUND BALANCES - BEGINNING OF YEAR	1,246,141	4,328,991	561,639	477,142	6,613,913
FUND BALANCES - END OF YEAR	\$2,095,269	\$1,365,858	\$ 756,429	\$ 646,471	\$ 4,864,027



HANOVER-HORTON SCHOOL DISTRICT

Governmental Funds

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ (1,749,886)
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	(462,472)	
Capital Outlay	<u>3,186,650</u>	2,724,178
- Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid.		
		347
- Deferred outflows of resources are recorded in the statement of net position but not in the governmental funds.		
		(917,961)
- Deferred inflows of resources are recorded in the statement of net position but not in the governmental funds.		
		(283,854)
- Loan proceeds are a revenue in the governmental funds, but not in the statement of activities (where it increases long-term debt).		
		-
- Repayment of note and bond principal are an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).		
		143,094
- Compensated absences are included in expenditures in the statement of activities but not in the governmental funds.		
		(13,769)
- Net Pension Liability is recorded in the statement of net position but not in the governmental funds.		
		(696,567)
- Net OPEB Liability is recorded in the statement of net position but not in the governmental funds.		
		<u>1,172,736</u>
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 378,318</u>

See Accompanying Notes to Financial Statements



NOTES TO FINANCIAL STATEMENTS



HANOVER-HORTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the School District conform to United States generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

A. REPORTING ENTITY

Hanover-Horton School District is located in Jackson County, Michigan. The School District is a K through 12 system. The School District is governed by a School Board consisting of seven Board members, all of whom are elected by School District residents.

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 School District does not contain any component units.

B. BASIS OF PRESENTATION

District-Wide and Fund Financial Statements

The District-Wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. 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 items not properly included among program revenue are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

District-Wide 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 flow. 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.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION (CONTINUED)

District-Wide Statements (Continued)

As a general rule, the effect of inter-fund activity has been eliminated from the District-Wide financial statements.

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 revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, 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 fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

GOVERNMENTAL FUNDS

General Fund

The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than Building and Site Funds) that are legally restricted to expenditures for specified purposes. The Special Revenue Funds maintained by the School District is the Food Service Fund and the Student Activities Fund.

Debt Retirement Funds

These funds are used to account for the accumulation of resources for, and for the payment of, general long-term debt principal, interest, and related costs. Debt Retirement Funds maintained by the School District are to retire outstanding 2019 bonded indebtedness and 2017 bonded indebtedness.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of 1351a of the Revised School Code.



HANOVER-HORTON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION (CONTINUED)

Fund Based Statements (Continued)

GOVERNMENTAL FUNDS (CONTINUED)

Sinking Fund

Sinking Funds are used to account for tax revenue specifically collected for facility improvements and repairs.

C. BUDGETS AND BUDGETARY ACCOUNTING

The General Fund, Special Revenue Funds, and Debt Retirement Funds are under formal budgetary control. Budgets are adopted on the modified accrual basis of accounting. Amendments are by action of the Board.

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School for these budgetary funds were adopted at the functional level.

D. PROPERTY TAXES

Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied and payable on December 1. The School District collects its taxes through the local School District treasurers. Settlement of the delinquent real property taxes is funded by Jackson and Hillsdale Counties. The School District recognizes property tax revenue in the year of levy except for delinquent personal property taxes, which are recorded as revenue when received.

E. INVENTORIES

Inventories are accounted for at cost on a first-in, first-out basis of accounting with the exception of USDA Commodities that are recorded at market value. Inventory consists of expendable supplies held for consumption and USDA Commodities.

F. CASH EQUIVALENTS

The School District considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

G. FINANCIAL INSTRUMENTS

The School does not require collateral to support financial instruments subject to credit risk.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. SHORT-TERM INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

I. STATE CATEGORICAL REVENUE

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose.

J. EQUITY

Net Position

Net position represents the difference between assets and deferred outflow of resources, less liabilities and deferred inflow of resources. The School District reports three categories of net position, as follows: (1) Net investment in capital assets consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflow of resources attributable to the acquisition, construction, or improvement of those assets, and increases by balances of deferred outflow of resources related to those assets; (2) Restricted net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyers of the School District’s debt. Restricted net position is reduced by liabilities and deferred inflow of resources related to the restricted assets; (3) Unrestricted net position consists of all other net position that does not meet the definition of the above components and is available for general use by the School District.

Fund Balance

In the fund financial statements, governmental funds report the following components of fund balance:

- Non-spendable - Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted - Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- Committed - Amounts that have been formally set aside by the board for use for specific purposes. Commitments are made and can be rescinded only via resolution of the board.
- Assigned - Intent to spend resources on specific purposes expressed by the board.
- Unassigned - Balances that do not otherwise fall into one of the above categories.



HANOVER-HORTON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. CAPITAL ASSETS

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 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 materially or extend asset life are not capitalized. The School District does not have infrastructure type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Building and additions	15-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

L. LONG-TERM OBLIGATIONS

In the government-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, as well as issuance costs, 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 reported as deferred charges and amortized over the term of the related debt.

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.

M. ESTIMATES

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

N. DEFERRED OUTFLOW/INFLOW OF RESOURCES

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



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. DEFERRED OUTFLOW/INFLOW OF RESOURCES (CONTINUED)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as inflows of resources (revenue) until that time. This item includes estimates related to Net Pension Liability and OPEB. There is one other item, unavailable revenue, which qualifies for reporting in this category, which arises only under a modified accrual basis of accounting. Unavailable revenue, is reported only in the governmental funds balance sheet.

O. NET PENSION LIABILITY

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

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

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Department, by resolution, may authorize investment of surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, or depository receipts of a bank, which is a member of the Federal Deposit Insurance Corporation; or a savings and loan association, which is a member of the Federal Savings and Loan Insurance Corporation; or a credit union, which is insured by the National Credit Union Association; but only if the bank, savings and loan association, or credit union complies with Subsection (2).
3. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.



HANOVER-HORTON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS (CONTINUED)

LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS (CONTINUED)

4. In United States government or Federal agency obligation repurchase agreements.
5. In bankers' acceptances of United States banks.
6. In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The School District is in compliance with State law regarding their cash deposits.

The School District maintains its cash deposits in two financial institutions. At June 30, 2021, the book value of the School District's deposits was \$2,906,034 and the bank balance was \$3,337,482. Of the bank balance, \$1,634,645 was covered by federal depository insurance and \$1,703,017 was uninsured and uncollateralized.

Investments consist of external pooled funds and are stated at Net Asset Value. See footnote Fair Value Measurement for further details.

Total cash and investments as of June 30, 2021, consist of:

Petty Cash	\$ 728
Deposits with Financial Institutions	2,906,034
Investments	1,470,734
	<u>\$ 4,377,496</u>

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does have a policy for custodial credit risk, requiring diligence and prudence of investment officials when considering investments in obligations other than those of an agency of the United States. At year end, the School District had no investment securities that were uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the School District's name.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the School District had no such investments.

Concentration of Credit Risk

The School District does limit the amount that it may invest in any one issuer. The School District currently has no one investment which exceeds 20 percent of its total investments.

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. The School District restricts the amount of investments in foreign currency and, thus, at year end had no securities subject to foreign currency risk.



NOTE 3 - ACCUMULATED FUND DEFICITS

There were no accumulated fund deficits at June 30, 2021.

NOTE 4 - BUDGETARY ACCOUNTING

During the year ended June 30, 2021, the School District incurred no expenditures that were in excess of the amounts budgeted.

NOTE 5 - COMPENSATED ABSENCES

The School District’s policy is to not compensate employees for vacation time unused during the school year. Accumulated sick pay policies are as follows:

Teachers

Credited with 11 sick leave days per year; maximum accumulation of 130 days allowed; amounts over 130 days unused are paid at a rate of \$65 per day. A retirement leave benefit of \$70 per day (maximum \$980) is paid to teachers, employed by the School District for ten years or more, retiring from the School District.

Support Personnel

Credited with one day per month for months worked up to 10 per year; maximum accumulation of 120 days allowed; amounts over 120 days unused are paid at a rate of 50% of the employee’s daily rate. A retirement leave benefit of 50% of the daily rate (maximum \$1,500) is paid upon retirement from the School District.

NOTE 6 - RELATED PARTY ACTIVITY

There was no related party activity in the year ended June 30, 2021.

NOTE 7 - COMPONENTS OF FUND BALANCE

The School District had the following components of fund balance at June 30, 2021:

- A. \$0 of fund balance in the general fund, and \$6,560 of fund balance in the Special Revenue - Food Service Fund is non-spendable. This amount represents inventory supplies and USDA commodity inventories on hand at year-end as well as prepaid expenses and is not available for current appropriations and expenditures.
- B. \$2,787,747 of fund balance is restricted for the specific purpose for which it was received. At June 30, 2021, \$198,194 was restricted for Food Service, \$25,549 was restricted for At Risk, \$174,369 was restricted for Debt Service, \$756,429 was restricted for the Sinking Fund, \$267,348 was restricted for Student Activities, and \$1,365,858 was restricted for Capital Projects.
- C. The balance of the Fund Balance is unassigned and is available to fund future School operations. The June 30, 2021, Unassigned General Fund Balance of \$2,031,033 compares to June 30, 2020, unassigned General Fund Balance of \$827,638.

NOTE 8 - INVENTORY

There is \$6,560 of inventory in the Special Revenue Fund - Food Service.



HANOVER-HORTON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 9 - DUE FROM OTHER GOVERNMENTAL UNITS

The Due from Other Governmental Units at June 30, 2021, is comprised of the following:

<u>General Fund</u>	
State of Michigan	
State Aid	\$ 1,762,806
Title 1	28,121
Title 2A	3,624
Title 4	9,222
ESSER II	10,253
JCISD Homeless Grant	100
<u>Food Service Fund</u>	
USDA	22,689
State of Michigan	2,429
	<u>\$ 1,839,244</u>

NOTE 10 - INVESTMENTS

Investments at estimated fair value as of June 30, 2021, consist of:

External Investment Pools	<u>\$ 1,470,734</u>
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Investment income (loss) for the year ended June 30, 2021, consists of:

Interest and Dividends	\$ 908
Net Realized and Unrealized Gain (Loss)	-
Total	<u>\$ 908</u>

NOTE 11 - FAIR VALUE MEASUREMENTS

The School District holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the School District's mission, the School District determines that the disclosures related to these investments only need to be disaggregated by major type.



NOTE 11 - FAIR VALUE MEASUREMENTS (CONTINUED)

Investments valued at the net asset value as of June 30, 2021, are:

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
External Investment Pools	\$ 1,470,734	\$ -	Unlimited	None

External investment pools consist of Michigan Liquid Asset Fund. The Districts funds are invested in the Michigan Liquid Asset Fund trust accounts in accordance with Sections 622, 1221, and 1223 of the School Code. These investment pools are composed entirely of instruments that are legal for direct investment by a school district. These pools are not categorized as to risk because it is not evidenced by securities that the District owns specifically or can be identified with securities within the liquid asset account. Instead, the funds are held at Net Asset Value (NAV). NAV is determined by each individual pool on a per share basis. Each School District owns a prorata share of the each fund, which is held in the name of the funds. There are no restrictions on the redemption of funds from the pools.

NOTE 12 - ACCRUED SALARIES AND FRINGE BENEFITS

Of \$1,153,106 salaries payable at June 30, 2021, \$605,730 represents the unpaid portion of teacher contracts for the 2020-21 school year. Of these salaries, there are also fringe benefits payable at year-end totaling \$547,376.

NOTE 13 - DUE TO/FROM OTHER FUNDS

Due to/due from at June 30, 2021, consisted of the following:

Due To:		Due From:	
General Fund	\$ 134,999	Food Service Fund	\$ 134,999
General Fund	40,597	Student Activities Fund	40,597
General Fund	10,580	Sinking Fund	10,580
Food Service Fund	286	Student Activities Fund	286
2017 Debt Fund	40,677	General Fund	40,677
2019 Debt Fund	9,568	General Fund	9,568
Sinking Fund	767,553	General Fund	767,553
	<u>\$ 1,004,260</u>		<u>\$ 1,004,260</u>



HANOVER-HORTON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 14 - CAPITAL ASSETS

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

	July 1, 2020	Additions	Disposals and Adjustments	June 30, 2021
Assets not being depreciated:				
Land	\$ 1,150	\$ -	\$ -	\$ 1,150
Capital assets being depreciated:				
Land Improvements	2,453,349	-	-	2,453,349
Building and Building Improvements	12,942,750	3,131,083	39,575	16,034,258
Buses and Other Vehicles	615,690	6,477	147,843	474,324
Furniture and Equipment	1,046,782	49,090	260,078	835,794
Subtotal	17,058,571	3,186,650	447,496	19,797,725
Accumulated depreciation:				
Land Improvements	893,685	57,762	-	951,447
Building and Building Improvements	8,445,654	304,546	39,575	8,710,625
Buses and Other Vehicles	265,479	42,807	147,843	160,443
Furniture and Equipment	807,748	57,357	260,078	605,027
Subtotal	10,412,566	462,472	447,496	10,427,542
Net Capital Assets Being Depreciated	6,646,005	2,724,178	-	9,370,183
Net Capital Assets	\$ 6,647,155	\$ 2,724,178	\$ -	\$ 9,371,333

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

NOTE 15 - BUS LEASE

In July 2021, the School District restructured an existing bus lease resulting in an extension through the year ended June 2023. Lease expense for the year ended June 30, 2021, totaled \$101,720. Future minimum payments are as follows:

Year Ending June 30,	
2022	\$ 131,712
2023	481,924
	\$ 613,636



NOTE 16 - SINKING FUND

The School District has established a sinking fund. For this fund, authorized prior to March 16, 2019, the school district has complied with the applicable provisions of Section 1212 of the Revised School Code. Taxpayers are funding the Sinking Fund with 1 mill of property taxes for the years 2016-2021. This money will be used for facility repairs and improvements. In the year ended June 30, 2021, \$237,402 was collected and \$42,612 was spent on facility improvements.

NOTE 17 - SHORT TERM LOAN

In August 2020, the School District borrowed \$1,013,000 from County National Bank in a State Aid Note. This note matures August 2021, and bears interest at 0.7%. Payments including principal and interest varied per month ranging from \$144,000 to \$148,000 beginning in January 2021. The balance due at June 30, 2021, was \$140,055.

NOTE 18 - RISK MANAGEMENT AND LITIGATION

The School District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the past several years the School District has obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. At June 30, 2021, no claims exist, and no provision has been entered into the accounting records.

NOTE 19 - LONG TERM DEBT

Long-Term Debt is comprised of bonded debt and bus notes payable. During the year ended June 30, 2021, long-term debt changed as follows:

Bond Issue	July 1, 2020	Additional Debt	2020-2021 Payments	June 30, 2021
Equipment Loan	\$ 33,739	\$ -	\$ 8,094	\$ 25,645
2017 Debt	115,000	-	55,000	60,000
2019 Debt	4,530,000	-	80,000	4,450,000
	<u>\$ 4,678,739</u>	<u>\$ -</u>	<u>\$ 143,094</u>	<u>\$ 4,535,645</u>



HANOVER-HORTON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 19 - LONG TERM DEBT (CONTINUED)

Future minimum payments are as follows:

Year Ending June 30,	Equipment Loan	2017 Debt	2019 Debt	Total
2022	\$ 8,317	\$ 60,000	\$ 85,000	\$ 153,317
2023	8,545	-	125,000	133,545
2024	8,783	-	135,000	143,783
2025	-	-	145,000	145,000
2026	-	-	155,000	155,000
2027-2031	-	-	875,000	875,000
2032-2036	-	-	1,065,000	1,065,000
2037-2041	-	-	1,285,000	1,285,000
2042-2043	-	-	580,000	580,000
	<u>\$ 25,645</u>	<u>\$ 60,000</u>	<u>\$ 4,450,000</u>	<u>\$ 4,535,645</u>

A. EQUIPMENT LOAN

The School District borrowed \$64,000 from Hillsdale County National Bank in 2016 for the purchase of equipment. Annual payments of \$9,022 (including interest at 2.75%) are due from 2019 through 2024. The balance due at June 30, 2021, was \$25,645.

B. 2017 BONDS

The bonds are dated June 28, 2017, with principal due each May 1 and interest due each May 1 and November 1, beginning May 1, 2018, and ending May 1, 2022. The original amount of the bonds was \$250,000. Interest rates vary from 1.0% to 1.5%. The proceeds of the bonds were used for school building and technology improvements. Total amount outstanding at June 30, 2021, was \$60,000.

C. 2019 BONDS

The bonds are dated August 8, 2019, with principal due each May 1 and interest due each May 1 and November 1, beginning May 1, 2020, and ending May 1, 2043. The original amount of the bonds was \$4,530,000. Interest rates vary from 1.0% to 1.5%. The proceeds of the bonds were used for school improvements. Total amount outstanding at June 30, 2021, was \$4,450,000.



NOTE 20 - NET PENSION LIABILITY

PLAN DESCRIPTION

The Michigan Public School Employees' Retirement System (System or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. 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's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

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 are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. 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.

CONTRIBUTIONS

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The 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 as of the Sept. 30, 2019 valuation will be amortized over a 19-year period beginning Oct. 1, 2019 and ending Sept. 30, 2038.



HANOVER-HORTON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 20 - NET PENSION LIABILITY (CONTINUED)

CONTRIBUTIONS (CONTINUED)

The schedule below summarizes pension contribution rates in effect for fiscal year ended September, 30, 2020.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	19.41%
Member Investment Plan	3.0 - 7.0%	19.41%
Pension Plus	3.0 - 6.4%	16.46%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from the School District were \$1,752,898 for the year ended September 30, 2020.

LONG-TERM EXPECTED RETURN ON PLAN ASSETS

The long-term expected rate of return on pension 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 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 weighing 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 plan's target asset allocation as of September 30, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.6%
Private Equity Pools	16.0%	9.3%
International Equity Pools	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%
	100.0%	

*Long-term rates of return are net of administrative expenses and 2.3% inflation



NOTE 20 - NET PENSION LIABILITY (CONTINUED)

RATE OF RETURN

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

DISCOUNT RATE

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN DISCOUNT RATE

The following presents School District's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

Current Single Discount		
1% Decrease	Rate Assumption	1% Increase
5.80%/5.80%/5.00%	6.80%/6.80%/6.00%	7.80%/7.80%/7.00%
\$ 28,359,921	\$ 21,910,883	\$ 16,566,067

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

ACTUARIAL 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.



HANOVER-HORTON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 20 - NET PENSION LIABILITY (CONTINUED)

ACTUARIAL VALUATIONS AND ASSUMPTIONS (CONTINUED)

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

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% net of investment expenses
Pension Plus Plan	6.80% net of investment expenses
Pension Plus 2 Plan	6.00% net of investment expenses
Projected Salary Increases	2.75-11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments	3% 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.
Active Members	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

NOTES:

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension 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.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.



NOTE 20 - NET PENSION LIABILITY (CONTINUED)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2021, the School District reported a liability of \$21,910,883 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 2019. The School District's proportion 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 pension contributions required from all applicable employers during the measurement period. At September 30, 2020, the School District's proportion was 0.06379 percent, which was a decrease of 0.00027 percent from its proportion measured as of September 30, 2019.

For the year ended June 30, 2021, the School District recognized pension expense of \$2,974,829. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 334,780	\$ 46,766
Changes in Assumptions	2,427,937	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	92,060	-
Changes in Proportion and Differences between Reporting Unit Contributions and Proportionate share of Contributions	-	233,549
Reporting Unit Contributions Subsequent to the Measurement Date	2,143,334	1,034,602
Total	<u>\$ 4,998,111</u>	<u>\$ 1,314,917</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan year ending September 30,	
2021	\$ 1,168,066
2022	835,358
2023	435,864
2024	135,174
	<u>\$ 2,574,462</u>



HANOVER-HORTON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 20 - NET PENSION LIABILITY (CONTINUED)

MPERS FIDUCIARY NET POSITION

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

NOTE 21 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

PLAN DESCRIPTION

The Michigan Public School Employees' Retirement System (System or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. 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's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

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 Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning Jan. 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.



NOTE 21 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

BENEFITS PROVIDED (CONTINUED)

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member’s healthcare benefit are effective as of the member’s transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

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

CONTRIBUTIONS

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

Employer OPEB 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 as of the Sept. 30, 2019 valuation will be amortized over a 19-year period beginning Oct. 1, 2019 and ending Sept. 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2020.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.00%	8.09%
Personal Healthcare Fund (PHF)	0.00%	7.57%

Required contributions to the OPEB plan from the School District were \$449,490 for the year ended September 30, 2020.



HANOVER-HORTON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 21 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

LONG-TERM EXPECTED RETURN ON PLAN ASSETS

The long-term expected rate of return on 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 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 OPEB plan's target asset allocation as of September 30, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
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/Oppportunistic Pools	12.5%	6.6%
Short-Term Investment Pools	2.0%	-0.1%
	100.0%	

*Long-term rates of return are net of administrative expenses and 2.3% inflation

RATE OF RETURN

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

DISCOUNT RATE

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



NOTE 21 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

SENSITIVITY OF THE SCHOOL DISTRICTS PROPORTIONATE SHARE 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 School District’s proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Discount Rate	1% Increase
5.95%	6.95%	7.95%
\$ 4,378,328	\$ 3,408,284	\$ 2,591,588

SENSITIVITY OF THE SCHOOL DISTRICTS PROPORTIONATE SHARE OF THE NET OPEB LIABILITY TO HEALTHCARE COST TREND RATE

The following presents the School District’s proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the School District’s proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare Cost Rate	1% Increase
\$ 2,560,318	\$ 3,408,284	\$ 4,372,740

ACTUARIAL 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.



HANOVER-HORTON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 21 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

ACTUARIAL ASSUMPTIONS (CONTINUED)

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2019
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.95% net of investment expenses
Projected Salary Increases:	2.75-11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	7.0% Year 1 graded to 3.5% Year 15; 3.0% year 120

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

Other Assumptions:

Opt Out Assumptions	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.

NOTES:

Assumption changes as a result of an experience study for the period 2014 through 2019 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2019, valuation. The total 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: 5.6018.

Recognition period for assets in years is 5.0000.



NOTE 21 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

ACTUARIAL ASSUMPTIONS (CONTINUED)

NOTES (CONTINUED):

Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

OPEB LIABILITIES, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

At June 30, 2021, the School District reported a liability of \$3,408,284 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 2019. The School District’s proportion 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 OPEB contributions required from all applicable employers during the measurement period. At September 30, 2020, School District’s proportion was .06362 percent, which was a decrease of 0.00020% percent from its proportion measured as of September 30, 2019.

For the year ended June 30, 2020, the School District recognized OPEB expense of -\$116,891. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 2,539,490
Changes in Assumptions	1,123,779	-
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	28,446	-
Changes in Proportion and Differences between Reporting Unit Contributions and Proportionate share of Contributions	335	80,298
Reporting Unit Contributions Subsequent to the Measurement Date	331,186	-
Total	<u>\$ 1,483,746</u>	<u>\$ 2,619,788</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:



HANOVER-HORTON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 21 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

OPEB LIABILITIES, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB (CONTINUED)

Plan Year Ended September 30:	
2021	\$ (399,376)
2022	(359,830)
2023	(294,665)
2024	(231,031)
2025	(182,326)
	<u>\$ (1,467,228)</u>

OPEB FIDUCIARY NET POSITION

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2020 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

NOTE 22 - TAX ABATEMENTS

For the year ended June 30, 2021, the School District's taxing units abated property tax revenues totaling \$22,145 under this program.

NOTE 23 - ADOPTION OF NEW ACCOUNTING STANDARD

For the year ended June 30, 2021, the School District implemented the following new pronouncement: GASB Statement No. 84, Fiduciary Activities.

Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, was issued by the GASB in January 2017 and is effective for the School District's 2021 year end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. School districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.



NOTE 23 - ADOPTION OF NEW ACCOUNTING STANDARD (CONTINUED)

	Student Activity Fund	Total Governmental Funds
Fund balance as of July 1, 2020, as previously stated	\$ -	\$ 6,340,860
Adoption of GASB Statement 84	273,053	273,053
Fund balance as of July 1, 2020, as restated	<u>\$ 273,053</u>	<u>\$ 6,613,913</u>

	Governmental Activities	Custodial Fund
Net position as of July 1, 2020, as previously stated	\$ (13,833,243)	\$ 273,053
Adoption of GASB Statement 84	273,053	(273,053)
Net position as of July 1, 2020, as restated	<u>\$ (13,560,190)</u>	<u>\$ -</u>



HANOVER-HORTON SCHOOL DISTRICT

Net Pension Liability

SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN LAST 10 FISCAL YEARS

AMOUNTS DETERMINED AS OF SEPTEMBER 30 OF EACH PLAN FISCAL YEAR

	2020	2019	2018	2017	2016	2015	2014
A. Reporting Unit's Proportion of Net Pension Liability (%)	0.06379%	0.06406%	0.06431%	0.06452%	0.06593%	0.06811%	0.06747%
B. Reporting Unit's Proportionate Share of Net Pension Liability	\$21,910,883	\$21,214,316	\$19,333,297	\$16,719,211	\$16,449,080	\$16,636,044	\$15,140,274
C. Reporting Unit's Covered-Employee Payroll	\$ 5,610,679	\$ 5,555,834	\$ 5,445,050	\$ 5,435,731	\$ 5,335,135	\$ 5,304,335	\$ 5,774,396
D. Reporting Unit's Proportionate Share of Net Pension Liability as a Percentage of Its Covered-Employee Payroll	390.52%	381.84%	355.06%	307.58%	308.32%	313.63%	262.20%
E. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

This schedule is built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with plan fiscal year ended September 30, 2014.



SCHEDULE OF REPORTING UNIT'S CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS

AMOUNTS DETERMINED AS OF JUNE 30 OF EACH FISCAL YEAR

	2021	2020	2019	2018	2017	2016	2015
A. Statutorily Required Contributions	\$1,752,898	\$1,701,762	\$1,751,225	\$1,513,277	\$1,480,500	\$1,313,943	\$1,456,714
B. Contributions in Relation to Statutorily Required Contributions	2,512,911	2,139,841	2,117,757	2,026,648	1,831,522	1,351,832	1,456,714
C. Contribution Deficiency (Excess)	<u>\$ (760,013)</u>	<u>\$ (438,079)</u>	<u>\$ (366,532)</u>	<u>\$ (513,371)</u>	<u>\$ (351,022)</u>	<u>\$ (37,889)</u>	<u>\$ -</u>
D. Reporting Unit's Covered-Employee Payroll	\$5,455,752	\$5,646,749	\$5,773,152	\$5,435,731	\$5,335,135	\$5,304,335	\$5,774,396
E. Contributions as a Percentage of Covered-Employee Payroll	46.06%	37.90%	36.68%	37.28%	34.33%	25.49%	25.23%

This schedule is built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with fiscal year ended June 30, 2015.

Changes of Benefit Terms

There were no changes of benefit terms in 2020.

Changes of Assumptions

There were no changes of benefit assumptions in 2020.



HANOVER-HORTON SCHOOL DISTRICT

Net OPEB Liability

SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN LAST 10 FISCAL YEARS

AMOUNTS DETERMINED AS OF SEPTEMBER 30 OF EACH PLAN FISCAL YEAR

	2020	2019	2018	2017
A. Reporting Unit's Proportion of Net OPEB Liability (%)	0.06362%	0.06382%	0.06416%	0.06454%
B. Reporting Unit's Proportionate Share of Net OPEB Liability	\$ 3,408,284	\$ 4,581,020	\$ 5,100,387	\$ 5,715,224
C. Reporting Unit's Covered-Employee Payroll	\$ 5,610,679	\$ 5,555,834	\$ 5,445,050	\$ 5,435,731
D. Reporting Unit's Proportionate Share of Net OPEB Liability as a Percentage of Its Covered-Employee Payroll	60.75%	82.45%	93.67%	105.14%
E. Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	59.44%	48.46%	42.95%	36.39%

This schedule is built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with plan year ended September 30, 2017.



**SCHEDULE OF REPORTING UNIT'S CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS**

AMOUNTS DETERMINED AS OF JUNE 30 OF EACH FISCAL YEAR

	2021	2020	2019	2018
A. Statutorily Required Contributions	\$ 449,490	\$ 438,210	\$ 416,488	\$ 502,642
B. Contributions in Relation to Statutorily Required Contributions	450,581	514,393	495,530	644,555
C. Contribution Deficiency (Excess)	<u>\$ (1,091)</u>	<u>\$ (76,183)</u>	<u>\$ (79,042)</u>	<u>\$ (141,913)</u>
D. Reporting Unit's Covered-Employee Payroll	\$5,455,752	\$5,646,749	\$5,773,152	\$5,435,731
E. Contributions as a Percentage of Covered-Employee Payroll	8.26%	9.11%	8.58%	11.86%

This schedule is built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with the fiscal year ended June 30, 2018.

Changes of Benefit Terms

There were no changes of benefit terms in 2020.

Changes of Assumptions

There were no changes of benefit assumptions in 2020.



HANOVER-HORTON SCHOOL DISTRICT

Budgetary Comparison Schedule

GENERAL FUND

YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual (Budgetary Basis)	Variance
	Original	Final		
REVENUE				
Local Sources	\$ 1,394,197	\$ 1,318,254	\$ 1,314,404	\$ (3,850)
Inter-District Sources	496,064	476,997	505,990	28,993
State Sources	8,455,419	9,611,133	9,654,346	43,213
Federal Sources	293,765	690,519	671,189	(19,330)
Other Sources	31,000	31,000	28,000	(3,000)
TOTAL REVENUE	10,670,445	12,127,903	12,173,929	46,026
EXPENDITURES				
Instruction				
Basic Programs	6,205,500	5,811,354	5,526,476	284,878
Added Needs	1,010,960	1,213,751	1,205,903	7,848
Supporting Services				
Pupil	741,355	1,180,545	1,091,379	89,166
Administration	1,198,270	1,374,688	1,316,599	58,089
Business Services	2,016,408	1,970,495	1,927,936	42,559
Athletic Activities	318,585	269,856	256,408	13,448
Community Services	6,535	2,925	100	2,825
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
Other Uses	-	-	-	-
TOTAL EXPENDITURES	11,497,613	11,823,614	11,324,801	498,813
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES AND OTHER USES	(827,168)	304,289	849,128	544,839
BUDGETARY FUND BALANCE- July 1, 2020	1,246,141	1,246,141	1,246,141	-
BUDGETARY FUND BALANCE- June 30, 2021	\$ 418,973	\$ 1,550,430	\$ 2,095,269	\$ 544,839



Budgetary Comparison Schedule

CAPITAL PROJECTS FUND #3

YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual (Budgetary Basis)	Variance
	Original	Final		
REVENUE				
Local Sources	\$ 20,000	\$ 20,000	\$ 775	\$ (19,225)
State Sources	-	-	-	-
Federal Sources	-	-	-	-
Other Sources	-	-	-	-
TOTAL REVENUE	<u>20,000</u>	<u>20,000</u>	<u>775</u>	<u>(19,225)</u>
EXPENDITURES				
Instruction				
Basic Programs	-	-	-	-
Added Needs	-	-	-	-
Supporting Services				
Pupil	-	-	-	-
Instructional Staff	-	-	-	-
Administration	-	-	-	-
Business Services	-	-	-	-
Athletic Activities	-	-	-	-
Community Services	-	-	-	-
Capital Outlay	3,000,000	3,000,000	2,963,908	36,092
Debt Service	-	-	-	-
Other Uses - Operating Transfers	-	-	-	-
TOTAL EXPENDITURES	<u>3,000,000</u>	<u>3,000,000</u>	<u>2,963,908</u>	<u>36,092</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES AND OTHER USES	(2,980,000)	(2,980,000)	(2,963,133)	16,867
BUDGETARY FUND BALANCE- July 1, 2020	<u>4,328,991</u>	<u>4,328,991</u>	<u>4,328,991</u>	<u>-</u>
BUDGETARY FUND BALANCE- June 30, 2021	<u>\$ 1,348,991</u>	<u>\$ 1,348,991</u>	<u>\$ 1,365,858</u>	<u>\$ 16,867</u>



HANOVER-HORTON SCHOOL DISTRICT

Budgetary Comparison Schedule

SINKING FUND

YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual (Budgetary Basis)	Variance
	Original	Final		
REVENUE				
Local Sources	\$ 230,000	\$ 237,653	\$ 237,402	\$ (251)
State Sources	-	-	-	-
Federal Sources	-	-	-	-
Other Sources	-	-	-	-
TOTAL REVENUE	<u>230,000</u>	<u>237,653</u>	<u>237,402</u>	<u>(251)</u>
EXPENDITURES				
Instruction				
Basic Programs	-	-	-	-
Added Needs	-	-	-	-
Supporting Services				
Pupil	-	-	-	-
Instructional Staff	-	-	-	-
Administration	-	-	-	-
Business Services	-	-	-	-
Athletic Activities	-	-	-	-
Community Services	-	-	-	-
Capital Outlay	200,000	100,000	42,612	57,388
Debt Service	-	-	-	-
Other Uses - Operating Transfers	-	-	-	-
TOTAL EXPENDITURES	<u>200,000</u>	<u>100,000</u>	<u>42,612</u>	<u>57,388</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES AND OTHER USES	30,000	137,653	194,790	57,137
BUDGETARY FUND BALANCE- July 1, 2020	<u>561,639</u>	<u>561,639</u>	<u>561,639</u>	<u>-</u>
BUDGETARY FUND BALANCE- June 30, 2021	<u>\$ 591,639</u>	<u>\$ 699,292</u>	<u>\$ 756,429</u>	<u>\$ 57,137</u>



OTHER SUPPLEMENTAL INFORMATION



HANOVER-HORTON SCHOOL DISTRICT

General Fund

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL

YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE			
LOCAL SOURCES			
Current Property Tax Levy	\$ 1,225,018	\$ 1,227,322	\$ 2,304
Interest and Penalties - Delinquent Taxes	7,000	5,813	(1,187)
Tuition	2,125	1,650	(475)
Sale of School Property	3,707	3,707	-
Refunds	14,980	14,326	(654)
Athletic Revenue	32,734	30,515	(2,219)
Interest Earned	8,000	6,446	(1,554)
Rental of School Facilities	16,250	16,310	60
Transportation	7,000	5,283	(1,717)
Other	1,440	3,032	1,592
TOTAL LOCAL SOURCES	<u>1,318,254</u>	<u>1,314,404</u>	<u>(3,850)</u>
INTER-DISTRICT SOURCES			
Career Prep	9,000	9,000	-
Data Processing Support	2,925	30,138	27,213
Special Education	465,072	466,852	1,780
TOTAL INTER-DISTRICT SOURCES	<u>476,997</u>	<u>505,990</u>	<u>28,993</u>
STATE SOURCES			
State Aid	7,743,664	7,783,122	39,458
Data Collection	29,116	29,108	(8)
Special Education	294,196	309,048	14,852
At Risk	311,066	307,714	(3,352)
Renaissance Zone	2,422	2,422	-
ESSER Per Pupil	177,347	169,610	(7,737)
Literacy Instruction	15,880	15,880	-
Retirement Stabilization	1,034,602	1,034,602	-
Enrollment	2,840	2,840	-
TOTAL STATE SOURCES	<u>9,611,133</u>	<u>9,654,346</u>	<u>43,213</u>
FEDERAL SOURCES			
Medicaid ADM Outreach	1,800	1,364	(436)
Title I	100,371	92,754	(7,617)
Title II - A	31,505	17,213	(14,292)
Title IV	10,000	9,222	(778)
CARES Act	77,268	77,268	-
Covid Costs	13,980	13,980	-
Coronavirus Relief Funds	397,173	397,173	-
Device Purchasing	39,599	39,599	-
Other	18,823	22,616	3,793
TOTAL FEDERAL SOURCES	<u>690,519</u>	<u>671,189</u>	<u>(19,330)</u>
TOTAL REVENUE	<u>\$ 12,096,903</u>	<u>\$ 12,145,929</u>	<u>\$ 49,026</u>



STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL (CONTINUED)

YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES			
INSTRUCTION			
BASIC PROGRAMS			
Elementary School	\$ 2,676,573	\$ 2,543,241	\$ 133,332
Middle School	1,374,454	1,301,733	72,721
High School	1,759,820	1,680,996	78,824
Summer School	507	506	1
TOTAL BASIC PROGRAMS	5,811,354	5,526,476	284,878
ADDED NEEDS			
Special Education	1,113,380	1,113,150	230
Compensatory Education	100,371	92,753	7,618
TOTAL ADDED NEEDS	1,213,751	1,205,903	7,848
TOTAL INSTRUCTION	7,025,105	6,732,379	292,726
SUPPORTING SERVICES			
PUPIL			
Guidance	213,873	202,931	10,942
Health Services	28,250	31,019	(2,769)
Social Work Services	56,500	49,488	7,012
Other Pupil Services	240,011	205,721	34,290
Improvement of Instruction	18,863	22,616	(3,753)
Educational Media Services	90,800	91,183	(383)
Coronavirus Support	532,248	488,421	43,827
TOTAL PUPIL	1,180,545	1,091,379	89,166
ADMINISTRATION			
Board of Education	74,960	66,953	8,007
Executive Administration	391,122	377,711	13,411
School Administration	908,606	871,935	36,671
TOTAL ADMINISTRATION	\$ 1,374,688	\$ 1,316,599	\$ 58,089



HANOVER-HORTON SCHOOL DISTRICT

General Fund

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL (CONTINUED)

YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (CONTINUED)			
SUPPORTING SERVICES (CONTINUED)			
BUSINESS SERVICES			
Operation and Maintenance	\$ 1,063,023	\$ 1,049,178	\$ 13,845
Pupil Transportation	678,339	657,694	20,645
Technology	175,630	166,157	9,473
Security	-	-	-
Other	35,800	37,228	(1,428)
Pupil Accounting	17,703	17,679	24
TOTAL BUSINESS SERVICES	<u>1,970,495</u>	<u>1,927,936</u>	<u>42,559</u>
TOTAL SUPPORTING SERVICES	<u>4,525,728</u>	<u>4,335,914</u>	<u>189,814</u>
ATHLETIC ACTIVITIES	<u>269,856</u>	<u>256,408</u>	<u>13,448</u>
COMMUNITY SERVICES			
Other	2,925	100	2,825
TOTAL COMMUNITY SERVICES	<u>2,925</u>	<u>100</u>	<u>2,825</u>
DEBT SERVICE	<u>-</u>	<u>-</u>	<u>-</u>
CAPITAL OUTLAY	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>11,823,614</u>	<u>11,324,801</u>	<u>498,813</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>273,289</u>	<u>821,128</u>	<u>547,839</u>
OTHER FINANCING SOURCES (USES)			
Indirect Costs	31,000	28,000	(3,000)
Loan Proceeds	-	-	-
Prior Period Adjustment	-	-	-
Operating Transfers In	-	-	-
Operating Transfers (Out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>31,000</u>	<u>28,000</u>	<u>(3,000)</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 304,289</u>	<u>849,128</u>	<u>\$ 544,839</u>
FUND BALANCE - JULY 1, 2020		<u>1,246,141</u>	
FUND BALANCE - JUNE 30, 2021		<u>\$ 2,095,269</u>	



SPECIAL REVENUE FUNDS



HANOVER-HORTON SCHOOL DISTRICT

Food Service Fund

BALANCE SHEET

JUNE 30, 2021

ASSETS

Cash and Investments	\$	334,003
Due from Other Governmental Units		25,118
Due from Other Funds		286
Prepaid Expenses		-
Inventory		6,560

TOTAL ASSETS	\$	365,967
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$	18,011
Accrued Salaries		8,203
Accrued Expenses		-
Due to Other Funds		134,999

TOTAL LIABILITIES		161,213
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FUND BALANCE

Non-Spendable		6,560
Restricted		198,194

TOTAL FUND BALANCE		204,754
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TOTAL LIABILITIES AND FUND BALANCE	\$	365,967
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STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2021

REVENUE	
Goods Sold	
Student Meals	\$ -
Adult Meals	1,702
Ala Carte Meals	26,833
Breakfast	-
Catering	1,376
State Aid	25,357
Federal Aid	559,618
Federal USDA Commodities in Kind	37,318
Other Income	1,749
Interest Income	72
TOTAL REVENUE	654,025
EXPENDITURES	
Salaries	122,969
Fringe Benefits	60,770
Dues and Fees	8,761
Purchased Services	8,729
Food and Supplies	237,377
Miscellaneous	33
Contracted Services	50,797
Capital Outlay	-
TOTAL EXPENDITURES	489,436
EXCESS REVENUE OVER (UNDER) EXPENDITURES	164,589
OTHER FINANCING SOURCES (USES)	
Indirect Costs	(28,000)
Prior Period Adjustment	-
Operating Transfers In	-
Operating Transfers (Out)	-
TOTAL OTHER FINANCING SOURCES (USES)	(28,000)
EXCESS REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	136,589
FUND BALANCE - BEGINNING OF YEAR	68,165
FUND BALANCE - END OF YEAR	\$ 204,754



HANOVER-HORTON SCHOOL DISTRICT

Student Activity Fund

BALANCE SHEET

JUNE 30, 2021

ASSETS

Cash and Investments	\$ 311,190
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TOTAL ASSETS	\$ 311,190
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 2,959
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Due to Other Funds	40,883
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TOTAL LIABILITIES	43,842
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FUND BALANCE

Fund Balance	267,348
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TOTAL FUND BALANCE	267,348
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TOTAL LIABILITIES AND FUND BALANCE	\$ 311,190
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Student Activity Fund

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2021

REVENUE	
Receipts and Contributions	\$ 144,523
Earned Interest	56
TOTAL REVENUE	144,579
EXPENDITURES	
Disbursements	150,284
TOTAL EXPENDITURES	150,284
EXCESS REVENUE OVER (UNDER) EXPENDITURES	(5,705)
OTHER FINANCING SOURCES (USES)	
Operating Transfers In	-
Operating Transfers (Out)	-
TOTAL OTHER FINANCING SOURCES (USES)	-
EXCESS REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(5,705)
FUND BALANCE - BEGINNING OF YEAR	273,053
FUND BALANCE - END OF YEAR	\$ 267,348



HANOVER-HORTON SCHOOL DISTRICT

DEBT RETIREMENT FUNDS



COMBINING BALANCE SHEET

JUNE 30, 2021

	2017 Debt	2019 Debt	Total
ASSETS			
Cash and Investments	\$ 159	\$ 124,120	\$ 124,279
Due from Other Funds	40,677	9,568	50,245
TOTAL ASSETS	\$ 40,836	\$ 133,688	\$ 174,524
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 26	\$ 129	\$ 155
Due to Other Governments	-	-	-
TOTAL LIABILITIES	26	129	155
FUND BALANCE			
Fund Balance	40,810	133,559	174,369
TOTAL FUND BALANCE	40,810	133,559	174,369
TOTAL LIABILITIES AND FUND BALANCE	\$ 40,836	\$ 133,688	\$ 174,524



HANOVER-HORTON SCHOOL DISTRICT

Debt Retirement Funds

COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL

YEAR ENDED JUNE 30, 2021

	2017 Debt		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE			
Current Taxes	\$ 59,155	\$ 59,236	\$ 81
Interest and Penalties on Delinquent Property Taxes	150	100	(50)
Earned Interest	800	12	(788)
State Aid Revenue	-	-	-
Miscellaneous	-	-	-
TOTAL REVENUE	<u>60,105</u>	<u>59,348</u>	<u>(757)</u>
EXPENDITURES			
Principal on Bonds	55,000	55,000	-
Interest on Bond	2,000	1,643	357
Agent Fees and Other	50	26	24
TOTAL EXPENDITURES	<u>57,050</u>	<u>56,669</u>	<u>381</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	<u>3,055</u>	<u>2,679</u>	<u>(376)</u>
OTHER FINANCING SOURCES (USES)			
Bond Proceeds	-	-	-
Operating Transfers In	-	-	-
Operating Transfers (Out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 3,055</u>	<u>2,679</u>	<u>\$ (376)</u>
FUND BALANCE - BEGINNING OF YEAR		<u>38,131</u>	
FUND BALANCE - END OF YEAR		<u>\$ 40,810</u>	



Debt Retirement Funds

**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET TO ACTUAL (CONTINUED)**

YEAR ENDED JUNE 30, 2021

	2019 Debt		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUE			
Current Taxes	\$ 300,000	\$ 296,256	\$ (3,744)
Interest and Penalties on Delinquent Property Taxes	500	501	1
Earned Interest	500	638	138
State Aid Revenue	-	-	-
Miscellaneous	-	-	-
TOTAL REVENUE	<u>301,000</u>	<u>297,395</u>	<u>(3,605)</u>
EXPENDITURES			
Principal on Bonds	80,000	80,000	-
Interest on Bond	182,000	181,500	500
Agent Fees and Other	1,000	129	871
TOTAL EXPENDITURES	<u>263,000</u>	<u>261,629</u>	<u>1,371</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	<u>38,000</u>	<u>35,766</u>	<u>(2,234)</u>
OTHER FINANCING SOURCES (USES)			
Bond Proceeds	-	-	-
Operating Transfers In	-	-	-
Operating Transfers (Out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 38,000</u>	<u>35,766</u>	<u>\$ (2,234)</u>
FUND BALANCE - BEGINNING OF YEAR		<u>97,793</u>	
FUND BALANCE - END OF YEAR		<u>\$ 133,559</u>	



HANOVER-HORTON SCHOOL DISTRICT

Debt Retirement Funds

COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL (CONTINUED)

YEAR ENDED JUNE 30, 2021

	Total		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUE			
Current Taxes	\$ 359,155	\$ 355,492	\$ (3,663)
Interest and Penalties on Delinquent Property Taxes	650	601	(49)
Earned Interest	1,300	650	(650)
State Aid Revenue	-	-	-
Miscellaneous	-	-	-
TOTAL REVENUE	<u>361,105</u>	<u>356,743</u>	<u>(4,362)</u>
EXPENDITURES			
Principal on Bonds	135,000	135,000	-
Interest on Bond	184,000	183,143	857
Agent Fees and Other	1,050	155	895
TOTAL EXPENDITURES	<u>320,050</u>	<u>318,298</u>	<u>1,752</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	<u>41,055</u>	<u>38,445</u>	<u>(2,610)</u>
OTHER FINANCING SOURCES (USES)			
Bond Proceeds	-	-	-
Operating Transfers In	-	-	-
Operating Transfers (Out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 41,055</u>	<u>38,445</u>	<u>\$ (2,610)</u>
FUND BALANCE - BEGINNING OF YEAR		<u>135,924</u>	
FUND BALANCE - END OF YEAR		<u>\$ 174,369</u>	



CAPITAL PROJECTS FUNDS



HANOVER-HORTON SCHOOL DISTRICT

Capital Projects Fund #3

BALANCE SHEET

JUNE 30, 2021

ASSETS

Cash and Investments	\$ 1,365,858
Due from Other Funds	-

TOTAL ASSETS	\$ 1,365,858
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ -
Due to Other Funds	-

TOTAL LIABILITIES	-
--------------------------	----------

FUND BALANCE

Fund Balance	1,365,858
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TOTAL FUND BALANCE	1,365,858
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TOTAL LIABILITIES AND FUND BALANCE	\$ 1,365,858
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Capital Projects Fund #3

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET TO ACTUAL

YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE			
Current Taxes	\$ -	\$ -	\$ -
Delinquent Taxes	-	-	-
Interest and Penalties on Delinquent Property Taxes	-	-	-
Earned Interest	20,000	775	(19,225)
State Aid Revenue	-	-	-
Miscellaneous	-	-	-
TOTAL REVENUE	<u>20,000</u>	<u>775</u>	<u>(19,225)</u>
EXPENDITURES			
Debt Service	-	-	-
Capital Outlay	3,000,000	2,963,908	36,092
Bond Fees	-	-	-
TOTAL EXPENDITURES	<u>3,000,000</u>	<u>2,963,908</u>	<u>36,092</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	(2,980,000)	(2,963,133)	16,867
OTHER FINANCING SOURCES (USES)			
Bond Proceeds	-	-	-
Operating Transfers In	-	-	-
Operating Transfers (Out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (2,980,000)</u>	<u>(2,963,133)</u>	<u>\$ 16,867</u>
FUND BALANCE - BEGINNING OF YEAR		4,328,991	
FUND BALANCE - END OF YEAR		<u>\$ 1,365,858</u>	



HANOVER-HORTON SCHOOL DISTRICT

SINKING FUND



BALANCE SHEET

JUNE 30, 2021

ASSETS

Cash and Investments	\$	-
Taxes Receivable		-
Due from Other Funds		767,553

TOTAL ASSETS	\$	767,553
---------------------	-----------	----------------

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$	544
Due to Other Funds		10,580

TOTAL LIABILITIES		11,124
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FUND BALANCE

Fund Balance		756,429
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TOTAL FUND BALANCE		756,429
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TOTAL LIABILITIES AND FUND BALANCE	\$	767,553
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HANOVER-HORTON SCHOOL DISTRICT

Sinking Fund

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL

YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE			
Current Taxes	\$ 236,653	\$ 237,001	\$ 348
Delinquent Taxes	500	401	(99)
Grants	-	-	-
Earned Interest	500	-	(500)
Miscellaneous	-	-	-
TOTAL REVENUE	<u>237,653</u>	<u>237,402</u>	<u>(251)</u>
EXPENDITURES			
Capital Outlay	<u>100,000</u>	<u>42,612</u>	<u>57,388</u>
TOTAL EXPENDITURES	<u>100,000</u>	<u>42,612</u>	<u>57,388</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	137,653	194,790	57,137
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	-	-	-
Operating Transfers (Out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 137,653</u>	194,790	<u>\$ 57,137</u>
FUND BALANCE - BEGINNING OF YEAR		<u>561,639</u>	
FUND BALANCE - END OF YEAR		<u>\$ 756,429</u>	



STATEMENTS OF INDEBTEDNESS



HANOVER-HORTON SCHOOL DISTRICT

Statement of Indebtedness

JUNE 30, 2021

EQUIPMENT LOAN

Balance Outstanding - June 30, 2021 \$ 25,645

Balance Payable as Follows:

Year Ended June 30,	Interest Rate	Principal	Interest	Total
2022	2.75%	\$ 8,317	\$ 705	\$ 9,022
2023	2.75%	8,545	477	9,022
2024	2.75%	8,783	246	9,029
		<u>\$ 25,645</u>	<u>\$ 1,428</u>	<u>\$ 27,073</u>

2017 DEBT

Balance Outstanding - June 30, 2021 \$ 60,000

Balance Payable as Follows:

Year Ended June 30,	Interest Rate	Principal	Interest	Total
2022	1.50%	\$ 60,000	\$ 900	\$ 60,900
		<u>\$ 60,000</u>	<u>\$ 900</u>	<u>\$ 60,900</u>



Statement of Indebtedness

JUNE 30, 2021

2019 Debt

Balance Outstanding - June 30, 2021

\$ 4,450,000

Balance Payable as Follows:

Year Ended June 30,	Interest Rate	Principal	Interest	Total
2022	4.00%	\$ 85,000	\$ 178,000	\$ 263,000
2023	4.00%	125,000	174,600	299,600
2024	4.00%	135,000	169,600	304,600
2025	4.00%	145,000	164,200	309,200
2026	4.00%	155,000	158,400	313,400
2027	4.00%	160,000	152,200	312,200
2028	4.00%	170,000	145,800	315,800
2029	4.00%	175,000	139,000	314,000
2030	4.00%	180,000	132,000	312,000
2031	4.00%	190,000	124,800	314,800
2032	4.00%	195,000	117,200	312,200
2033	4.00%	205,000	109,400	314,400
2034	4.00%	215,000	101,200	316,200
2035	4.00%	220,000	92,600	312,600
2036	4.00%	230,000	83,800	313,800
2037	4.00%	240,000	74,600	314,600
2038	4.00%	250,000	65,000	315,000
2039	4.00%	255,000	55,000	310,000
2040	4.00%	265,000	44,800	309,800
2041	4.00%	275,000	34,200	309,200
2042	4.00%	285,000	23,200	308,200
2043	4.00%	295,000	11,800	306,800
		<u>\$ 4,450,000</u>	<u>\$ 2,351,400</u>	<u>\$ 6,801,400</u>





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

INDEPENDENT AUDITORS' REPORT

Board of Education
Hanover-Horton School District
Horton, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hanover-Horton Schools as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Hanover-Horton School's basic financial statements, and have issued our report thereon dated August 20, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hanover-Horton School's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hanover-Horton School's internal control. Accordingly, we do not express an opinion on the effectiveness of Hanover-Horton School's internal control.

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

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hanover-Horton School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hanover-Horton School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hanover-Horton School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Drake Certified Public Accountants, PC

August 20, 2021



Hanover-Horton School District

Single Audit Report

Year Ended June 30, 2021

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WILLIS & JURASEK
CPAS AND CONSULTANTS

Independent Auditors' Report

Board of Education
Hanover-Horton School District
Litchfield, Michigan

Report on the Audit of the Schedule of Expenditures of Federal Awards

We have audited the schedule of expenditures of federal awards ("the Schedule") of Hanover-Horton School District for the year ended June 30, 2021, and the related notes.

Responsibilities of Management for the Schedule

Management is responsible for the preparation and fair presentation of the Schedule in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Schedule

Our responsibility is to express an opinion on the Schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Schedule, 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 Schedule 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 Schedule.

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

Opinion

In our opinion, the accompanying Schedule presents fairly, in all material respects, the federal expenditures of Hanover-Horton School District for the year ended June 30, 2021, in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Restriction on Use

Our report is intended solely for the information and use of Hanover-Horton School District and their oversight agencies and is not intended to be and should not be used by anyone other than these specified parties.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

September 23, 2021



WILLIS & JURASEK
CPAS AND CONSULTANTS

**Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Education
Hanover-Horton School District
Horton, Michigan

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Hanover-Horton School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

September 23, 2021

Hanover-Horton School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Award/Grant Entitlement Program Amount</u>	<u>Accrued (Deferred) Revenue 7/1/2020</u>	<u>Prior Year Expenditures (Memorandum Only)</u>	<u>Current Year Receipts</u>	<u>Current Year Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2021</u>
<u>U.S. Department of Agriculture</u>								
Child Nutrition Cluster:								
Passed through Michigan Department of Education:								
Non-cash Assistance (Commodities):								
National School Lunch Program - Regular	10.555		\$ 36,176	\$ -	\$ -	\$ 36,176	\$ 36,176	\$ -
National School Lunch Program - Bonus	10.555		1,142	-	-	1,142	1,142	-
			<u>37,318</u>	<u>-</u>	<u>-</u>	<u>37,318</u>	<u>37,318</u>	<u>-</u>
Total National School Lunch Program			<u>37,318</u>	<u>-</u>	<u>-</u>	<u>37,318</u>	<u>37,318</u>	<u>-</u>
COVID-19 Summer Food Service Program	10.559	200900	49,854	-	-	49,854	49,854	-
COVID-19 Summer Food Service Program	10.559	210901	487,075	-	-	487,075	509,764	22,689
			<u>536,929</u>	<u>-</u>	<u>-</u>	<u>536,929</u>	<u>559,618</u>	<u>22,689</u>
Total Cash Assistance			<u>536,929</u>	<u>-</u>	<u>-</u>	<u>536,929</u>	<u>559,618</u>	<u>22,689</u>
Total Child Nutrition Cluster			<u>574,247</u>	<u>-</u>	<u>-</u>	<u>574,247</u>	<u>596,936</u>	<u>22,689</u>
Total U.S. Department of Agriculture			<u>574,247</u>	<u>-</u>	<u>-</u>	<u>574,247</u>	<u>596,936</u>	<u>22,689</u>
<u>U.S. Department of Education:</u>								
Passed through Michigan Department of Education:								
Title I Grants to Local Educational Agencies	84.010	201530-1920	96,158	23,866	-	30,939	7,073	-
		211530-2021	94,508	-	-	58,770	85,681	26,911
			<u>190,666</u>	<u>23,866</u>	<u>-</u>	<u>89,709</u>	<u>92,754</u>	<u>26,911</u>
Supporting Effective Instruction State Grants	84.367	20520-1920	36,726	(1,332)	-	4,168	5,500	-
		21520-2021	39,361	-	-	6,878	11,713	4,835
			<u>76,087</u>	<u>(1,332)</u>	<u>-</u>	<u>11,046</u>	<u>17,213</u>	<u>4,835</u>
Student Support and Academic Enrichment	84.424A	210750-1920	10,000	-	-	-	9,222	9,222
			<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,222</u>	<u>9,222</u>

Hanover-Horton School District
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2021

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Award/Grant Entitlement Program Amount</u>	<u>Accrued (Deferred) Revenue 7/1/2020</u>	<u>Prior Year Expenditures (Memorandum Only)</u>	<u>Current Year Receipts</u>	<u>Current Year Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2021</u>
<u>U.S. Department of Education (Continued):</u>								
Passed through Michigan Department of Education (Continued):								
Education Stabilization Fund								
COVID-19 Governor's Emergency Education Relief Fund (ESSER Equity)								
	84.425D	203720	12,363	-	-	12,363	12,363	-
COVID-19 Governor's Emergency Education Relief Fund (ESSER I)								
	84.425D	203710	77,268	-	-	77,268	77,268	-
COVID-19 Governor's Emergency Education Relief Fund (ESSER II)								
	84.425D	213712	142,537	-	-	-	10,253	10,253
			<u>232,168</u>	<u>-</u>	<u>-</u>	<u>89,631</u>	<u>99,884</u>	<u>10,253</u>
Total passed through Michigan Department of Education			<u>508,921</u>	<u>22,534</u>	<u>-</u>	<u>190,386</u>	<u>219,073</u>	<u>51,221</u>
Total U.S. Department of Education			<u>508,921</u>	<u>22,534</u>	<u>-</u>	<u>190,386</u>	<u>219,073</u>	<u>51,221</u>
<u>U.S. Department of Treasury</u>								
Passed through Michigan Department of Education								
COVID-19 Coronavirus Relief Funds								
	21.019	11(p)	397,173	-	-	397,173	397,173	-
COVID-19 Coronavirus Relief Funds								
	21.019	103(2)	13,980	-	-	13,980	13,980	-
Total Passed through Michigan Department of Education			<u>411,153</u>	<u>-</u>	<u>-</u>	<u>411,153</u>	<u>411,153</u>	<u>-</u>
Passed through MAISA/Copper County ISD								
COVID-19 Coronavirus Relief Funds - MiConnect Connectivity Funding								
	21.019		39,599	-	-	39,599	39,599	-
Total CFDA #21.019			<u>450,752</u>	<u>-</u>	<u>-</u>	<u>450,752</u>	<u>450,752</u>	<u>-</u>
Total U.S. Department of Treasury			<u>450,752</u>	<u>-</u>	<u>-</u>	<u>450,752</u>	<u>450,752</u>	<u>-</u>
<u>U.S. Department of Health and Human Services:</u>								
Passed through Jackson County ISD:								
Medicaid Outreach								
	93.778	2020-2021	1,364	-	-	1,364	1,364	-
Total U.S. Department of Health and Human Services			<u>1,364</u>	<u>-</u>	<u>-</u>	<u>1,364</u>	<u>1,364</u>	<u>-</u>
			<u>\$ 1,535,284</u>	<u>\$ 22,534</u>	<u>\$ -</u>	<u>\$ 1,216,749</u>	<u>\$ 1,268,125</u>	<u>\$ 73,910</u>

Hanover-Horton School District
Schedule of Reconciliation of Revenues with
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

	<u>Amount</u>
Revenue from federal sources - per financial statements (includes all funds)	\$ <u>1,268,125</u>
Federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u>1,268,125</u>

Hanover-Horton School District
Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

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

Note 2 – Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenue is recognized when the qualifying expenditures have been included and all grant requirements have been met.

The Schedule has been arranged to provide information on both actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue, and accounts payable items at both the beginning and end of the fiscal year have been reported.

Expenditures are in agreement with amounts reported in the financial statements and the financial reports with any reconciling items noted on page 7. The amounts on the Grant Auditor Report reconcile with this Schedule. The amounts reported on the Recipient Entitlement Balance (PAL) Report agree with this Schedule for USDA donated food commodities and the expenditures include any spoilage or pilferage.

For purposes of charging indirect costs to federal awards, the District has not elected to use the 10 percent de minimis cost rate as permitted by Section 200.414 of the Uniform Guidance.

Note 3 – Subrecipients

No federal awards were passed through the District to any subrecipients during the year.

Hanover-Horton School District
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2021

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified	_____ yes <u> X </u> no
Significant deficiencies identified that are not considered to be material weaknesses	_____ yes <u> X </u> none reported
Noncompliance material to financial statements noted	_____ yes <u> X </u> no

Federal Awards

Internal control over major programs:	
Material weakness identified	_____ yes <u> X </u> no
Significant deficiencies identified that are not considered to be material weaknesses	_____ yes <u> X </u> none reported

Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	_____ yes <u> X </u> no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.553/10.555/10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u> \$ 750,000 </u>
Auditee qualified as low-risk	_____ yes <u> X </u> no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Hanover-Horton School District
Comments on Resolution of Findings from June 30, 2020
Single Audit Report

Financial Statement Findings

None

Federal Award Findings and Questioned Costs

None