

HAMILTON COMMUNITY SCHOOLS

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

YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Hamilton Community Schools

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hamilton Community Schools as of June 30, 2020, 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.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 12 to the financial statements, Hamilton Community Schools implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hamilton Community Schools' basic financial statements. The additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The additional supplementary 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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2020 on our consideration of Hamilton Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Hamilton Community Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hamilton Community Schools' internal control over financial reporting and compliance.

Maney Costerian PC

October 1, 2020

**HAMILTON COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

This section of the Hamilton Community Schools' ("District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2020. Please read it in conjunction with the District's financial statements which immediately follow this section. A comparative analysis with the prior year has been provided.

District-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

**HAMILTON COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Summary of Net Position

The following schedule summarizes the net position at June 30, 2020 and 2019:

Hamilton Community Schools		
	<u>2020</u>	<u>2019</u>
Current assets and other assets	\$ 18,183,462	\$ 18,251,584
Capital assets	49,507,078	50,100,975
Total assets	<u>67,690,540</u>	<u>68,352,559</u>
Deferred outflows of resources	<u>23,169,451</u>	<u>22,265,057</u>
Long-term liabilities outstanding	34,905,677	37,866,218
Net pension liability	58,055,274	51,536,155
Other liabilities	4,167,892	4,137,898
Net other postemployment benefit liability	<u>12,677,020</u>	<u>13,957,957</u>
Total liabilities	<u>109,805,863</u>	<u>107,498,228</u>
Deferred inflows of resources	<u>9,006,043</u>	<u>9,030,541</u>
Net position		
Net investment in capital assets	21,061,460	20,722,395
Restricted for debt service	773,514	534,643
Unrestricted	<u>(49,786,889)</u>	<u>(47,168,191)</u>
Total net position	<u>\$ (27,951,915)</u>	<u>\$ (25,911,153)</u>

**HAMILTON COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Analysis of Net Position

During the fiscal year ended June 30, 2020, the District's net position decreased by (\$2,361,540). A few of the more significant factors affecting net position during the year are discussed below:

➤ Cash Equivalents, Deposits and Investments

At June 30, 2020, the District's cash equivalents, deposits and investments amounted to \$13.51 million. This represented a decrease of \$201 thousand over the previous year, primarily as a result of spending down the funds related to 2016 and 2019 building and site bond.

➤ Capital Outlay Acquisitions

For the fiscal year ended June 30, 2020, \$1.765 million of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained below.

The net effect of the new capital assets, assets disposed of during the fiscal year, and the current year's depreciation is a net decrease to capital assets in the amount of \$0.594 million for the fiscal year ended June 30, 2020.

➤ Depreciation Expense

GASB 34 requires school districts to maintain records of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in the net position.

➤ Bonded Debt

For the fiscal year ended June 30, 2020, the District's bonded debt decreased by \$2.85 million as a result of the repayments of previously issued bonds.

➤ Accumulated Compensated Absences and Termination Benefits

At June 30, 2020, the District had an obligation to employees for the portion of earned compensated absences and termination benefits that they would be entitled to upon separation in the amount of \$887,462.

**HAMILTON COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Results of Operations

For the fiscal years ended June 30, 2020 and 2019, the results of operations, on a District-wide basis, were:

Changes in Hamilton Community Schools' Net Position				
	Fiscal Year Ended June 30, 2020		Fiscal Year Ended June 30, 2019	
	Amount	%	Amount	%
Revenues				
Program revenues				
Charges for services	\$ 312,186	0.78%	\$ 456,783	1.22%
Operating grants and contributions	10,575,504	26.59%	8,394,552	22.55%
General revenues				
Property taxes	7,112,280	17.88%	6,632,935	17.82%
Investment earnings	214,784	0.54%	170,947	0.46%
State aid - unrestricted	21,179,218	53.24%	21,082,575	56.65%
Other	376,757	0.95%	483,277	1.30%
Total revenues	<u>39,770,729</u>	<u>99.98%</u>	<u>37,221,069</u>	<u>100.00%</u>
Expenses				
Instruction	23,978,654	56.89%	22,258,342	57.10%
Support services	12,613,577	29.92%	12,097,157	31.03%
Community services	263,181	0.62%	391,663	1.00%
Food services	958,335	2.27%	921,499	2.36%
Student/school activities	550,902	1.31%	-	0.00%
Interest on long-term debt	1,052,237	2.50%	960,733	2.46%
Unallocated depreciation	2,739,283	6.50%	2,354,919	6.05%
Total expenses	<u>42,156,169</u>	<u>100.01%</u>	<u>38,984,313</u>	<u>100.00%</u>
Change in net position	<u>\$ (2,385,440)</u>		<u>\$ (1,763,244)</u>	

**HAMILTON COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

➤ Property Taxes

The District levied 18.0 mills of property taxes for operations on non-principal residence exempt property for the 2019 tax year. According to Michigan law, the tax levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of increase in the prior year's Consumer Price Index or 5%, whichever is less. At the time that property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is one half of the property's market value. At June 30, 2020, there were no significant unpaid property taxes.

➤ State Sources

The majority of the unrestricted state sources of revenues is comprised of the per student foundation allowance. The State of Michigan funds school districts based on a blended student enrollment which is calculated using 90% of the current fiscal year's fall count (October) and 10% of the prior fiscal year's spring count (February). For the 2019-2020 fiscal year, the District received \$8,111 per student full time equivalent. The student foundation allowance amount increased by \$240 when compared to the 2018-2019 fiscal year, prior to being reduced by \$175 per pupil in August 2020.

➤ Operating Grants

The District receives a significant portion of its operating revenue from categorical grants. For the fiscal year ended June 30, 2020, federal, state, and other amounted to \$10.57 million. This represents a \$2.181 increase over the prior year.

Comparative Expenditures

A comparison of the expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances is shown below:

Expenditures	2019 - 2020	2018 - 2019	Increase (Decrease)
Instruction	\$ 21,393,127	\$ 20,739,358	\$ 653,769
Supporting services	11,381,356	11,087,475	293,881
Food service activities	882,472	896,060	(13,588)
Student/school activities expense	550,902	-	550,902
Community service activities	233,679	359,285	(125,606)
Capital outlay	1,933,005	5,569,371	(3,636,366)
Debt service	3,851,259	3,780,985	70,274
Total expenditures	\$ 40,225,800	\$ 42,432,534	\$ (2,206,734)

**HAMILTON COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

General Fund Budgetary Highlights

The Uniform Budgeting Act of the State of Michigan requires that the local Board of Education approve the annual operating budget prior to the start of the fiscal year on July 1. Any amendments to the original budget must be approved by the Board prior to the close of the fiscal year on June 30, 2020.

The following schedule shows a comparison of the original general fund budget, the final amended budget, and actual totals from operations for the fiscal year ending June 30, 2020.

	Original Budget	Final Budget	Actual	Final Variance with Budget	% Variance
Total revenues	\$ 33,476,300	\$ 32,480,300	\$ 34,133,111	\$ 1,652,811	5.09%
Expenditures					
Instruction	\$ 21,238,300	\$ 21,651,600	\$ 21,393,127	\$ 258,473	1.19%
Supporting services	11,759,600	11,217,700	11,381,356	(163,656)	-1.46%
Community services	287,000	244,700	233,679	11,021	4.50%
Total expenditures	\$ 33,284,900	\$ 33,114,000	\$ 33,008,162	\$ 105,838	0.32%
Other financing sources (uses)	\$ (50,000)	\$ (462,000)	\$ (461,255)	\$ 745	-0.16%

The original budget adopted by the Board in June 2019 was amended twice during the year. The amendments, approved in February and June 2020, reflected necessary changes to both revenues and expenditures based on projections made by the Chief Financial Officer.

Capital Assets

By the end of the 2019-2020 fiscal year, the District had invested approximately \$81.238 million as the original cost in a broad range of capital assets, including land, school buildings and facilities, school buses and other vehicles, and various types of equipment. Depreciation expense for the year amounted to \$2.739 million, bringing the accumulated depreciation to roughly \$31.731 million as of June 30, 2020.

Hamilton Community Schools				
	2020		2019	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 2,169,583	\$ -	\$ 2,169,583	\$ 2,169,583
Construction in progress	-	-	-	402,522
Buildings and improvements	73,128,608	27,514,384	45,614,224	45,739,387
Furniture and fixtures	2,365,552	1,393,496	972,056	1,160,140
Vehicles	3,365,154	2,697,492	667,662	537,435
Transportation equipment	208,879	125,326	83,553	91,908
Total	\$ 81,237,776	\$ 31,730,698	\$ 49,507,078	\$ 50,100,975

**HAMILTON COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Long-term Obligations

At June 30, 2020, the District had approximately \$34.91 million in long-term obligations which included \$34.02 million in outstanding bonded debt. The bonded debt obligation decreased during the year as \$2.854 million of bonds were paid. In addition to the bonded debt, the District has obligation for compensated absences estimated at roughly \$887,000 at the end of the fiscal year.

Hamilton Community Schools Outstanding Long-Term Obligations		
	2020	2019
General obligation bonds and other debt	\$ 34,018,215	\$ 36,873,049
Compensated absences and termination benefits	887,462	993,169
	\$ 34,905,677	\$ 37,866,218

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future:

- The uncertainty of student foundation funding levels, as well as funding for other K-12 education programs, reflects the economic difficulties faced by the State of Michigan and the District. One of the most important factors affecting the District's budget is student count. General Fund revenue is generated from the State's per pupil allowance, and a combination of State aid and property taxes. Under State law, the District cannot assess additional property tax revenue for general operations.
- The impact of the COVID-19 outbreak has put significant pressure on the State's General Fund and School Aid Fund budgets. Federal stimulus money has eased some of that pressure in the short term.
- In May 2016, voters approved a \$22.7 million bond proposal focusing on safety and security, educational technology, and building and site improvements. Over \$18.1 million has already been spent on these projects with the remaining funds expected to be spent gradually over the next four years to provide for the continuing needs of the District.
- Demographic projections indicate that enrollment is likely to continue growing slowly over the next several years. While this is good news, especially compared to most districts within the State, the lack of stability in the funding stream from the State, and rising costs in many areas including employee health insurance, retirement contribution costs, and utilities, District administration continues to remain diligent in its decision-making as the Board desires to increase its level of reserves (fund balance). Measures to accomplish this include, but are not limited to, cooperative agreements with the Ottawa Area Intermediate School District as well as neighboring public and parochial schools and strategic changes to how the District handles its non-instructional support services.

**HAMILTON COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

- As part of the District's long-term planning, the Board of Education will be considering a bond proposal to address identified and ongoing needs across the district. The Board of Education must decide how to address the facility needs to ensure each will thrive. There are also future capital projects necessary to repair and replace certain facilities and equipment.
- The teachers bargaining agreement (2015-2020) was extended one-year through August 1, 2021.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional information, please contact the Chief Financial Officer at Hamilton Community Schools, 4815 136th Ave., Hamilton, MI 49419-9604.

BASIC FINANCIAL STATEMENTS

**HAMILTON COMMUNITY SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2020**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,931,241
Investments	7,526,099
Receivables	
Accounts receivable	199,617
Interest receivable	19
Intergovernmental	4,446,184
Prepays	7,276
Inventories	17,486
Restricted cash and cash equivalents - capital projects	4,055,540
Capital assets not being depreciated	2,169,583
Capital assets, net of accumulated depreciation	47,337,495
TOTAL ASSETS	67,690,540
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	477,938
Related to OPEB	4,574,992
Related to pensions	18,116,521
TOTAL DEFERRED OUTFLOWS OF RESOURCES	23,169,451
LIABILITIES	
Accounts payable	601,677
Accrued interest	171,494
Accrued salaries and related items	2,313,209
Accrued retirement	1,013,164
Unearned revenue	68,348
Noncurrent liabilities	
Due within one year	2,303,119
Due in more than one year	32,602,558
Net other postemployment benefits liability	12,677,020
Net pension liability	58,055,274
TOTAL LIABILITIES	109,805,863
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	2,165,161
Related to OPEB	4,888,639
Related to state aid funding for pension	1,952,243
TOTAL DEFERRED INFLOWS OF RESOURCES	9,006,043
NET POSITION	
Net investment in capital assets	21,061,460
Restricted for debt service	773,514
Unrestricted	(49,786,889)
TOTAL NET POSITION	\$ (27,951,915)

See notes to financial statements.

**HAMILTON COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 23,978,654	\$ -	\$ 7,431,571	\$ (16,547,083)
Support services	12,613,577	-	1,995,125	(10,618,452)
Community services	263,181	-	-	(263,181)
Food services	958,335	312,186	595,333	(50,816)
Student/school activities	550,902	-	553,475	2,573
Interest on long-term debt	1,052,237	-	-	(1,052,237)
Unallocated depreciation	2,739,283	-	-	(2,739,283)
Total governmental activities	<u>\$ 42,156,169</u>	<u>\$ 312,186</u>	<u>\$ 10,575,504</u>	<u>(31,268,479)</u>
General revenues				
Property taxes, levied for general purposes				3,431,308
Property taxes, levied for debt service				3,680,972
Investment earnings				214,784
State sources - unrestricted				21,179,218
Other				<u>376,757</u>
Total general revenues				<u>28,883,039</u>
CHANGE IN NET POSITION				(2,385,440)
Net position, beginning of year, as restated				<u>(25,566,475)</u>
Net position, end of year				<u>\$ (27,951,915)</u>

See notes to financial statements.

**HAMILTON COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

	General Fund	2019 Capital Projects	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,200	\$ -	\$ 1,929,041	\$ 1,931,241
Investments	7,526,099	-	-	7,526,099
Receivables				
Accounts receivable	191,201	-	8,416	199,617
Interest receivable	-	-	19	19
Due from other funds	-	1,183,527	-	1,183,527
Intergovernmental	4,397,306	-	48,878	4,446,184
Prepays	7,276	-	-	7,276
Inventories	-	-	17,486	17,486
Restricted cash and cash equivalents	-	3,934,215	121,325	4,055,540
	<u>\$ 12,124,082</u>	<u>\$ 5,117,742</u>	<u>\$ 2,125,165</u>	<u>\$ 19,366,989</u>
TOTAL ASSETS				
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 528,292	\$ 23,083	\$ 50,302	\$ 601,677
Accrued salaries and related items	2,313,209	-	-	2,313,209
Accrued retirement	1,013,164	-	-	1,013,164
Due to other funds	1,183,527	-	-	1,183,527
Unearned revenue	23,631	-	44,717	68,348
	<u>5,061,823</u>	<u>23,083</u>	<u>95,019</u>	<u>5,179,925</u>
TOTAL LIABILITIES				
FUND BALANCES				
Nonspendable				
Inventories	-	-	17,486	17,486
Prepays	7,276	-	-	7,276
Restricted for:				
Capital projects	-	5,094,659	-	5,094,659
Food service	-	-	137,076	137,076
Debt service	-	-	945,008	945,008
Committed for:				
Capital projects	-	-	583,325	583,325
Student/school activities	-	-	347,251	347,251
Assigned for:				
Subsequent year expenditures	1,652,700	-	-	1,652,700
Compensated absences and termination benefits	887,462	-	-	887,462
Unassigned				
General fund	4,514,821	-	-	4,514,821
	<u>7,062,259</u>	<u>5,094,659</u>	<u>2,030,146</u>	<u>14,187,064</u>
TOTAL FUND BALANCES				
TOTAL LIABILITIES AND FUND BALANCES				
	<u>\$ 12,124,082</u>	<u>\$ 5,117,742</u>	<u>\$ 2,125,165</u>	<u>\$ 19,366,989</u>

See notes to financial statements.

**HAMILTON COMMUNITY SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

Total governmental fund balances		\$ 14,187,064
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred charge on refunding, net of amortization	\$ 477,938	
Deferred inflows of resources - related to state pension funding	(1,952,243)	
Deferred outflows of resources - related to OPEB	4,574,992	
Deferred outflows of resources - related to pensions	18,116,521	
Deferred inflows of resources - related to OPEB	(4,888,639)	
Deferred inflows of resources - related to pensions	<u>(2,165,161)</u>	
		14,163,408
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	81,237,776	
Accumulated depreciation is	<u>(31,730,698)</u>	
		49,507,078
Long-term liabilities are not due and payable in the current period and are not reported in the funds.		
General obligation bonds		(34,018,215)
Compensated absences and termination benefits		(887,462)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid		(171,494)
Net OPEB liability		(12,677,020)
Net pension liability		<u>(58,055,274)</u>
Net position of governmental activities		<u><u>\$ (27,951,915)</u></u>

HAMILTON COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	General Fund	2019 Capital Projects	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Local sources				
Property taxes	\$ 3,431,308	\$ -	\$ 3,681,127	\$ 7,112,435
Tuition	32,741	-	-	32,741
Food sales	-	-	312,186	312,186
Investment earnings	78,572	115,770	20,287	214,629
Student/school activities income	-	-	553,475	553,475
Other	258,914	-	51	258,965
Total local sources	3,801,535	115,770	4,567,126	8,484,431
State sources	25,962,957	-	448,047	26,411,004
Federal sources	821,315	-	514,705	1,336,020
Intermediate school districts	3,547,304	-	-	3,547,304
TOTAL REVENUES	34,133,111	115,770	5,529,878	39,778,759
EXPENDITURES				
Current				
Instruction	21,393,127	-	-	21,393,127
Supporting services	11,381,356	-	-	11,381,356
Food service activities	-	-	882,472	882,472
Student/school activities expense	-	-	550,902	550,902
Community service activities	233,679	-	-	233,679
Debt service				
Principal repayment	-	-	2,775,000	2,775,000
Interest	-	-	1,055,739	1,055,739
Other	-	18,745	1,775	20,520
Capital outlay	-	1,408,432	524,573	1,933,005
TOTAL EXPENDITURES	33,008,162	1,427,177	5,790,461	40,225,800
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,124,949	(1,311,407)	(260,583)	(447,041)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	745	-	-	745
Transfers in	-	-	462,000	462,000
Transfers out	(462,000)	-	-	(462,000)
TOTAL OTHER FINANCING SOURCES (USES)	(461,255)	-	462,000	745
NET CHANGE IN FUND BALANCES	663,694	(1,311,407)	201,417	(446,296)
FUND BALANCES				
Beginning of year, as restated	6,398,565	6,406,066	1,828,729	14,633,360
End of year	\$ 7,062,259	\$ 5,094,659	\$ 2,030,146	\$ 14,187,064

See notes to financial statements.

HAMILTON COMMUNITY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

Net change in fund balances total governmental funds \$ (446,296)

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	(2,739,283)
Capital outlay	2,150,054
Net book value of assets disposed	(4,668)

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid.

Accrued interest payable, beginning of the year	174,996
Accrued interest payable, end of the year	(171,494)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items are as follows:

Payments on bonded debt	2,775,000
Amortization of deferred charge on refunding	(85,892)
Amortization of bond premium	79,834

Compensated absences and termination benefits are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in governmental funds.

Accrued compensated absences and termination benefits, beginning of the year	993,169
Accrued compensated absences and termination benefits, end of the year	(887,462)

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

Other postemployment benefits items	828,870
Pension related items	(5,043,493)

Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period.

Change in state aid funding for pension	(8,775)
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Change in net position of governmental activities **\$ (2,385,440)**

HAMILTON COMMUNITY SCHOOLS NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

Reporting Entity

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

Basis of Presentation - Government-wide Financial Statements

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

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

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following *Major Governmental Funds*:

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

The *2019 Building and Site Fund* accounts for the proceeds of certain bonds payable that are restricted to expenditure for capital outlays for voter-approved purposes.

The *Capital Projects Funds* include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Revised School Code.

**HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

Beginning with the year of bond issuance, the District has reported the annual construction activity in the 2016 capital projects and 2019 capital projects funds. The projects for the 2016 bonds were considered complete as of June 30, 2019. The following is a summary of the cumulative revenue and expenditures for the capital projects funds' activities:

	Capital Projects	
	2016 Capital Projects	2019 Capital Projects
Revenue and other financing sources	\$ 16,669,182	\$ 6,570,460
Expenditures	\$ 16,669,182	\$ 1,475,801

Other Nonmajor Funds

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

The *Capital Projects Funds* - the building and site 2016, and 2017 capital projects funds account for financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The *Debt Service Funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The District has various nonmajor debt service funds.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

**HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

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

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

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

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

**HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measurable and available only when cash is received by the District.

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. The capital projects fund is appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
- d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- e. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2020. The District does not consider these amendments to be significant.

**HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

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

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

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Inventories and Prepays

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Capital Assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Building and improvements	20 - 50
Furniture and equipment	5 - 10
Vehicles	5 - 10
Infrastructure	25

Defined Benefit Plans

For purposes of measuring the net pension and other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits expense, information about the fiduciary net position of the Michigan Public Employees' Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. They are the deferred charge on refunding and pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

**HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension benefit contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

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

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

**HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Fund Balance Policies (continued)

Equipment and Maintenance Projects (EMP) Committed Fund Balance:

In 1992, Hamilton voters approved 1.00 mills of property tax for equipment and maintenance projects (EMP) for five years. In 1994, Proposal A included this revenue in the District's foundation grant. The Board of Education determines on annual basis whether to designate a portion of its State School Aid to continue these projects. A subcommittee of the Board of Education serves as an EMP Committee to discuss projects with members of the administrative staff.

The EMP balance is reported as committed fund balance in the general fund. The following information provides detail on EMP activity for the year ended June 30, 2020:

Fund Balance, July 1, 2019		\$	258,565
EMP expenditures			<u>(258,565)</u>
Fund Balance, June 30, 2020		<u>\$</u>	<u>-</u>

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

Revenues and Expenditures/Expenses

Program Revenues

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

Property Taxes

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

**HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses

Property Taxes (continued)

For the year ended June 30, 2020, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund	
Non-Principal Residence Exemption (PRE)	18.00
Commercial Personal Property	6.00
Debt service fund	
PRE, Non-PRE, Commercial Personal Property	4.50

Compensated Absences and Termination Benefits

The District’s policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences and termination benefits includes salary-related benefits, where applicable.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2019 the District had deposits and investments subject to the following risk:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of June 30, 2020, \$5,505,411 of the District’s bank balance of \$6,027,461 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount is \$5,986,781.

**HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk - Investments

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

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

Interest Rate Risk

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
MILAF External Investment Pool - CMC	\$ 2,401	n/a
MILAF External Investment Pool - MAX Class	1,033	n/a
Michigan Class Investment Pool	<u>7,522,665</u>	0.1458
Total fair value	<u>\$ 7,526,099</u>	
Portfolio weighted average maturity		<u>0.1458</u>

One day maturity equals 0.0027, one year equals 1.00.

Concentration of Credit Risk

The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Agency</u>
MILAF External Investment Pool - CMC	\$ 2,401	AAAm	Standard & Poor's
MILAF External Investment Pool - MAX Class	1,033	AAAm	Standard & Poor's
Michigan Class Investment Pool	<u>7,522,665</u>	AAAm	Standard & Poor's
Total fair value	<u>\$ 7,526,099</u>		

**HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Foreign Currency Risk

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

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2020, the District did not have investments in commercial paper and corporate bonds.

Fair Value Measurement

The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District’s own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

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

At June 30, 2020, the District does not have any investments subject to fair value measurement.

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

	Amortized Costs
MILAF External Investment Pool- CMC	\$ 2,401
MILAF External Investment Pool- MAX	1,033
Total	\$ 3,434

**HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Investments in Entities that Calculate Net Asset Value per Share

The District holds shares or interests in the Michigan CLASS investment pool where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

The Michigan CLASS investment pool invest in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102% by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

At the year ended June 30, 2020, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Michigan Class Investment Pool	<u>\$ 7,522,665</u>	<u>\$ -</u>	No Restrictions	None

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

The following summarizes the categorization of these amounts as of June 30, 2020:

	<u>Primary Government</u>
Cash and cash equivalents	\$ 1,931,241
Investments	7,526,099
Restricted cash and cash equivalents - capital projects	4,055,540
	<u>\$ 13,512,880</u>

**HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - CAPITAL ASSETS

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

	Balance July 1, 2019	Additions	Deletions/ Reclassification	Balance June 30, 2020
Assets not being depreciated				
Land	\$ 2,169,583	\$ -	\$ -	\$ 2,169,583
Construction in progress	402,522	1,951,750	2,354,272	-
Subtotal	<u>2,572,105</u>	<u>1,951,750</u>	<u>2,354,272</u>	<u>2,169,583</u>
Other capital assets				
Building and improvements	71,022,664	2,105,944	-	73,128,608
Furniture and equipment	3,413,452	97,425	1,145,325	2,365,552
Vehicles	3,133,260	349,207	117,313	3,365,154
Infrastructure	208,879	-	-	208,879
Subtotal	<u>77,778,255</u>	<u>2,552,576</u>	<u>1,262,638</u>	<u>79,068,193</u>
Accumulated depreciation				
Building and improvements	25,283,277	2,231,107	-	27,514,384
Furniture and equipment	2,253,312	284,841	1,144,657	1,393,496
Vehicles	2,595,825	214,980	113,313	2,697,492
Infrastructure	116,971	8,355	-	125,326
Total accumulated depreciation	<u>30,249,385</u>	<u>2,739,283</u>	<u>1,257,970</u>	<u>31,730,698</u>
Net capital assets being depreciated	<u>47,528,870</u>	<u>(186,707)</u>	<u>4,668</u>	<u>47,337,495</u>
Net governmental capital assets	<u>\$ 50,100,975</u>	<u>\$ 1,765,043</u>	<u>\$ 2,358,940</u>	<u>\$ 49,507,078</u>

Depreciation expense for the fiscal year ended June 30, 2020 amounted to \$2,739,283. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2020 consist of the following:

	Governmental Funds
Other governmental units	
State aid	\$ 4,260,622
Federal revenue	150,144
ISD and other	35,418
	\$ 4,446,184

Amounts due from other intergovernmental units include amounts due from federal, state and local sources for various projects and programs.

No allowance for doubtful accounts is considered necessary.

NOTE 5 - LONG-TERM OBLIGATIONS

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2020:

	General Obligation Bonds	Compensated Absences and Termination Benefits	Total
Balance July 1, 2019	\$ 36,873,049	\$ 993,169	\$ 37,866,218
Additions	-	-	-
Deletions	(2,854,834)	(105,707)	(2,960,541)
Balance June 30, 2020	34,018,215	887,462	34,905,677
Total due within one year	2,170,000	133,119	2,303,119
Total due in more than one year	\$ 31,848,215	\$ 754,343	\$ 32,602,558

**HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

Long-term obligations at June 30, 2020 is comprised of the following:

General Obligation Bonds

2015 Refunding bonds, due in annual installments of \$500,000 to \$1,000,000 through May 1, 2030, with interest from 3.00% to 5.00%.	\$ 9,025,000
2016 Building and Site bonds, due in semiannual installments of \$100,000 to \$705,000 through May 1, 2046, with interest from 2.00% to 3.125%.	15,270,000
2017 Refunding bonds, due in semiannual installments of \$350,000 to \$1,050,000 through May 1, 2022, with interest of 1.72%.	2,745,000
2018 Refunding bonds, due in annual installments of \$105,000 to \$170,000 through November 1, 2021, with interest of 1.98%.	275,000
2019 Building and Site bonds, due in semiannual installments of \$55,000 to \$385,000 through May 1, 2046, with interest from 3.00% to 4.00%.	5,790,000
Plus premium on bond refunding	<u>913,215</u>
Total general obligation bonds	34,018,215
Compensated absences and termination benefits	<u>887,462</u>
Total general long-term obligations	<u><u>\$ 34,905,677</u></u>

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account, assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2020, \$20,130,000 bonds outstanding are considered defeased.

**HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

The annual requirements to amortize debt outstanding as of June 30, 2020, including interest payments are as follows:

Year Ending June 30,	General Obligation Bonds		Compensated Absences and Termination Benefits	Total
	Principal	Interest		
2021	\$ 2,170,000	\$ 1,023,274	\$ -	\$ 3,193,274
2022	2,075,000	979,472	-	3,054,472
2023	1,400,000	938,558	-	2,338,558
2024	1,400,000	896,558	-	2,296,558
2025	1,440,000	854,558	-	2,294,558
2026 - 2030	7,900,000	3,485,290	-	11,385,290
2031 - 2035	5,410,000	2,185,415	-	7,595,415
2036 - 2040	5,290,000	1,388,915	-	6,678,915
2041 - 2045	5,035,000	597,292	-	5,632,292
2046	985,000	35,591	-	1,020,591
	33,105,000	12,384,923	-	45,489,923
Premium on bond refunding	913,215	-	-	913,215
Compensated absences and termination benefits	-	-	887,462	887,462
	<u>\$ 34,018,215</u>	<u>\$ 12,384,923</u>	<u>\$ 887,462</u>	<u>\$ 47,290,600</u>

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

**HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Overall

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

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

Benefits Provided - Pension

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

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

Pension Reform 2010

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

Pension Reform 2012

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

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

**HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

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

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

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

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

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

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

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

**HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform of 2017

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

Benefits Provided - Other Postemployment Benefit (OPEB)

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Retiree Healthcare Reform of 2012

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

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

**HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Regular Retirement (No Reduction Factor for Age)

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

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

Member Contributions

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

Employer Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2019 were determined as of the September 30, 2016 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2016 are amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

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

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

**HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

The District's pension contributions for the year ended June 30, 2020 were equal to the required contribution total. Total pension contributions were approximately \$4,936,000. Of the total pension contributions approximately \$4,779,000 was contributed to fund the Defined Benefit Plan and approximately \$157,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2020 were equal to the required contribution total. Total OPEB contributions were approximately \$1,439,000. Of the total OPEB contributions approximately \$1,335,000 was contributed to fund the Defined Benefit Plan and approximately \$104,000 was contributed to fund the Defined Contribution Plan.

These amounts, for both pension and OPEB benefit, include contributions funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

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

Pension Liabilities

The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2018 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPSERS (Plan) Non-university Employers</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Total pension liability	\$ 83,442,507,212	\$ 79,863,694,444
Plan fiduciary net position	\$ 50,325,869,388	\$ 49,801,889,205
Net pension liability	\$ 33,116,637,824	\$ 30,061,805,239
Proportionate share	0.17531%	0.17143%
Net pension liability for the District	\$ 58,055,274	\$ 51,536,155

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

For the year ended June 30, 2020, the District recognized pension expense of \$9,822,516.

**HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

At June 30, 2020, the Reporting Unit 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
Changes of assumptions	\$ 11,367,264	\$ -
Net difference between projected and actual plan investment earnings	-	1,860,573
Differences between expected and actual experience	260,222	242,085
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,034,379	62,502
Reporting Unit's contributions subsequent to the measurement date	4,454,656	-
	\$ 18,116,521	\$ 2,165,160

\$4,454,656, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ended September 30,	Amount
2020	\$ 4,658,559
2021	3,651,332
2022	2,300,452
2023	886,362

**HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

OPEB Liabilities

The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2018 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPSERS (Plan) Non-university Employers</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Total OPEB liability	\$ 13,925,860,688	\$ 13,932,170,264
Plan fiduciary net position	\$ 6,748,112,668	\$ 5,983,218,473
Net OPEB liability	\$ 7,177,748,020	\$ 7,948,951,791
Proportionate share	0.17662%	0.17559%
Net OPEB liability for the District	\$ 12,677,020	\$ 13,957,957

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$506,488.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 2,746,854	\$ -
Net difference between projected and actual earnings on OPEB plan investments	-	220,459
Differences between expected and actual experience	-	4,651,557
Changes in proportion and differences between employer contributions and proportionate share of contributions	633,776	16,623
Employer contributions subsequent to the measurement date	<u>1,194,362</u>	<u>-</u>
	<u>\$ 4,574,992</u>	<u>\$ 4,888,639</u>

\$1,194,362, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

**HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

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

<u>Year Ended September 30,</u>	<u>Amount</u>
2020	\$ (422,247)
2021	(422,247)
2022	(313,076)
2023	(204,020)
2024	(146,419)

Actuarial Assumptions

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

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

Salary Increases - The rate of pay increase used for individual members is 2.75%.

Inflation - 3.0%.

Mortality Assumptions:

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

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

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

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

**HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

Healthcare Cost Trend Rate for Other Postemployment Benefit - 7.5% for year one and graded to 3.5% in year twelve.

Additional Assumptions for Other Postemployment Benefit Only - Applies to individuals hired before September 4, 2012:

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

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

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

The target asset allocation at September 30, 2019 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.00%	5.50%
Private Equity Pools	18.00%	8.60%
International Equity	16.00%	7.30%
Fixed Income Pools	10.50%	1.20%
Real Estate and Infrastructure Pools	10.00%	4.20%
Absolute Return Pools	15.50%	5.40%
Short Term Investment Pools	2.00%	0.80%
	<u>100.00%</u>	

* Long term rate of return are net of administrative expenses and 2.3% inflation.

**HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Rate of Return - For fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.14% and 5.37% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount Rate - A single discount rate of 6.80% was used to measure the total pension liability (6.00% for the Pension Plus 2 Plan). This discount rate was based on the expected rate of return on pension plan investments of 6.80% (6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	\$ 75,475,571	\$ 58,055,274	\$ 43,613,248

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 6.95%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other Postemployment Benefits		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate of the net other postemployment benefit liability	\$ 15,550,270	\$ 12,677,020	\$ 10,264,288

**HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.5%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other Postemployment Benefits		
	Healthcare Cost		
	1% Decrease	Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 10,161,999	\$ 12,677,020	\$ 15,549,929

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2019 Comprehensive Annual Financial Report.

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

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District purchases commercial insurance to cover any losses that may result from the above described activities. No settlements have occurred in excess of coverage for the year ended June 30, 2020.

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Receivable Fund		Payable Fund	
2019 Capital Projects Fund	\$ 1,183,527	General Fund	\$ 1,183,527

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

NOTE 9 - TRANSFERS

The general fund transferred \$462,000 to the capital projects fund for future capital purchases.

**HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - CONTINGENT LIABILITIES

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

NOTE 11 - TAX ABATEMENTS

The District is required to disclose significant tax abatements as required by GASB Statement No. 77, *Tax Abatements*.

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly. The property taxes abated for all funds by municipality under these programs are as follows:

<u>Municipality</u>	<u>Taxes Abated</u>
Holland	<u>\$ 79,241</u>

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District's Section 22 funding of the State School Aid Act.

There are no abatements made by the District.

NOTE 12 - NEW ACCOUNTING STANDARD

For the year ended June 30, 2020, the District implemented the following new pronouncement: GASB Statement No. 84, *Fiduciary Activities*.

Summary

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

**HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - NEW ACCOUNTING STANDARD

The restatement of the beginning of the year fund balances and net position is as follows:

	Fund Balances	
	Student/School Activity Fund	Total Governmental Funds
Fund balances as of July 1, 2019, as previously stated	\$ -	\$ 14,288,682
Adoption of GASB Statement 84	344,678	344,678
Fund Balances as of July 1, 2019, as restated	\$ 344,678	\$ 14,633,360
	Net Position	
	Governmental Activities	
Net position as of July 1, 2019, as previously stated		\$ (25,911,153)
Adoption of Gash Statement 84		344,678
Net position as of July 1, 2019, as restated		\$ (25,566,475)

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENT

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the District's 2022 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

**HAMILTON COMMUNITY SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Local sources	\$ 3,622,800	\$ 3,810,700	\$ 3,801,535	\$ (9,165)
State sources	25,655,900	24,283,000	25,962,957	1,679,957
Federal sources	857,700	822,300	821,315	(985)
Intermediate school districts	<u>3,339,900</u>	<u>3,564,300</u>	<u>3,547,304</u>	<u>(16,996)</u>
TOTAL REVENUES	<u>33,476,300</u>	<u>32,480,300</u>	<u>34,133,111</u>	<u>1,652,811</u>
EXPENDITURES				
Current				
Instruction				
Basic programs	17,636,200	17,984,500	17,727,892	256,608
Added needs	<u>3,602,100</u>	<u>3,667,100</u>	<u>3,665,235</u>	<u>1,865</u>
Total instruction	<u>21,238,300</u>	<u>21,651,600</u>	<u>21,393,127</u>	<u>258,473</u>
Supporting services				
Pupil	1,810,700	1,808,900	1,808,117	783
Instructional staff	1,226,800	1,247,000	1,301,809	(54,809)
General administration	492,900	490,300	491,795	(1,495)
School administration	1,890,100	1,803,700	1,793,391	10,309
Business	399,700	387,000	387,659	(659)
Operations and maintenance	2,544,900	2,418,300	2,541,969	(123,669)
Pupil transportation	1,916,100	1,783,000	1,778,900	4,100
Central	708,200	534,900	520,456	14,444
Athletics	<u>770,200</u>	<u>744,600</u>	<u>757,260</u>	<u>(12,660)</u>
Total supporting services	<u>11,759,600</u>	<u>11,217,700</u>	<u>11,381,356</u>	<u>(163,656)</u>
Community services	<u>287,000</u>	<u>244,700</u>	<u>233,679</u>	<u>11,021</u>
TOTAL EXPENDITURES	<u>33,284,900</u>	<u>33,114,000</u>	<u>33,008,162</u>	<u>105,838</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>191,400</u>	<u>(633,700)</u>	<u>1,124,949</u>	<u>1,758,649</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	745	745
Transfers out	<u>(50,000)</u>	<u>(462,000)</u>	<u>(462,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (OTHER)	<u>(50,000)</u>	<u>(462,000)</u>	<u>(461,255)</u>	<u>745</u>
NET CHANGE IN FUND BALANCE	<u>\$ 141,400</u>	<u>\$ (1,095,700)</u>	<u>663,694</u>	<u>\$ 1,759,394</u>
FUND BALANCE				
Beginning of year			<u>6,398,565</u>	
End of year			<u>\$ 7,062,259</u>	

**HAMILTON COMMUNITY SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting Unit's proportion of net pension liability (%)	0.17531%	0.17143%	0.16627%	0.16002%	0.15785%	0.15660%
Reporting Unit's proportionate share of net pension liability	\$ 58,055,274	\$ 51,536,155	\$ 43,088,631	\$ 39,924,107	\$ 38,553,896	\$ 34,494,548
Reporting Unit's covered-employee payroll	\$ 15,495,986	\$ 14,983,812	\$ 14,121,247	\$ 13,576,954	\$ 13,176,797	\$ 13,315,468
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	374.65%	343.95%	305.13%	294.06%	292.59%	259.06%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**HAMILTON COMMUNITY SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 4,779,024	\$ 4,505,587	\$ 4,443,226	\$ 3,851,910	\$ 3,492,627	\$ 2,960,149
Contributions in relation to statutorily required contributions	<u>4,779,024</u>	<u>4,505,587</u>	<u>4,443,226</u>	<u>3,851,910</u>	<u>3,492,627</u>	<u>2,960,149</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 15,915,848	\$ 15,486,161	\$ 14,680,686	\$ 14,280,600	\$ 13,341,334	\$ 13,221,971
Contributions as a percentage of covered-employee payroll	30.03%	29.09%	30.27%	26.97%	26.18%	22.39%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**HAMILTON COMMUNITY SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting Unit's proportion of net OPEB liability (%)	0.17662%	0.17559%	0.16618%
Reporting Unit's proportionate share of net OPEB liability	\$ 12,677,020	\$ 13,957,957	\$ 14,715,642
Reporting Unit's covered-employee payroll	\$ 15,495,986	\$ 14,983,812	\$ 14,121,247
Reporting Unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	81.81%	93.15%	104.21%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	48.46%	42.95%	36.39%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**HAMILTON COMMUNITY SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 1,335,358	\$ 1,222,550	\$ 1,255,324
Contributions in relation to statutorily required contributions	<u>1,335,358</u>	<u>1,222,550</u>	<u>1,255,324</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 15,915,848	\$ 15,486,161	\$ 14,680,686
Contributions as a percentage of covered-employee payroll	8.39%	7.89%	8.55%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**HAMILTON COMMUNITY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020**

NOTE 1 - PENSION INFORMATION

Benefit changes - there were no changes of benefit terms in 2019.

Changes of assumptions - the assumption changes for 2019 were:

Discount rate for MIP and Basic plans decreased to 6.80% from 7.05%.

Discount rate for Pension Plus decreased to 6.80% from 7.00%.

NOTE 2 - OPEB INFORMATION

Benefit changes - there were no changes of benefit terms in 2019.

Changes of assumptions - the assumption changes for 2019 were:

Discount rate for decreased to 6.95% from 7.15%.

Healthcare cost trend rate increased to 7.50% Year 1 graded to 3.50% Year 12 from 7.50% Year 1 graded to 3.00% Year 12.

ADDITIONAL SUPPLEMENTARY INFORMATION

**HAMILTON COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2020**

	Special Revenue Fund			Debt Service Funds	Total Nonmajor Funds
	Food Service	Student/ School Activities	Capital Projects Funds		
ASSETS					
Cash and cash equivalents	\$ 136,323	\$ 356,829	\$ 490,900	\$ 944,989	\$ 1,929,041
Receivables					
Accounts receivable	8,416	-	-	-	8,416
Interest receivable	-	-	-	19	19
Intergovernmental	48,878	-	-	-	48,878
Inventories	17,486	-	-	-	17,486
Restricted cash and cash equivalents	-	-	121,325	-	121,325
TOTAL ASSETS	\$ 211,103	\$ 356,829	\$ 612,225	\$ 945,008	\$ 2,125,165
LIABILITIES					
Accounts payable	\$ 11,824	\$ 9,578	\$ 28,900	\$ -	\$ 50,302
Unearned revenue	44,717	-	-	-	44,717
TOTAL LIABILITIES	56,541	9,578	28,900	-	95,019
FUND BALANCES					
Nonspendable for inventories	17,486	-	-	-	17,486
Restricted for:					
Debt service	-	-	-	945,008	945,008
Food service	137,076	-	-	-	137,076
Committed for:					
Capital projects	-	-	583,325	-	583,325
School/student activities	-	347,251	-	-	347,251
TOTAL FUND BALANCES	154,562	347,251	583,325	945,008	2,030,146
TOTAL LIABILITIES AND FUND BALANCES	\$ 211,103	\$ 356,829	\$ 612,225	\$ 945,008	\$ 2,125,165

**HAMILTON COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2020**

	Special Revenue Fund		Capital Projects Funds	Debt Service	Total Nonmajor Funds
	Food Service	Student/ School Activities			
REVENUES					
Local sources					
Property taxes	\$ -	\$ -	\$ -	\$ 3,681,127	\$ 3,681,127
Food sales	312,186	-	-	-	312,186
Student/school activities	-	553,475	-	-	553,475
Investment earnings	-	-	-	20,287	20,287
Other	-	-	-	51	51
State sources	81,629	-	-	366,418	448,047
Federal sources	514,705	-	-	-	514,705
TOTAL REVENUES	908,520	553,475	-	4,067,883	5,529,878
EXPENDITURES					
Current					
Special revenue activities					
Salaries	282,529	-	-	-	282,529
Benefits	145,233	-	-	-	145,233
Supplies and materials	439,383	-	-	-	439,383
Other expenses	15,327	-	-	-	15,327
Student/school activities	-	550,902	-	-	550,902
Debt service					
Principal repayment	-	-	-	2,775,000	2,775,000
Interest	-	-	-	1,055,739	1,055,739
Other expenses	-	-	-	1,775	1,775
Capital outlay	-	-	524,573	-	524,573
TOTAL EXPENDITURES	882,472	550,902	524,573	3,832,514	5,790,461
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	26,048	2,573	(524,573)	235,369	(260,583)
OTHER FINANCING USES (USES)					
Transfers in	-	-	462,000	-	462,000
NET CHANGE IN FUND BALANCES	26,048	2,573	(62,573)	235,369	201,417
FUND BALANCES					
Beginning of year, as restated	128,514	344,678	645,898	709,639	1,828,729
End of year	<u>\$ 154,562</u>	<u>\$ 347,251</u>	<u>\$ 583,325</u>	<u>\$ 945,008</u>	<u>\$ 2,030,146</u>

**HAMILTON COMMUNITY SCHOOLS
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2020**

	Building and Site	2017 Capital Projects	Totals
ASSETS			
Cash and cash equivalents	\$ -	\$ 490,900	\$ 490,900
Restricted cash and cash equivalents	121,325	-	121,325
TOTAL ASSETS	\$ 121,325	\$ 490,900	\$ 612,225
LIABILITIES			
Accounts payable	\$ -	\$ 28,900	\$ 28,900
FUND BALANCES			
Committed for capital projects	121,325	462,000	583,325
TOTAL LIABILITIES AND FUND BALANCES	\$ 121,325	\$ 490,900	\$ 612,225

**HAMILTON COMMUNITY SCHOOLS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2020**

	<u>Building and Site</u>	<u>2016 Capital Projects</u>	<u>2017 Capital Projects</u>	<u>Totals</u>
EXPENDITURES				
Capital outlay	\$ -	\$ 524,573	\$ -	\$ 524,573
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	462,000	462,000
NET CHANGE IN FUND BALANCES	-	(524,573)	462,000	(62,573)
FUND BALANCES				
Beginning of year	121,325	524,573	-	645,898
End of year	<u>\$ 121,325</u>	<u>\$ -</u>	<u>\$ 462,000</u>	<u>\$ 583,325</u>

**HAMILTON COMMUNITY SCHOOLS
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 YEAR ENDED JUNE 30, 2020**

	<u>2015 Refunding</u>	<u>2016 Debt Retirement</u>	<u>2018 Refunding</u>	<u>2019 Debt Retirement</u>	<u>Totals</u>
ASSETS					
Cash and cash equivalents	\$ 302,505	\$ 161,593	\$ 435,371	\$ 45,520	\$ 944,989
Interest receivable	19	-	-	-	19
TOTAL ASSETS	<u>\$ 302,524</u>	<u>\$ 161,593</u>	<u>\$ 435,371</u>	<u>\$ 45,520</u>	<u>\$ 945,008</u>
FUND BALANCES					
Restricted for debt service	<u>\$ 302,524</u>	<u>\$ 161,593</u>	<u>\$ 435,371</u>	<u>\$ 45,520</u>	<u>\$ 945,008</u>

**HAMILTON COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2020**

	2015 Refunding	2016 Debt Retirement	2017 Refunding	2018 Refunding	2019 Debt Retirement	Totals
REVENUES						
Local sources						
Property taxes	\$ 858,951	\$ 551,703	\$ 1,313,564	\$ 229,027	\$ 727,882	\$ 3,681,127
Investment earnings	4,680	5,870	6,778	1,225	1,734	20,287
Other	-	-	-	51	-	51
Total local revenues	863,631	557,573	1,320,342	230,303	729,616	3,701,465
State sources	85,498	61,884	123,768	22,799	72,469	366,418
TOTAL REVENUES	949,129	619,457	1,444,110	253,102	802,085	4,067,883
EXPENDITURES						
Principal repayment	480,000	100,000	1,405,000	200,000	590,000	2,775,000
Interest	350,150	463,231	68,368	7,425	166,565	1,055,739
Other expenses	510	1,265	-	-	-	1,775
TOTAL EXPENDITURES	830,660	564,496	1,473,368	207,425	756,565	3,832,514
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	118,469	54,961	(29,258)	45,677	45,520	235,369
FUND BALANCES						
Beginning of year	184,055	106,632	29,258	389,694	-	709,639
End of year	\$ 302,524	\$ 161,593	\$ -	\$ 435,371	\$ 45,520	\$ 945,008

**HAMILTON COMMUNITY SCHOOLS
LONG TERM DEBT
BONDED DEBT
JUNE 30, 2020**

2015 Refunding Bonds

Fiscal Year June 30,	Interest Rate	Principal Due May 1,	Interest Due		Total Due Annually
			May 1	November 1	
2021	3.00%	\$ 500,000	\$ 167,875	\$ 167,875	\$ 835,750
2022	3.00%	525,000	160,375	160,375	845,750
2023	3.00%	1,000,000	152,500	152,500	1,305,000
2024	3.00%	1,000,000	137,500	137,500	1,275,000
2025	3.00%	1,000,000	122,500	122,500	1,245,000
2026	4.00%	1,000,000	107,500	107,500	1,215,000
2027	4.00%	1,000,000	87,500	87,500	1,175,000
2028	4.00%	1,000,000	67,500	67,500	1,135,000
2029	4.50%	1,000,000	47,500	47,500	1,095,000
2030	5.00%	1,000,000	25,000	25,000	1,050,000
Total 2015 bonded debt		<u>\$ 9,025,000</u>	<u>\$ 1,075,750</u>	<u>\$ 1,075,750</u>	<u>\$ 11,176,500</u>

The above bonds dated May 21, 2015 were issued for the purpose of refunding that portion of the District's outstanding 2005 Refunding Bonds, dated March 30, 2005 which are due and payable May 1, 2016 through May 1, 2018, currently refunding that portion of the District's outstanding 2010 School Building & Site Bonds, dated January 27, 2010, which are due and payable May 1, 2016 through May 1, 2030, paying the applicable redemption premium on the 2010 bonds, and paying the costs of issuing the 2015 Refunding Bonds. The amount of the original bond issue was \$16,520,000.

**HAMILTON COMMUNITY SCHOOLS
LONG TERM DEBT
BONDED DEBT
JUNE 30, 2020**

2016 Building and Site Bonds

Fiscal Year June 30,	Interest Rate	Principal Due		Interest Due		Total Due Annually
		May 1	November 1	May 1	November 1	
2021	2.000%	\$ -	\$ 100,000	\$ 230,116	\$ 231,116	\$ 561,232
2022	3.000%	-	100,000	229,116	230,116	559,232
2023	3.000%	200,000	200,000	226,116	229,116	855,232
2024	3.000%	200,000	200,000	220,116	223,116	843,232
2025	3.000%	240,000	200,000	214,116	217,116	871,232
2026	3.000%	275,000	200,000	207,516	210,516	893,032
2027	3.000%	325,000	200,000	200,391	203,391	928,782
2028	3.000%	325,000	200,000	192,516	195,516	913,032
2029	3.000%	325,000	200,000	184,641	187,641	897,282
2030	3.000%	330,000	200,000	176,766	179,766	886,532
2031	3.000%	605,000	100,000	170,316	171,816	1,047,132
2032	3.000%	605,000	100,000	159,741	161,241	1,025,982
2033	3.000%	605,000	100,000	149,166	150,666	1,004,832
2034	3.000%	605,000	100,000	138,591	140,091	983,682
2035	3.000%	705,000	-	129,516	129,516	964,032
2036	3.000%	705,000	-	118,941	118,941	942,882
2037	3.000%	705,000	-	108,366	108,366	921,732
2038	3.000%	705,000	-	97,791	97,791	900,582
2039	3.000%	705,000	-	87,216	87,216	879,432
2040	3.125%	705,000	-	76,641	76,641	858,282
2041	3.125%	700,000	-	65,625	65,625	831,250
2042	3.125%	700,000	-	54,688	54,688	809,376
2043	3.125%	700,000	-	43,750	43,750	787,500
2044	3.125%	700,000	-	32,813	32,813	765,626
2045	3.125%	700,000	-	21,875	21,875	743,750
2046	3.125%	700,000	-	10,938	10,938	721,876
Total 2016 Building and Site Bonds		<u>\$ 13,070,000</u>	<u>\$ 2,200,000</u>	<u>\$ 3,547,384</u>	<u>\$ 3,579,384</u>	<u>\$ 22,396,768</u>

The above bonds dated June 7, 2016, were issued for the purpose of erecting, furnishing and equipping an addition to, installing security measures for, remodeling, equipping, and furnishing and refurbishing school buildings; acquiring and installing instructional technology and instructional technology equipment for school buildings; erecting transportation and supporting athletic buildings; purchasing school buses; and preparing, developing and improving playgrounds, play fields, athletic fields and facilities, parking areas and sites and to pay costs of issuance for the bonds. The amount of the original issue was \$16,195,000.

**HAMILTON COMMUNITY SCHOOLS
LONG TERM DEBT
BONDED DEBT
JUNE 30, 2020**

2017 Refunding Bonds

Fiscal Year June 30,	Interest Rate	Principal Due		Interest Due		Total Due Annually
		May 1	November 1	May 1	November 1	
2021	1.72%	\$ 1,050,000	\$ 350,000	\$ 20,597	\$ 23,607	\$ 1,444,204
2022	1.72%	995,000	350,000	8,557	11,567	1,365,124
Total 2017 bonded debt		<u>\$ 2,045,000</u>	<u>\$ 700,000</u>	<u>\$ 29,154</u>	<u>\$ 35,174</u>	<u>\$ 2,809,328</u>

The above bonds dated June 6, 2017 were issued for the purpose of advance refunding that portion of the District's outstanding 2008 Refunding bonds, dated March 27, 2008, which were due and payable on May 1, 2018 through May 1, 2023, and to pay the costs of issuing the bonds. The amount of the original bond issue was \$5,885,000.

**HAMILTON COMMUNITY SCHOOLS
LONG TERM DEBT
BONDED DEBT
JUNE 30, 2020**

2018 Refunding Bonds

Fiscal Year June 30,	Interest Rate	Principal Due November 1,	Interest Due		Total Due Annually
			May 1	November 1	
2021	1.98%	\$ 170,000	\$ 1,040	\$ 2,722	\$ 173,762
2022	1.98%	105,000	-	1,040	106,040
Total 2008 bonded debt		<u>\$ 275,000</u>	<u>\$ 1,040</u>	<u>\$ 3,762</u>	<u>\$ 279,802</u>

The above bonds dated February 15, 2018, were issued for the purpose of refunding that portion of the District's outstanding 2008 Refunding Bonds, dated March 27, 2008, which were due and payable on May 1, 2020 (\$225,000), May 1, 2021 (\$235,000), May 1, 2022 (\$240,000), and May 1, 2023 (\$250,000) and to pay the costs of issuing the bonds. The amount of the original bond issue was \$975,000.

**HAMILTON COMMUNITY SCHOOLS
LONG TERM DEBT
BONDED DEBT
JUNE 30, 2020**

2019 Building and Site Bonds

Fiscal Year June 30,	Interest Rate	Principal Due		Interest Due		Total Due Annually
		May 1	November 1	May 1	November 1	
2021	4.000%	\$ -	\$ -	\$ 89,163	\$ 89,163	\$ 178,326
2022	4.000%	-	-	89,163	89,163	178,326
2023	4.000%	-	-	89,163	89,163	178,326
2024	4.000%	-	-	89,163	89,163	178,326
2025	4.000%	-	-	89,163	89,163	178,326
2026	4.000%	-	-	89,163	89,163	178,326
2027	4.000%	-	-	89,163	89,163	178,326
2028	4.000%	-	55,000	88,063	89,163	232,226
2029	4.000%	-	105,000	85,963	88,063	279,026
2030	4.000%	-	160,000	82,763	85,963	328,726
2031	3.000%	-	385,000	76,988	82,763	544,751
2032	3.000%	-	385,000	71,213	76,988	533,201
2033	3.000%	-	375,000	65,588	71,213	511,801
2034	3.000%	-	375,000	59,963	65,588	500,551
2035	3.000%	-	365,000	54,488	59,963	479,451
2036	3.000%	-	365,000	49,013	54,488	468,501
2037	3.000%	-	355,000	43,688	49,013	447,701
2038	3.000%	-	355,000	38,363	43,688	437,051
2039	3.000%	-	345,000	33,188	38,363	416,551
2040	3.000%	-	345,000	28,013	33,188	406,201
2041	3.000%	-	335,000	22,988	28,013	386,001
2042	3.000%	-	335,000	17,963	22,988	375,951
2043	3.000%	-	295,000	13,538	17,963	326,501
2044	3.125%	-	285,000	9,084	13,538	307,622
2045	3.125%	-	285,000	4,631	9,084	298,715
2046	3.250%	85,000	200,000	4,631	9,084	298,715
Total 2019 Building and Site Bonds		<u>\$ 85,000</u>	<u>\$ 5,705,000</u>	<u>\$ 1,474,270</u>	<u>\$ 1,563,255</u>	<u>\$ 8,827,525</u>

The above bonds dated June 18, 2019 were issued for the purpose of erecting, furnishing and equipping an addition to, installing security measures for, remodeling, equipping, and furnishing and refurbishing school buildings; acquiring and installing instructional technology and instructional technology equipment for school buildings; erecting transportation and supporting athletic buildings; purchasing school buses; and preparing, developing and improving playgrounds, play fields, athletic fields and facilities, parking areas and sites and to pay costs of issuance for the bonds. The amount of the original issue was \$6,380,000.

**HAMILTON COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Approved Grant Award Amount	Accrued Revenue July 1, 2019	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued Revenue June 30, 2020
<u>U.S. Department of Agriculture</u>								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
Non-cash assistance (donated foods)								
National School Program - Entitlement	10.555		\$ 60,661	\$ -	\$ 70,172	\$ 60,661	\$ 60,661	\$ -
Cash assistance								
National School Lunch Program	10.555	191960	48,427	-	-	48,427	48,427	-
COVID 19 - National School Lunch Program	10.555	200902	196,927	-	-	196,927	155,870	41,057
National School Lunch Program	10.555	201960	175,320	-	-	175,320	175,320	-
Total National School Lunch Program Cash Assistance			420,674	-	-	420,674	379,617	-
Total CFDA # 10.555			481,335	-	70,172	481,335	440,278	-
National School Lunch Program - Breakfast	10.553	191970	40,532	-	34,336	6,196	6,196	-
National School Lunch Program - Breakfast	10.553	201970	27,174	-	-	27,174	27,174	-
Total CFDA # 10.553			67,706	-	34,336	33,370	33,370	-
Total Child Nutrition Cluster			549,041	-	104,508	514,705	473,648	41,057
Total U.S. Department of Agriculture			549,041	-	104,508	514,705	473,648	-

The accompanying notes are an integral part of this schedule.

**HAMILTON COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Approved Grant Award Amount	Accrued Revenue July 1, 2019	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued Revenue June 30, 2020
<u>U.S. Department of Education</u>								
Passed through Michigan Department of Education								
Title I								
E.C.I.A. Title I	84.010	191530-1819	\$ 139,638	\$ 1,463	\$ 139,638	\$ -	\$ 1,463	\$ -
E.C.I.A. Title I	84.010	201530-1920	136,737	-	-	134,579	110,000	24,579
Total CFDA # 84.010			276,375	1,463	139,638	134,579	111,463	24,579
Title IIA, Improving Teacher Quality	84.367	190520-1819	64,093	1,093	63,000	-	1,093	-
Title IIA, Improving Teacher Quality	84.367	200520-1920	51,112	-	-	51,112	51,112	-
Total CFDA # 84.367			115,205	1,093	63,000	51,112	52,205	-
Title IVA, Student Support and Academic Enrichment	84.424	190750-1819	10,858	4,058	10,858	-	4,058	-
Title IVA, Student Support and Academic Enrichment	84.424	200750-1920	10,068	-	-	10,068	9,200	868
Total CFDA # 84.424			20,926	4,058	10,858	10,068	13,258	868
COVID 19 - Elementary and Secondary School Emergency Relief Fund	84.425	203710-1920	111,906	-	-	4,400	-	4,400
Passed through Ottawa Area Intermediate School District								
Special Education Cluster								
IDEA	84.027	190450-1819	564,066	255,481	564,066	-	255,481	-
IDEA	84.027	200450-1920	590,172	-	-	586,335	477,413	108,922
Total CFDA # 84.027			1,154,238	255,481	564,066	586,335	732,894	108,922
Pre School Incentive	84.173	190460-1819	19,286	8,433	19,286	-	8,433	-
Pre School Incentive	84.173	200460-1920	20,371	-	-	20,371	18,255	2,116
Total CFDA # 84.173			39,657	8,433	19,286	20,371	26,688	2,116
Total Special Education Cluster			1,193,895	263,914	583,352	606,706	759,582	111,038

The accompanying notes are an integral part of this schedule.

**HAMILTON COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Approved Grant Award Amount	Accrued Revenue July 1, 2019	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued Revenue June 30, 2020
<u>U.S. Department of Education (continued)</u>								
Passed through Ottawa Area Intermediate School District (continued)								
McKinney-Vento Homeless	84.196	192320-1819	\$ 1,675	\$ 1,675	\$ 1,675	\$ -	\$ 1,675	\$ -
McKinney-Vento Homeless	84.196	202320-1920	707	-	-	707	-	707
Total CFDA # 84.196			<u>2,382</u>	<u>1,675</u>	<u>1,675</u>	<u>707</u>	<u>1,675</u>	<u>707</u>
Total passed through Ottawa Area Intermediate School District			<u>1,196,277</u>	<u>265,589</u>	<u>585,027</u>	<u>607,413</u>	<u>761,257</u>	<u>111,745</u>
Passed through Kent Intermediate School District								
Title III - English Language Acquisition	84.365	----	7,020	-	6,033	7,020	-	7,020
Passed through Michigan Department of Education								
Title III - Immigrant Studies	84.365	200570-1920	1,631	-	-	1,631	920	711
Total CFDA # 84.365			<u>8,651</u>	<u>-</u>	<u>6,033</u>	<u>8,651</u>	<u>920</u>	<u>7,731</u>
Total U.S. Department of Education			<u>1,729,340</u>	<u>272,203</u>	<u>804,556</u>	<u>816,223</u>	<u>939,103</u>	<u>149,323</u>
<u>U.S. Department of Health and Human Services</u>								
Passed through Ottawa Area Intermediate School District								
Medicaid Cluster								
Medical Assistance Program	93.778	----	5,092	-	3,056	5,092	4,271	821
TOTAL FEDERAL AWARDS			<u>\$ 2,283,473</u>	<u>\$ 272,203</u>	<u>\$ 912,120</u>	<u>\$ 1,336,020</u>	<u>\$ 1,417,022</u>	<u>\$ 150,144</u>

The accompanying notes are an integral part of this schedule.

HAMILTON COMMUNITY SCHOOLS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

1. Basis of Presentation - The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Hamilton Community Schools under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Hamilton Community Schools, it is not intended to and does not present the financial position or changes in net position of Hamilton Community Schools.
2. Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Hamilton Community Schools has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. Management has utilized the Cash Management System (CMS) and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. The District did not pass through any funds.
4. Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	\$	821,315
Other nonmajor governmental funds		514,705
Total		\$ 1,336,020

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

To the Board of Education
Hamilton Community Schools

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hamilton Community Schools as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Hamilton Community Schools basic financial statements and have issued our report thereon dated October 1, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Maney Costeiran PC

October 1, 2020

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

To the Board of Education
Hamilton Community Schools

Report on Compliance for Each Major Federal Program

We have audited Hamilton Community Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hamilton Community Schools' major federal programs for the year ended June 30, 2020. Hamilton Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our unmodified opinion on compliance for its major federal program. However, our audit does not provide a legal determination of Hamilton Community Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Hamilton Community Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

Manes Costerian PC

October 1, 2020

**HAMILTON COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section I - Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None noted

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None noted

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027 and 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

 \$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Findings

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.

**HAMILTON COMMUNITY SCHOOLS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2020**

Finding 2019-001

Federal Program: Child Nutrition Cluster, CFDA Nos. 10.553 & 10.555

Specific Requirement: Special Tests

Condition: The District completed their self-monitoring reviews of their various buildings subsequent to the February first deadline.

Criteria: Federal guidelines state that school officials must complete self-monitoring reviews of all of their buildings that operate a school lunch program and 50% of their buildings that operate a school breakfast program by February first.

Context: The delay in completing the self-monitoring reviews was due to an oversight by district staff.

Questioned Costs: There are no known questioned costs for the year ended June 30, 2019.

Effect: Without the proper self-review of the breakfast and lunch programs, quality and nutrition standards could be negatively impacted.

Recommendation: We recommended that the District implement added controls to aid in preventing the completion of self-monitoring reviews subsequent to the required deadline.

Status: The District completed self-monitoring reviews in a timely manner in the current year.