

# HANOVER-HORTON SCHOOL DISTRICT



## FINANCIAL STATEMENTS

YEAR ENDED  
JUNE 30, 2022



**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
-------------	----------------

---

---



# HANOVER-HORTON SCHOOL DISTRICT

---

## TABLE OF CONTENTS

---

---

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-9

### **BASIC FINANCIAL STATEMENTS**

District-Wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet - Governmental Funds	13
Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Notes to Financial Statements	17-41

### **REQUIRED SUPPLEMENTAL INFORMATION**

Schedule of Reporting Unit's Proportionate Share of Net Pension Liability	43
Schedule of Reporting Unit's Contributions - Pension	44
Schedule of Reporting Unit's Proportionate Share of Net OPEB Liability	45
Schedule of Reporting Unit's Contributions - OPEB	46
Budgetary Comparison Schedule - General Fund	47
Budgetary Comparison Schedule - Sinking Fund	48

### **OTHER SUPPLEMENTAL INFORMATION**

General Fund	
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget to Actual	49-51

---

---



---

## TABLE OF CONTENTS

---

	<u>Page</u>
Special Revenue Funds	
Food Service Fund	
Balance Sheet	53
Statement of Revenue, Expenditures, and Changes in Fund Balance	54
Student Activity Fund	
Balance Sheet	55
Statement of Revenue, Expenditures, and Changes in Fund Balance	56
Debt Retirement Funds	
Combining Balance Sheet	58
Combining Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget to Actual	59-61
Capital Projects Funds	
Capital Projects Fund #3	
Balance Sheet	63
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget to Actual	64
Sinking Fund	
Balance Sheet	66
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget to Actual	67
Statement of Indebtedness	69-71
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	73-74

---





## INDEPENDENT AUDITORS' REPORT

Board of Education  
Hanover-Horton School District  
Horton, Michigan

### Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the Hanover-Horton School District's basic financial statements as listed in the table of contents.

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

### Basis for Opinions

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

### Responsibilities of Management for the Financial Statements

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

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

### Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hanover-Horton School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hanover-Horton School District's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information for each major fund, 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.

### **Supplementary 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 individual fund financial statements and statement of indebtedness are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2022, 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 the 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.



Drake Certified Public Accountants, PC  
August 10, 2022



# 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, 2022. 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 and the Sinking Fund, with all other funds presented in one column as non-major funds.

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 Each Major 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.





# 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, 2022 and 2021:

TABLE 1	Governmental Activities	
	(In Millions)	
	2022	2021
<b>ASSETS</b>		
Current and other assets	\$ 5.7	\$ 6.2
Capital assets - net of accumulated depreciation	11.3	9.4
<b>TOTAL ASSETS</b>	<b>17.0</b>	<b>15.6</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>4.2</b>	<b>6.5</b>
<b>LIABILITIES</b>		
Current liabilities	1.9	1.6
Long-term liabilities	20.8	29.8
<b>TOTAL LIABILITIES</b>	<b>22.7</b>	<b>31.4</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>10.2</b>	<b>3.9</b>
<b>NET POSITION</b>		
Invested in property and equipment - net of related debt	5.7	4.7
Restricted	2.0	2.8
Unrestricted	(19.4)	(20.7)
<b>TOTAL NET POSITION</b>	<b>\$ (11.7)</b>	<b>\$ (13.2)</b>

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 (\$11.7) million at June 30, 2022. Capital assets, net of related debt totaling \$5.7 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 (\$19.4) million was unrestricted.

The (\$19.4) 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 2022 and 2021.

**TABLE 2**

	Governmental Activities	
	(In Millions)	
	2022	2021
<b>REVENUE</b>		
Program Revenue		
Charges for Services	\$ 0.1	\$ 0.1
Grants and Categoricals	3.5	3.7
General Revenue		
Property Taxes	1.9	1.8
State Aid	7.9	7.9
Other	0.4	0.2
<b>TOTAL REVENUE</b>	<b>13.8</b>	<b>13.7</b>
<b>FUNCTION/PROGRAM EXPENSES</b>		
Instruction	6.6	7.2
Support Services	4.1	4.5
Athletics	0.3	0.2
Food Services	0.5	0.5
Interest on Long-Term Debt	0.2	0.2
Depreciation (Unallocated)	0.6	0.4
<b>TOTAL FUNCTION/PROGRAM EXPENSES</b>	<b>12.3</b>	<b>13.0</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>\$ 1.5</b>	<b>\$ 0.7</b>

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 \$4.1 million, which is a decrease of \$0.8 million over last year. The primary reason for the decrease is capital outlay. The General Fund, the principal operating fund, saw the fund balance decrease \$6,767 to \$2,088,502, which is more than the budgeted decrease of \$90,201.

### **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 2021-2022 budget was prepared during a time of great unknowns due to the ongoing pandemic. A \$150 increase 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 2021-2022.

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, 2022, the School District had \$11.3 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 \$1.9 million or 20.54 percent, from last year.

	2022	2021
Land and Improvements	\$ 2,454,499	\$ 2,454,499
Buildings and Improvements	18,383,978	16,034,258
Buses and Other Vehicles	533,000	474,324
Furniture and Equipment	769,199	835,794
Total Capital Assets	22,140,676	19,798,875
Less Accumulated Depreciation	(10,844,886)	(10,427,542)
Net Capital Assets	\$ 11,295,790	\$ 9,371,333

#### Debt

At the end of this year, the School District had \$5.4 million in bonds and loans outstanding versus \$4.5 million in the previous year - an increase of 19.78 percent. Debt consisted of the following:

	2022	2021
General Obligation Bonds	\$ 5,365,000	\$ 4,510,000
Equipment Loans	67,852	25,645
	\$ 5,432,852	\$ 4,535,645

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 \$5.4 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 2022-2022 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 2021-2022 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 2021-2022 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 2022-2022 school year is the fall enrollment number and the final per pupil allocation. After the final number is known, the 2022-2022 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, 2022

	Governmental Activities
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 3,695,507
Due From Other Governmental Units	1,938,928
Other Current Assets	25,310
TOTAL CURRENT ASSETS	<u>5,659,745</u>
NON-CURRENT ASSETS	
Capital Assets, Net	11,295,790
TOTAL ASSETS	<u>16,955,535</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension	3,123,635
OPEB	1,100,281
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>4,223,916</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 21,179,451</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	\$ 101,081
Accrued Salaries and Expenses	1,195,610
Accrued Interest	20,005
Unearned Revenue	54,579
Bonds and Loans Payable, Due within One Year	543,755
TOTAL CURRENT LIABILITIES	<u>1,915,030</u>
NON-CURRENT LIABILITIES	
Bonds Payable	5,048,000
Loans Payable	53,597
Compensated Absences and Severance Pay	26,893
Net Pension Liability	14,727,345
OPEB Liability	933,723
TOTAL NON-CURRENT LIABILITIES	<u>20,789,558</u>
TOTAL LIABILITIES	<u>22,704,588</u>
DEFERRED INFLOWS OF RESOURCES	
Pension	6,511,670
OPEB	3,697,533
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>10,209,203</u>
NET POSITION	
Net Investment in Capital Assets	5,650,438
Restricted	1,989,169
Unrestricted	(19,373,947)
TOTAL NET POSITION	<u>(11,734,340)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 21,179,451</u>

See Accompanying Notes to Financial Statements



District-Wide Financial Statements

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Expenses	Program Revenue		Governmental
		Charges For Services	Operating Grants	Activities
				Net (Expense) Revenue and Changes in Net Position
<b>FUNCTIONS/PROGRAMS</b>				
Governmental Activities				
Instruction	\$ 6,637,419	\$ 1,250	\$ 1,709,599	\$ (4,926,570)
Support Services	4,088,071	-	1,065,438	(3,022,633)
Food Services	504,472	53,096	739,080	287,704
Community Services	-	-	-	-
Athletics	282,936	50,664	-	(232,272)
Interest on Long-Term Debt	174,900	-	-	(174,900)
Depreciation (Unallocated)	588,226	-	-	(588,226)
Total Governmental Activities	<u>12,276,024</u>	<u>105,010</u>	<u>3,514,117</u>	<u>(8,656,897)</u>
General Revenue				
Taxes				
Property Taxes, Levied for General Operations				1,290,033
Property Taxes, Levied for Debt Service				340,960
Property Taxes, Levied for Sinking Fund				274,146
State of Michigan Aid, Unrestricted				7,844,625
Interest Earnings				4,614
Other				350,051
Total General Revenue				<u>10,104,429</u>
<b>CHANGE IN NET POSITION</b>				1,447,532
NET POSITION - BEGINNING OF YEAR				<u>(13,181,872)</u>
<b>NET POSITION - END OF YEAR</b>				<u>\$ (11,734,340)</u>





# HANOVER-HORTON SCHOOL DISTRICT

## Governmental Funds

### BALANCE SHEET

JUNE 30, 2022

	General	Sinking	Other Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 1,644,986	\$ 1,037,720	\$ 1,012,801	\$ 3,695,507
Accounts Receivable	7,006	-	-	7,006
Due from Other Governmental Units	1,934,855	-	4,073	1,938,928
Due from Other Funds	19,788	14,382	2,891	37,061
Inventories	-	-	18,304	18,304
Prepaid Expenditures	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 3,606,635</b>	<b>\$ 1,052,102</b>	<b>\$ 1,038,069</b>	<b>\$ 5,696,806</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 50,985	\$ 6,153	\$ 43,943	\$ 101,081
Accrued Salaries and Withholdings	1,195,610	-	-	1,195,610
Due to Other Funds	17,273	-	19,788	37,061
Short-Term Loans	212,500	-	-	212,500
Unearned Revenue	41,765	-	12,814	54,579
<b>TOTAL LIABILITIES</b>	<b>1,518,133</b>	<b>6,153</b>	<b>76,545</b>	<b>1,600,831</b>
<b>FUND BALANCES</b>				
Non-spendable	-	-	18,304	18,304
Restricted	-	1,045,949	943,220	1,989,169
Committed	-	-	-	-
Assigned	-	-	-	-
Unrestricted	2,088,502	-	-	2,088,502
<b>TOTAL FUND BALANCES</b>	<b>2,088,502</b>	<b>1,045,949</b>	<b>961,524</b>	<b>4,095,975</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,606,635</b>	<b>\$ 1,052,102</b>	<b>\$ 1,038,069</b>	<b>\$ 5,696,806</b>
<b>TOTAL GOVERNMENTAL FUND BALANCES</b>				<b>\$ 4,095,975</b>
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources, and are not reported in the funds:				
Cost of the Capital Assets				22,140,676
Accumulated Depreciation				(10,844,886)
				<u>11,295,790</u>
Long-term liabilities are not due and payable in the current period and are not reported in the fund:				
Bonds Payable				(5,365,000)
Loans Payable				(67,852)
Compensated Absences				(26,893)
Net Pension Liability				(14,727,345)
OPEB Liability				(933,723)
Accrued interest is not included as a liability in governmental funds				(20,005)
Deferred Outflow of Resources are not included in governmental funds				4,223,916
Deferred Inflow of Resources are not included in governmental funds				(10,209,203)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>				<u><u>\$ (11,734,340)</u></u>

See Accompanying Notes to Financial Statements



Governmental Funds

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2022

Table with 5 columns: General, Sinking, Other Non-Major Governmental Funds, Total Governmental Funds. Rows include REVENUE (Local, Inter-District, State, Federal, Other), TOTAL REVENUE, EXPENDITURES (Instruction, Supporting Services, Athletic Activities, Community Services, Debt Service, Capital Outlay), TOTAL EXPENDITURES, EXCESS OF REVENUE OVER (UNDER) EXPENDITURES, OTHER FINANCING SOURCES (USES) (Indirect Costs, Loan Proceeds, Prior Period Adjustment, Transfers In (Out)), TOTAL OTHER FINANCING SOURCES (USES), NET CHANGE IN FUND BALANCES, FUND BALANCES - BEGINNING OF YEAR, and FUND BALANCES - END OF YEAR.



# 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, 2022

<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>		<b>\$ (768,052)</b>
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	(588,226)	
Capital Outlay	<u>2,512,683</u>	1,924,457
- Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid.		
		(5,038)
- Deferred outflows of resources are recorded in the statement of net position but not in the governmental funds.		
		(2,257,941)
- Deferred inflows of resources are recorded in the statement of net position but not in the governmental funds.		
		(6,274,498)
- Loan proceeds are a revenue in the governmental funds, but not in the statement of activities (where it increases long-term debt).		
		(1,050,524)
- 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).		
		153,317
- Compensated absences are included in expenditures in the statement of activities but not in the governmental funds.		
		67,712
- Net Pension Liability is recorded in the statement of net position but not in the governmental funds.		
		7,183,538
- Net OPEB Liability is recorded in the statement of net position but not in the governmental funds.		
		<u>2,474,561</u>
<b>CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<u><u>\$ 1,447,532</u></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.

**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 Township 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. Unearned 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, 2022, the book value of the School District's deposits was \$2,475,940 and the bank balance was \$2,720,931. Of the bank balance, \$1,051,553 was covered by federal depository insurance and \$1,669,378 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, 2022, consist of:

Petty Cash	\$ 542
Deposits with Financial Institutions	2,475,940
Investments	1,219,025
	<u>\$ 3,695,507</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, 2022.

**NOTE 4 - BUDGETARY ACCOUNTING**

During the year ended June 30, 2022, the School District incurred the following expenditures that were in excess of the amounts budgeted:

	Budget	Actual	Excess
General Fund			
Capital Outlay	\$ 96,272	\$ 162,587	\$ 66,315

**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, 2022.

**NOTE 7 - COMPONENTS OF FUND BALANCE**

The School District had the following components of fund balance at June 30, 2022:

- A. \$18,304 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. \$1,989,169 of fund balance is restricted for the specific purpose for which it was received. At June 30, 2022, \$454,140 was restricted for Food Service, \$192,783 was restricted for Debt Service, \$1,045,949 was restricted for the Sinking Fund, and \$296,297 was restricted for Student Activities.
- C. The balance of the Fund Balance is unassigned and is available to fund future School operations. The June 30, 2022, Unassigned General Fund Balance totaled \$2,088,502.



# HANOVER-HORTON SCHOOL DISTRICT

## Notes to Financial Statements

### NOTE 8 - INVENTORY

There is \$18,304 of inventory in the Special Revenue Fund - Food Service.

### NOTE 9 - DUE FROM OTHER GOVERNMENTAL UNITS

The Due from Other Governmental Units at June 30, 2022, is comprised of the following:

<u>General Fund</u>	
State of Michigan	
State Aid	\$ 1,766,804
Title 1	13,921
Title 2A	3,952
Title 4	3,702
ESSER	133,710
Other	12,766
<u>Food Service Fund</u>	
State of Michigan	4,073
	<u>\$ 1,938,928</u>

### NOTE 10 - INVESTMENTS

Investments at estimated fair value as of June 30, 2022, consist of:

External Investment Pools	<u>\$ 1,219,025</u>
---------------------------	---------------------

Investment income (loss) for the year ended June 30, 2022, consists of:

Interest and Dividends	\$ 2,811
Net Realized and Unrealized Gain (Loss)	-
Total	<u>\$ 2,811</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, 2022, are:

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
External Investment Pools	\$ 1,219,025	\$ -	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, 2022, \$661,916 represents the unpaid portion of teacher contracts for the 2021-22 school year. Of these salaries, there are also fringe benefits payable at year-end totaling \$533,694.

NOTE 13 - DUE TO/FROM OTHER FUNDS

Due to/due from at June 30, 2022, consisted of the following:

Due To:		Due From:	
General Fund	\$ 19,788	Food Service Fund	\$ 19,788
Student Activities Fund	2,891	General Fund	2,891
Sinking Fund	14,382	General Fund	14,382
	<u>\$ 37,061</u>		<u>\$ 37,061</u>

NOTE 14 - SHORT TERM LOAN

In August 2022, the School District borrowed \$850,000 from a financial institution in a State Aid Note. This note matures August 2023, and bears interest at 0.5%. Payments including principal and interest varied per month ranging from \$109,000 to \$106,000 beginning in January 2022. The balance due at June 30, 2022, was \$212,500.



# HANOVER-HORTON SCHOOL DISTRICT

## Notes to Financial Statements

### NOTE 15 - CAPITAL ASSETS

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

	July 1, 2021	Additions	Disposals and Adjustments	June 30, 2022
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	16,034,258	2,444,174	94,454	18,383,978
Buses and Other Vehicles	474,324	68,509	9,833	533,000
Furniture and Equipment	835,794	-	66,595	769,199
Subtotal	19,797,725	2,512,683	170,882	22,139,526
Accumulated depreciation:				
Land Improvements	951,447	57,762	-	1,009,209
Building and Building Improvements	8,710,625	434,988	94,454	9,051,159
Buses and Other Vehicles	160,443	44,606	9,833	195,216
Furniture and Equipment	605,027	50,870	66,595	589,302
Subtotal	10,427,542	588,226	170,882	10,844,886
Net Capital Assets Being Depreciated	9,370,183	1,924,457	-	11,294,640
Net Capital Assets	\$ 9,371,333	\$ 1,924,457	\$ -	\$ 11,295,790

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

### NOTE 16 - 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, 2022, no claims exist, and no provision has been entered into the accounting records.



Notes to Financial Statements

NOTE 17 - 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 2016-2026. This money will be used for facility repairs and improvements. In the year ended June 30, 2022, \$278,499 was collected and \$988,979 was spent on facility improvements.

NOTE 18 - LONG TERM DEBT

Long-Term Debt is comprised of bonded debt and equipment notes payable. During the year ended June 30, 2022, long-term debt changed as follows:

Bond Issue	July 1, 2021	Additional Debt	2021-2022 Payments	June 30, 2022
Equipment Loan	\$ 25,645	\$ -	\$ 8,317	\$ 17,328
2017 Debt	60,000	-	60,000	-
2019 Debt	4,450,000	-	85,000	4,365,000
Equipment Loan 2022	-	50,524	-	50,524
School Building and Site Bond 2022	-	1,000,000	-	1,000,000
Compensated Absences	94,605	-	67,712	26,893
	<u>\$ 4,630,250</u>	<u>\$ 1,050,524</u>	<u>\$ 221,029</u>	<u>\$ 5,459,745</u>

Future minimum payments are as follows:

Year Ending June 30,	Equipment Loans	School Building and Site	2019 Debt	Total
2023	\$ 14,255	\$ 192,000	\$ 125,000	\$ 331,255
2024	14,656	196,000	135,000	345,656
2025	6,040	200,000	145,000	351,040
2026	6,213	204,000	155,000	365,213
2027	6,390	208,000	160,000	374,390
2028-2032	20,298	-	910,000	930,298
2033-2037	-	-	1,110,000	1,110,000
2038-2042	-	-	1,330,000	1,330,000
2043	-	-	295,000	295,000
	<u>\$ 67,852</u>	<u>\$ 1,000,000</u>	<u>\$ 4,365,000</u>	<u>\$ 5,432,852</u>





# HANOVER-HORTON SCHOOL DISTRICT

## Notes to Financial Statements

### NOTE 18 - LONG TERM DEBT (CONTINUED)

#### A. EQUIPMENT LOAN

The School District borrowed \$64,000 from a financial institution 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, 2022, was \$17,238.

#### 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, 2022, was \$0.

#### 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, 2021, 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, 2022, was \$4,365,000.

#### D. EQUIPMENT LOAN 2022

The School District borrowed \$50,524 from a financial institution in June 2022 for the purchase of equipment. Annual payments of \$7,150 (including interest at 2.85%) are due from 2023 through 2030. The balance due at June 30, 2022, was \$50,524.

#### E. SCHOOL BUILDING AND SITE BOND 2022

The bonds are dated March 31, 2022, with principal due each May 1 and interest due each May 1 and November 1, beginning May 1, 2023, and ending May 1, 2027. The original amount of the bonds was \$1,000,000. Interest rate is 1.95%. The proceeds of the bonds were used for school building and site improvements. Total amount outstanding at June 30, 2022, was \$1,000,000.



**NOTE 19 - 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](http://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, 2020 valuation will be amortized over a 19-year period beginning Oct. 1, 2020 and ending Sept. 30, 2038.



# HANOVER-HORTON SCHOOL DISTRICT

## Notes to Financial Statements

### NOTE 19 - NET PENSION LIABILITY (CONTINUED)

#### CONTRIBUTIONS (CONTINUED)

The schedule below summarizes pension contribution rates in effect for fiscal year ended September, 30, 2021.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	19.78%
Member Investment Plan	3.0 - 7.0%	19.78%
Pension Plus	3.0 - 6.4%	16.82%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from the School District were \$1,867,708 for the year ended September 30, 2021.

#### 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, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.4%
Private Equity Pools	16.0%	9.1%
International Equity	15.0%	7.5%
Fixed Income Pools	10.5%	-0.7%
Real Estate and Infrastructure Pools	10.0%	5.4%
Absolute Return Pools	9.0%	2.6%
Real Return/Opportunistic Pools	12.5%	6.1%
Short-Term Investment Pools	2.0%	-1.3%
	100.0%	

\*Long-term rates of return are net of administrative expenses and 2.0% inflation



NOTE 19 - NET PENSION LIABILITY (CONTINUED)

RATE OF RETURN

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 27.3%. 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%
\$ 21,056,109	\$ 14,727,345	\$ 9,480,384

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 19 - 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, 2020
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, 2018, valuation. The total pension liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, 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: 4.4367.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).



NOTE 19 - NET PENSION LIABILITY (CONTINUED)

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

At June 30, 2022, the School District reported a liability of \$14,727,345 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. 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, 2021, the School District’s proportion was 0.06221 percent, which was a decrease of 0.00185 percent from its proportion measured as of September 30, 2020.

For the year ended June 30, 2022, the School District recognized pension expense of \$1,418,082. At June 30, 2022, 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	\$ 228,133	\$ 86,727
Changes in Assumptions	928,359	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	4,734,794
Changes in Proportion and Differences between Reporting Unit Contributions and Proportionate share of Contributions	-	496,935
Reporting Unit Contributions Subsequent to the Measurement Date	1,967,143	1,193,214
Total	<u>\$ 3,123,635</u>	<u>\$ 6,511,670</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,	
2022	\$ (588,148)
2023	(977,116)
2024	(1,269,691)
2025	(1,327,009)
	<u>\$ (4,161,964)</u>



# HANOVER-HORTON SCHOOL DISTRICT

## Notes to Financial Statements

### NOTE 19 - 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](http://www.michigan.gov/orsschools).

### NOTE 20 - 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](http://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 20 - 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, 2020, valuation will be amortized over a 19-year period beginning Oct. 1, 2020, and ending Sept. 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2021.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.00%	8.43%
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, 2021.





# HANOVER-HORTON SCHOOL DISTRICT

## Notes to Financial Statements

### NOTE 20 - 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, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.4%
Private Equity Pools	16.0%	9.1%
International Equity	15.0%	7.5%
Fixed Income Pools	10.5%	-0.7%
Real Estate and Infrastructure Pools	10.0%	5.4%
Absolute Return Pools	9.0%	2.6%
Real Return/Opportunistic Pools	12.5%	6.1%
Short-Term Investment Pools	2.0%	-1.3%
	100.0%	

\*Long-term rates of return are net of administrative expenses and 2.0% inflation

#### RATE OF RETURN

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 27.14%. 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 20 - 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%
\$ 1,735,025	\$ 933,723	\$ 253,703

**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
\$ 227,261	\$ 933,723	\$ 1,728,577

**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 - 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, 2020
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:	Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% year 120 Post-65: 5.25% 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, 2018, valuation. The total OPEB liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, 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: 6.1312.

Recognition period for assets in years is 5.0000.



NOTE 20 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

ACTUARIAL ASSUMPTIONS (CONTINUED)

NOTES (CONTINUED):

Full actuarial assumptions are available in the 2021 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, 2022, the School District reported a liability of \$933,723 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. 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, 2021, School District’s proportion was .06117 percent, which was a decrease of 0.00265% percent from its proportion measured as of September 30, 2020.

For the year ended June 30, 2021, the School District recognized OPEB expense of -\$574,143. At June 30, 2022, 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	\$ -	\$ 2,665,245
Changes in Assumptions	780,546	116,799
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	703,764
Changes in Proportion and Differences between Reporting Unit Contributions and Proportionate share of Contributions	2,332	211,725
Reporting Unit Contributions Subsequent to the Measurement Date	317,403	-
Total	<u>\$ 1,100,281</u>	<u>\$ 3,697,533</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 20 - 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:	
2022	\$ (756,021)
2023	(693,224)
2024	(631,717)
2025	(584,627)
2026	(220,178)
	<u>\$ (2,885,767)</u>

#### OPEB FIDUCIARY NET POSITION

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2021 MPSERS CAFR, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

### NOTE 21 - TAX ABATEMENTS

For the year ended June 30, 2022, the School District's taxing units abated no property tax revenues.



---

## REQUIRED SUPPLEMENTAL INFORMATION



# 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

	2021	2020	2019	2018	2017	2016	2015	2014
A. Reporting Unit's Proportion of Net Pension Liability (%)	0.06221%	0.06379%	0.06406%	0.06431%	0.06452%	0.06593%	0.06811%	0.06747%
B. Reporting Unit's Proportionate Share of Net Pension Liability	\$14,727,345	\$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	\$ 5,475,046	\$ 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	268.99%	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	72.60%	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**

	2022	2021	2020	2019	2018	2017	2016	2015
A. Statutorily Required Contributions	\$ 1,867,788	\$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	2,230,619	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>\$ (362,831)</u>	<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	\$ 5,661,603	\$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	39.40%	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 plan fiscal year 2021.

**Changes of Assumptions**

There were no changes of benefit assumptions in plan fiscal year 2021.





# 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

	2021	2020	2019	2018	2017
A. Reporting Unit's Proportion of Net OPEB Liability (%)	0.06117%	0.06362%	0.06382%	0.06416%	0.06454%
B. Reporting Unit's Proportionate Share of Net OPEB Liability	\$ 933,723	\$ 3,408,284	\$ 4,581,020	\$ 5,100,387	\$ 5,715,224
C. Reporting Unit's Covered-Employee Payroll	\$ 5,475,046	\$ 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	17.05%	60.75%	82.45%	93.67%	105.14%
E. Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	87.33%	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

	2022	2021	2020	2019	2018
A. Statutorily Required Contributions	\$ 430,543	\$ 449,490	\$ 438,210	\$ 416,488	\$ 502,642
B. Contributions in Relation to Statutorily Required Contributions	430,543	450,581	514,393	495,530	644,555
C. Contribution Deficiency (Excess)	\$ -	\$ (1,091)	\$ (76,183)	\$ (79,042)	\$ (141,913)
D. Reporting Unit's Covered-Employee Payroll	\$5,661,603	\$5,455,752	\$5,646,749	\$5,773,152	\$5,435,731
E. Contributions as a Percentage of Covered-Employee Payroll	7.60%	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 2021.

Changes of Assumptions

There were no changes of benefit assumptions in 2021.



# HANOVER-HORTON SCHOOL DISTRICT

## Budgetary Comparison Schedule

### GENERAL FUND

YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual (Budgetary Basis)	Variance
	Original	Final		
<b>REVENUE</b>				
Local Sources	\$ 1,394,197	\$ 1,462,188	\$ 1,469,616	\$ 7,428
Inter-District Sources	496,064	493,043	492,951	(92)
State Sources	8,455,419	9,505,600	9,554,224	48,624
Federal Sources	293,765	542,240	572,487	30,247
Other Sources	31,000	28,000	75,524	47,524
<b>TOTAL REVENUE</b>	<u>10,670,445</u>	<u>12,031,071</u>	<u>12,164,802</u>	<u>133,731</u>
<b>EXPENDITURES</b>				
Instruction				
Basic Programs	6,205,500	6,226,589	6,226,462	127
Added Needs	1,010,960	962,630	960,957	1,673
Supporting Services				
Pupil	741,355	701,359	696,357	5,002
Administration	1,198,270	1,587,131	1,586,137	994
Business Services	2,016,408	2,252,388	2,247,111	5,277
Athletic Activities	318,585	285,881	282,936	2,945
Community Services	6,535	-	-	-
Capital Outlay	-	96,272	162,587	(66,315)
Debt Service	-	9,022	9,022	-
Other Uses	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>11,497,613</u>	<u>12,121,272</u>	<u>12,171,569</u>	<u>(50,297)</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(827,168)	(90,201)	(6,767)	83,434
<b>BUDGETARY FUND BALANCE-</b> July 1, 2021	<u>2,095,269</u>	<u>2,095,269</u>	<u>2,095,269</u>	<u>-</u>
<b>BUDGETARY FUND BALANCE-</b> June 30, 2022	<u>\$ 1,268,101</u>	<u>\$ 2,005,068</u>	<u>\$ 2,088,502</u>	<u>\$ 83,434</u>



Budgetary Comparison Schedule

SINKING FUND

YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual (Budgetary Basis)	Variance
	Original	Final		
<b>REVENUE</b>				
Local Sources	\$ 272,500	\$ 272,500	\$ 278,499	\$ 5,999
State Sources	-	-	-	-
Federal Sources	-	-	-	-
Other Sources	1,000,000	1,000,000	1,000,000	-
<b>TOTAL REVENUE</b>	<b>1,272,500</b>	<b>1,272,500</b>	<b>1,278,499</b>	<b>5,999</b>
<b>EXPENDITURES</b>				
Instruction				
Basic Programs	-	-	-	-
Added Needs	-	-	-	-
Supporting Services				
Pupil	-	-	-	-
Instructional Staff	-	-	-	-
Administration	-	-	-	-
Business Services	-	-	-	-
Athletic Activities	-	-	-	-
Community Services	-	-	-	-
Capital Outlay	1,000,000	1,000,000	988,979	11,021
Debt Service	-	-	-	-
Other Uses - Operating Transfers	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>988,979</b>	<b>11,021</b>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>272,500</b>	<b>272,500</b>	<b>289,520</b>	<b>17,020</b>
<b>BUDGETARY FUND BALANCE-</b>				
July 1, 2021	756,429	756,429	756,429	-
<b>BUDGETARY FUND BALANCE-</b>				
<b>June 30, 2022</b>	<b>\$ 1,028,929</b>	<b>\$ 1,028,929</b>	<b>\$ 1,045,949</b>	<b>\$ 17,020</b>



# HANOVER-HORTON SCHOOL DISTRICT

General Fund

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

YEAR ENDED JUNE 30, 2022

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE</b>			
LOCAL SOURCES			
Current Property Tax Levy	\$ 1,265,133	\$ 1,242,250	\$ (22,883)
Interest and Penalties - Delinquent Taxes	2,101	47,783	45,682
Tuition	125	1,250	1,125
Athletic Revenue	48,000	50,664	2,664
Interest Earned	1,900	3,377	1,477
Rental of School Facilities	15,260	15,520	260
Transportation	8,400	15,078	6,678
Other	121,269	93,694	(27,575)
TOTAL LOCAL SOURCES	1,462,188	1,469,616	7,428
INTER-DISTRICT SOURCES			
Career Prep	9,000	8,908	(92)
Data Processing Support	30,437	30,437	-
Special Education	453,606	453,606	-
TOTAL INTER-DISTRICT SOURCES	493,043	492,951	(92)
STATE SOURCES			
State Aid	7,839,510	7,844,625	5,115
Data Collection	28,574	28,565	(9)
Special Education	191,421	191,421	-
At Risk	309,050	264,240	(44,810)
Literacy Instruction	15,880	16,879	999
Retirement Stabilization	1,116,050	1,193,214	77,164
Enrollment	5,115	15,280	10,165
TOTAL STATE SOURCES	9,505,600	9,554,224	48,624
FEDERAL SOURCES			
Medicaid ADM Outreach	3,517	3,517	-
Title I	101,392	78,055	(23,337)
Title II - A	51,118	17,702	(33,416)
Title IV	10,777	10,777	-
ESSER	359,447	439,952	80,505
Other	15,989	22,484	6,495
TOTAL FEDERAL SOURCES	542,240	572,487	30,247
<b>TOTAL REVENUE</b>	<b>\$ 12,003,071</b>	<b>\$ 12,089,278</b>	<b>\$ 86,207</b>



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

YEAR ENDED JUNE 30, 2022

	Budget	Actual	Variance Favorable (Unfavorable)
<b>EXPENDITURES</b>			
<b>INSTRUCTION</b>			
BASIC PROGRAMS			
Elementary School	\$ 2,870,229	\$ 2,900,306	\$ (30,077)
Middle School	1,427,313	1,405,564	21,749
High School	1,881,685	1,875,022	6,663
Summer School	47,362	45,570	1,792
<b>TOTAL BASIC PROGRAMS</b>	<b>6,226,589</b>	<b>6,226,462</b>	<b>127</b>
ADDED NEEDS			
Special Education	939,392	940,930	(1,538)
Compensatory Education	23,238	20,027	3,211
<b>TOTAL ADDED NEEDS</b>	<b>962,630</b>	<b>960,957</b>	<b>1,673</b>
<b>TOTAL INSTRUCTION</b>	<b>7,189,219</b>	<b>7,187,419</b>	<b>1,800</b>
<b>SUPPORTING SERVICES</b>			
PUPIL			
Guidance	239,146	243,934	(4,788)
Health Services	28,987	28,600	387
Social Work Services	57,000	54,000	3,000
Other Pupil Services	250,616	246,680	3,936
Improvement of Instruction	22,153	21,086	1,067
Educational Media Services	103,457	102,057	1,400
<b>TOTAL PUPIL</b>	<b>701,359</b>	<b>696,357</b>	<b>5,002</b>
ADMINISTRATION			
Board of Education	97,360	97,547	(187)
Executive Administration	325,663	324,396	1,267
School Administration	1,164,108	1,164,194	(86)
<b>TOTAL ADMINISTRATION</b>	<b>\$ 1,587,131</b>	<b>\$ 1,586,137</b>	<b>\$ 994</b>



# HANOVER-HORTON SCHOOL DISTRICT

General Fund

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

YEAR ENDED JUNE 30, 2022

	Budget	Actual	Variance Favorable (Unfavorable)
<b>EXPENDITURES (CONTINUED)</b>			
<b>SUPPORTING SERVICES (CONTINUED)</b>			
BUSINESS SERVICES			
Operation and Maintenance	\$ 1,271,696	\$ 1,271,430	\$ 266
Pupil Transportation	778,555	777,354	1,201
Technology	154,837	151,143	3,694
Security	-	-	-
Other	33,600	33,516	84
Pupil Accounting	13,700	13,668	32
TOTAL BUSINESS SERVICES	<u>2,252,388</u>	<u>2,247,111</u>	<u>5,277</u>
<b>TOTAL SUPPORTING SERVICES</b>	<u>4,540,878</u>	<u>4,529,605</u>	<u>11,273</u>
<b>ATHLETIC ACTIVITIES</b>	<u>285,881</u>	<u>282,936</u>	<u>2,945</u>
<b>COMMUNITY SERVICES</b>			
Other	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL COMMUNITY SERVICES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEBT SERVICE</b>	<u>9,022</u>	<u>9,022</u>	<u>-</u>
<b>CAPITAL OUTLAY</b>	<u>96,272</u>	<u>162,587</u>	<u>(66,315)</u>
<b>TOTAL EXPENDITURES</b>	<u>12,121,272</u>	<u>12,171,569</u>	<u>(50,297)</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(118,201)</u>	<u>(82,291)</u>	<u>35,910</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Indirect Costs	28,000	25,000	(3,000)
Loan Proceeds	-	50,524	50,524
Operating Transfers In	-	-	-
Operating Transfers (Out)	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>28,000</u>	<u>75,524</u>	<u>47,524</u>
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ (90,201)</u>	<u>(6,767)</u>	<u>\$ 83,434</u>
FUND BALANCE - JULY 1, 2021		<u>2,095,269</u>	
<b>FUND BALANCE - JUNE 30, 2022</b>		<u>\$ 2,088,502</u>	



---

## **SPECIAL REVENUE FUNDS**





# HANOVER-HORTON SCHOOL DISTRICT

Food Service Fund

## BALANCE SHEET

JUNE 30, 2022

---

---

### ASSETS

Cash and Investments	\$	520,633
Due from Other Governmental Units		4,073
Due from Other Funds		-
Prepaid Expenses		-
Inventory		18,304

<b>TOTAL ASSETS</b>	<b>\$</b>	<b>543,010</b>
---------------------	-----------	----------------

---

---

### LIABILITIES AND FUND BALANCE

#### LIABILITIES

Accounts Payable	\$	37,964
Accrued Salaries		-
Accrued Expenses		-
Due to Other Funds		19,788
Unearned Revenue		12,814

<b>TOTAL LIABILITIES</b>		<b>70,566</b>
--------------------------	--	---------------

---

#### FUND BALANCE

Non-Spendable		18,304
Restricted		454,140

<b>TOTAL FUND BALANCE</b>		<b>472,444</b>
---------------------------	--	----------------

---

<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$</b>	<b>543,010</b>
---	-----------	----------------

---

---



STATEMENT OF REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2022

REVENUE

Goods Sold	
Student Meals	\$ 1,098
Adult Meals	3,086
Ala Carte Meals	46,012
Breakfast	-
Catering	2,900
State Aid	23,844
Federal Aid	660,037
Federal USDA Commodities in Kind	55,199
Other Income	12,282
Interest Income	739

**TOTAL REVENUE** 805,197

EXPENDITURES

Salaries	124,300
Fringe Benefits	61,008
Dues and Fees	8,350
Purchased Services	13,349
Food and Supplies	244,536
Miscellaneous	1,303
Contracted Services	51,626
Capital Outlay	8,035

**TOTAL EXPENDITURES** 512,507

**EXCESS REVENUE OVER (UNDER) EXPENDITURES** 292,690

OTHER FINANCING SOURCES (USES)

Indirect Costs	(25,000)
Prior Period Adjustment	-
Operating Transfers In	-
Operating Transfers (Out)	-

**TOTAL OTHER FINANCING SOURCES (USES)** (25,000)

**EXCESS REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES** 267,690

FUND BALANCE - BEGINNING OF YEAR 204,754

**FUND BALANCE - END OF YEAR** \$ 472,444



# HANOVER-HORTON SCHOOL DISTRICT

Student Activity Fund

## BALANCE SHEET

JUNE 30, 2022

---

---

### ASSETS

Cash and Investments	\$ 299,385
Due from Other Funds	2,891

<b>TOTAL ASSETS</b>	<b>\$ 302,276</b>
---------------------	-------------------

---

---

### LIABILITIES AND FUND BALANCE

#### LIABILITIES

Accounts Payable	\$ 5,979
Due to Other Funds	-

<b>TOTAL LIABILITIES</b>	<b>5,979</b>
--------------------------	--------------

---

#### FUND BALANCE

Fund Balance	296,297
--------------	---------

---

<b>TOTAL FUND BALANCE</b>	<b>296,297</b>
---------------------------	----------------

---

<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 302,276</b>
---	-------------------

---

---



Student Activity Fund

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2022

<b>REVENUE</b>	
Receipts and Contributions	\$ 206,657
Earned Interest	408
<b>TOTAL REVENUE</b>	<b>207,065</b>
<b>EXPENDITURES</b>	
Disbursements	178,116
<b>TOTAL EXPENDITURES</b>	<b>178,116</b>
<b>EXCESS REVENUE OVER (UNDER) EXPENDITURES</b>	<b>28,949</b>
<b>OTHER FINANCING SOURCES (USES)</b>	
Operating Transfers In	-
Operating Transfers (Out)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>
<b>EXCESS REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>28,949</b>
FUND BALANCE - BEGINNING OF YEAR	267,348
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 296,297</b>



# **HANOVER-HORTON SCHOOL DISTRICT**

---

## **DEBT RETIREMENT FUNDS**



### COMBINING BALANCE SHEET

JUNE 30, 2022

	2017 Debt	2019 Debt	Total
<b>ASSETS</b>			
Cash and Investments	\$ 17,145	\$ 175,638	\$ 192,783
Due from Other Funds	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 17,145</b>	<b>\$ 175,638</b>	<b>\$ 192,783</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Governments	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE</b>			
Fund Balance	17,145	175,638	192,783
<b>TOTAL FUND BALANCE</b>	<b>17,145</b>	<b>175,638</b>	<b>192,783</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 17,145</b>	<b>\$ 175,638</b>	<b>\$ 192,783</b>



# HANOVER-HORTON SCHOOL DISTRICT

## Debt Retirement Funds

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

YEAR ENDED JUNE 30, 2022

	2017 Debt		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE</b>			
Current Taxes	\$ 35,000	\$ 36,900	\$ 1,900
Interest and Penalties on Delinquent Property Taxes	100	179	79
Earned Interest	100	156	56
State Aid Revenue	-	-	-
Miscellaneous	-	-	-
<b>TOTAL REVENUE</b>	<u>35,200</u>	<u>37,235</u>	<u>2,035</u>
<b>EXPENDITURES</b>			
Principal on Bonds	60,000	60,000	-
Interest on Bond	900	900	-
Agent Fees and Other	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>60,900</u>	<u>60,900</u>	<u>-</u>
<b>EXCESS REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(25,700)</u>	<u>(23,665)</u>	<u>2,035</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond Proceeds	-	-	-
Operating Transfers In	-	-	-
Operating Transfers (Out)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ (25,700)</u>	<u>(23,665)</u>	<u>\$ 2,035</u>
FUND BALANCE - BEGINNING OF YEAR		<u>40,810</u>	
<b>FUND BALANCE - END OF YEAR</b>		<u>\$ 17,145</u>	



**Debt Retirement Funds**

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

**YEAR ENDED JUNE 30, 2022**

	2019 Debt		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>REVENUE</b>			
Current Taxes	\$ 300,000	\$ 304,060	\$ 4,060
Interest and Penalties on Delinquent Property Taxes	1,000	1,574	574
Earned Interest	500	604	104
State Aid Revenue	-	-	-
Miscellaneous	-	-	-
<b>TOTAL REVENUE</b>	<b>301,500</b>	<b>306,238</b>	<b>4,738</b>
<b>EXPENDITURES</b>			
Principal on Bonds	89,000	89,000	-
Interest on Bond	174,000	174,000	-
Agent Fees and Other	1,500	1,159	341
<b>TOTAL EXPENDITURES</b>	<b>264,500</b>	<b>264,159</b>	<b>341</b>
<b>EXCESS REVENUE OVER (UNDER) EXPENDITURES</b>	<b>37,000</b>	<b>42,079</b>	<b>5,079</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond Proceeds	-	-	-
Operating Transfers In	-	-	-
Operating Transfers (Out)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXCESS REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>\$ 37,000</b>	<b>42,079</b>	<b>\$ 5,079</b>
FUND BALANCE - BEGINNING OF YEAR		133,559	
<b>FUND BALANCE - END OF YEAR</b>		<b>\$ 175,638</b>	





# 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, 2022

	Total		Variance
	Budget	Actual	Favorable (Unfavorable)
<b>REVENUE</b>			
Current Taxes	\$ 335,000	\$ 340,960	\$ 5,960
Interest and Penalties on Delinquent Property Taxes	1,100	1,753	653
Earned Interest	600	760	160
State Aid Revenue	-	-	-
Miscellaneous	-	-	-
<b>TOTAL REVENUE</b>	<u>336,700</u>	<u>343,473</u>	<u>6,773</u>
<b>EXPENDITURES</b>			
Principal on Bonds	149,000	149,000	-
Interest on Bond	174,900	174,900	-
Agent Fees and Other	1,500	1,159	341
<b>TOTAL EXPENDITURES</b>	<u>325,400</u>	<u>325,059</u>	<u>341</u>
<b>EXCESS REVENUE OVER (UNDER) EXPENDITURES</b>	<u>11,300</u>	<u>18,414</u>	<u>7,114</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond Proceeds	-	-	-
Operating Transfers In	-	-	-
Operating Transfers (Out)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ 11,300</u>	<u>18,414</u>	<u>\$ 7,114</u>
FUND BALANCE - BEGINNING OF YEAR		<u>174,369</u>	
<b>FUND BALANCE - END OF YEAR</b>		<u>\$ 192,783</u>	



---

## **CAPITAL PROJECTS FUND**



# HANOVER-HORTON SCHOOL DISTRICT

Capital Projects Fund #3

## BALANCE SHEET

JUNE 30, 2022

---

---

### ASSETS

Cash and Investments	\$	-
Due from Other Funds		-

<b>TOTAL ASSETS</b>	<b>\$</b>	<b>-</b>
---------------------	-----------	----------

---

---

### LIABILITIES AND FUND BALANCE

#### LIABILITIES

Accounts Payable	\$	-
Due to Other Funds		-

<b>TOTAL LIABILITIES</b>		<b>-</b>
--------------------------	--	----------

---

#### FUND BALANCE

Fund Balance		-
--------------	--	---

---

<b>TOTAL FUND BALANCE</b>		<b>-</b>
---------------------------	--	----------

---

<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$</b>	<b>-</b>
---	-----------	----------

---

---



**Capital Projects Fund #3**

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

**YEAR ENDED JUNE 30, 2022**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE</b>			
Current Taxes	\$ -	\$ -	\$ -
Delinquent Taxes	-	-	-
Interest and Penalties on Delinquent Property Taxes	-	-	-
Earned Interest	50	44	(6)
State Aid Revenue	-	-	-
Miscellaneous	-	-	-
<b>TOTAL REVENUE</b>	<u>50</u>	<u>44</u>	<u>(6)</u>
<b>EXPENDITURES</b>			
Debt Service	-	-	-
Capital Outlay	1,370,000	1,365,902	4,098
Bond Fees	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>1,370,000</u>	<u>1,365,902</u>	<u>4,098</u>
<b>EXCESS REVENUE OVER (UNDER) EXPENDITURES</b>	(1,369,950)	(1,365,858)	4,092
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond Proceeds	-	-	-
Operating Transfers In	-	-	-
Operating Transfers (Out)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ (1,369,950)</u>	<u>(1,365,858)</u>	<u>\$ 4,092</u>
FUND BALANCE - BEGINNING OF YEAR		1,365,858	
FUND BALANCE - END OF YEAR		<u>\$ -</u>	



# **HANOVER-HORTON SCHOOL DISTRICT**

---

## **SINKING FUND**



## BALANCE SHEET

JUNE 30, 2022

---

---

### ASSETS

Cash and Investments	\$ 1,037,720
Taxes Receivable	-
Due from Other Funds	14,382

<b>TOTAL ASSETS</b>	<b>\$ 1,052,102</b>
---------------------	---------------------

---

---

### LIABILITIES AND FUND BALANCE

#### LIABILITIES

Accounts Payable	\$ 6,153
Due to Other Funds	-

<b>TOTAL LIABILITIES</b>	<b>6,153</b>
--------------------------	--------------

---

#### FUND BALANCE

Fund Balance	1,045,949
--------------	-----------

---

<b>TOTAL FUND BALANCE</b>	<b>1,045,949</b>
---------------------------	------------------

---

<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,052,102</b>
---	---------------------

---

---



# HANOVER-HORTON SCHOOL DISTRICT

Sinking Fund

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

YEAR ENDED JUNE 30, 2022

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE</b>			
Current Taxes	\$ 270,000	\$ 272,751	\$ 2,751
Delinquent Taxes	1,000	1,395	395
Grants	-	-	-
Earned Interest	500	477	(23)
Miscellaneous	1,000	3,876	2,876
<b>TOTAL REVENUE</b>	<u>272,500</u>	<u>278,499</u>	<u>5,999</u>
<b>EXPENDITURES</b>			
Capital Outlay	<u>1,000,000</u>	<u>988,979</u>	<u>11,021</u>
<b>TOTAL EXPENDITURES</b>	<u>1,000,000</u>	<u>988,979</u>	<u>11,021</u>
<b>EXCESS REVENUE OVER (UNDER) EXPENDITURES</b>	(727,500)	(710,480)	17,020
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond Proceeds	1,000,000	1,000,000	-
Operating Transfers In	-	-	-
Operating Transfers (Out)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
<b>EXCESS REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ 272,500</u>	289,520	<u>\$ 17,020</u>
FUND BALANCE - BEGINNING OF YEAR		<u>756,429</u>	
<b>FUND BALANCE - END OF YEAR</b>		<u>\$ 1,045,949</u>	



---

## STATEMENTS OF INDEBTEDNESS





# HANOVER-HORTON SCHOOL DISTRICT

## Statement of Indebtedness

**JUNE 30, 2022**

### Equipment Loan

**Balance Outstanding - June 30, 2022** \$ 17,328

Balance Payable as Follows:

Year Ended June 30,	Interest Rate	Principal	Interest	Total
2023	2.75%	\$ 8,545	\$ 477	\$ 9,022
2024	2.75%	8,783	246	9,029
		<u>\$ 17,328</u>	<u>\$ 723</u>	<u>\$ 18,051</u>

### Equipment Loan 2022

**Balance Outstanding - June 30, 2022** \$ 50,524

Balance Payable as Follows:

Year Ended June 30,	Interest Rate	Principal	Interest	Total
2023	2.85%	\$ 5,710	\$ 1,440	\$ 7,150
2024	2.85%	5,873	1,277	7,150
2025	2.85%	6,040	1,110	7,150
2026	2.85%	6,213	937	7,150
2027	2.85%	6,390	760	7,150
2028	2.85%	6,572	578	7,150
2029	2.85%	6,759	391	7,150
2030	2.85%	6,967	199	7,166
		<u>\$ 50,524</u>	<u>\$ 6,692</u>	<u>\$ 57,216</u>



Statement of Indebtedness

JUNE 30, 2022

2019 Debt

Balance Outstanding - June 30, 2022

\$ 4,365,000

Balance Payable as Follows:

Year Ended June 30,	Interest Rate	Principal	Interest	Total
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>\$ 4,365,000</u>	<u>\$ 2,173,400</u>	<u>\$ 6,538,400</u>



# HANOVER-HORTON SCHOOL DISTRICT

## Statement of Indebtedness

JUNE 30, 2022

### School Building and Site Bond 2022

Balance Outstanding - June 30, 2022

\$ 1,000,000

Balance Payable as Follows:

Year Ended June 30,	Interest Rate	Principal	Interest	Total
2023	1.95%	\$ 192,000	\$ 21,179	\$ 213,179
2024	1.95%	196,000	15,756	211,756
2025	1.95%	200,000	11,934	211,934
2026	1.95%	204,000	8,034	212,034
2027	1.95%	208,000	4,056	212,056
		<u>\$ 1,000,000</u>	<u>\$ 60,959</u>	<u>\$ 1,060,959</u>



---

## REPORT ON INTERNAL CONTROL





**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, 2022, 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 10, 2022.

**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.

*Karl Z. Deube*

Drake Certified Public Accountants, PC  
August 10, 2022

