

HEMLOCK PUBLIC SCHOOLS  
HEMLOCK, MICHIGAN

FINANCIAL STATEMENTS  
JUNE 30, 2022



**WEINLANDER FITZHUGH**  
Certified Public Accountants & Advisors

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## INDEPENDENT AUDITOR'S REPORT

September 29, 2022

Board of Education  
Hemlock Public Schools  
Hemlock, Michigan

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hemlock Public Schools (School District), as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 Hemlock Public Schools as of June 30, 2022 and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

#### Basis for Opinions

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

#### Responsibilities of Management for the Financial Statements

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



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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hemlock Public Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hemlock Public Schools' ability to continue as a going concern for a reasonable period of time.

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



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### **Required Supplementary Information**

U.S. generally accepted accounting principles requires that the management's discussion and analysis, budgetary comparison information and pension and OPEB schedules, as noted in the table of contents to be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining non-major fund financial statements, schedules of bonded indebtedness and 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. Such information is the responsibility of management and was derived from and relates directly for the underlying accounting and other records used to prepare the basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining non-major fund financial statements, schedules of bonded indebtedness and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2022, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

*Weinlander Fitzhugh*

**HEMLOCK PUBLIC SCHOOLS**  
**Management's Discussion & Analysis**  
**For the Year Ended June 30, 2022**

Our discussion and analysis of Hemlock Public Schools' (School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2022.

**Financial Highlights**

The School District's net position increased by \$4,101,736. Program revenues were \$5,873,797 or 32% of total revenues, and general revenues were \$12,715,901 or 68%.

The General Fund reported a positive fund balance of \$4,118,507. The Debt Service Fund reported a positive fund balance of \$489,789.

**Using this Annual Financial Report**

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

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

Basic Financial Statements

- District-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

Pension Schedules (Required Supplemental Information)

OPEB Schedules (Required Supplemental Information)

Other Supplemental Information

HEMLOCK PUBLIC SCHOOLS  
Management's Discussion & Analysis  
For the Year Ended June 30, 2022

**Reporting the District as a Whole**

*The Statement of Net Position and Statement of Activities*

One of the most important questions asked about the School District's finances is: "Is the School District better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the School District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School District's net position as a way to measure the School District's financial position. The change in net position provides the reader a tool to assist in determining whether the School District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, student enrollment growth and facility conditions in arriving at their conclusion regarding the overall health of the School District.

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

*Fund Financial Statements*

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other sources of revenue.

*Governmental Funds*

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.



**HEMLOCK PUBLIC SCHOOLS**  
**Management's Discussion & Analysis**  
**For the Year Ended June 30, 2022**

**District-wide Financial Analysis**

The statement of net position provides the perspective of the School District as a whole. Exhibit A provides a summary of the School District's net position as of June 30, 2022 and 2021:

<b>Exhibit A</b>	<b>Governmental Activities</b>	
	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Current and other assets	\$ 7,271,862	\$ 5,896,880
Capital assets - net of accumulated depreciation	11,519,556	11,382,277
Total assets	18,791,418	17,279,157
<b>Deferred Outflows of Resources</b>		
Deferred loss on refunding	0	23,962
Related to pensions and OPEB	4,128,553	5,962,719
Total deferred outflows of resources	4,128,553	5,986,681
<b>Liabilities</b>		
Current liabilities	3,801,479	2,907,453
Long-term liabilities	21,200,036	32,619,677
Total liabilities	25,001,515	35,527,130
<b>Deferred Inflows of Resources</b>		
Related to pensions and OPEB	9,787,989	3,709,977
<b>Net Position</b>		
Net investment in capital assets	4,064,564	2,137,547
Restricted	703,087	652,826
Unrestricted	(16,637,184)	(18,761,642)
Total net position	\$ (11,869,533)	\$ (15,971,269)

The analysis above focuses on net position (see Exhibit A). The School District's net position of governmental activities was \$(11,869,533) at June 30, 2022. Investment in property and equipment, net of related debt totaling \$4,064,564, compares the original costs less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt requirements and legislation that limit the School District's ability to use that net position for day-to-day operations.

The \$(16,637,184) in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

**HEMLOCK PUBLIC SCHOOLS**  
**Management's Discussion & Analysis**  
**For the Year Ended June 30, 2022**

The School District implemented GASB Statement No. 68 in 2015. The effect of this Statement required the School District to report in the summary of net position, a liability of \$14,682,764 for 2022 and \$21,647,606 for 2021.

The School District implemented GASB Statement No. 75 in 2018. The effect of this Statement required the School District to report in the summary of net position, a liability of \$927,280 for 2022 and \$3,351,844 for 2021.

The results of this year's operations for the School District as a whole are reported in the statement of activities. Exhibit B provides a summary of the changes in net position for the years ended June 30, 2022 and 2021.

**Exhibit B**

	Governmental Activities	
	2022	2021
<b>Revenues</b>		
Program revenue:		
Charges for services	\$ 1,287,680	\$ 851,142
Grants and categoricals	4,586,117	3,831,159
General revenue:		
Property taxes	3,812,523	3,911,049
State aid	8,800,001	8,058,186
Other	103,377	47,531
Total revenues	18,589,698	16,699,067
<b>Function/Program Expenses</b>		
Instruction	6,637,691	7,611,538
Support services	4,429,759	4,998,382
Community services	551,239	403,170
Food services	618,254	419,461
Athletics	326,150	183,303
Student/school activities	445,891	169,900
Capital outlay	234,220	377,461
Interest on long-term debt	231,848	292,279
Depreciation (unallocated)	1,012,910	961,170
Total expenses	14,487,962	15,416,664
<b>Change in Net Position</b>	<u>\$ 4,101,736</u>	<u>\$ 1,282,403</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$14,487,962. Certain activities were partially funded from those who benefited from the programs, \$1,287,680, or by the other governments and organizations that subsidized certain programs with grants and categoricals of \$4,586,117. We paid for the remaining "public benefit" portion of our governmental activities with \$3,812,523 in taxes, \$8,800,001 in State aid and with our other revenues, such as interest and entitlements.

**HEMLOCK PUBLIC SCHOOLS**  
**Management's Discussion & Analysis**  
**For the Year Ended June 30, 2022**

The School District's governmental activities had an increase in net position of \$4,101,736. The major reason was an increase in federal funding due to the CARES Act. The increase in net position differs from the change in fund balance and a reconciliation appears in the financial statements.

**The School District's Funds**

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

The School District's governmental funds reported a combined fund balance of \$5,395,984, which is above last year's total of \$4,724,827. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2022 and 2021.

	Fund Balance 6/30/2022	Fund Balance 6/30/2021	Increase (Decrease)
General	\$ 4,118,507	\$ 3,537,008	\$ 581,499
Debt Service	489,789	412,800	76,989
Special Revenue	523,788	473,598	50,190
Capital Projects	263,900	301,421	(37,521)
	<u>\$ 5,395,984</u>	<u>\$ 4,724,827</u>	<u>\$ 671,157</u>

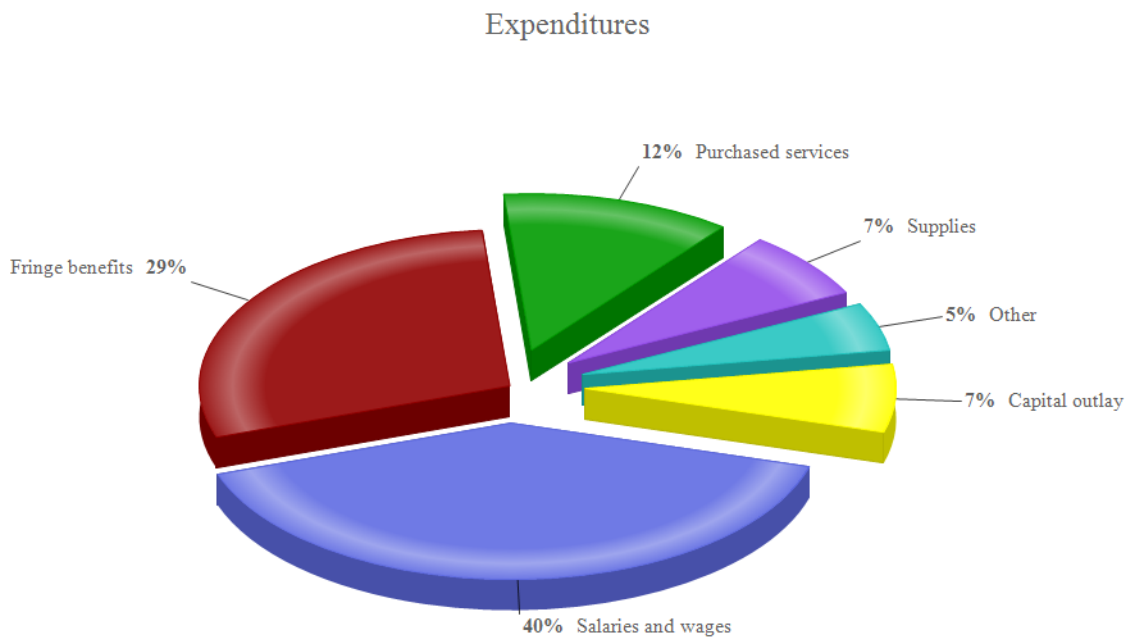
- Our General Fund increase is due to increased federal funding from the CRRSA and ARP Acts and planned conservative spending.
- Our Debt Service Funds increased mainly due to increased property tax values.
- Our Special Revenue Funds increased mainly due to increased food service reimbursements.
- Our Capital Projects Funds decreased due to continued planned expenses.

# HEMLOCK PUBLIC SCHOOLS

## Management's Discussion & Analysis

### For the Year Ended June 30, 2022

As the graph below illustrates, the largest portions of General Fund expenditures are for salaries and fringe benefits. The School District by nature is a labor intensive organization.



	2022	2021
Expenditures by object		
Salaries and wages	\$ 5,769,994	\$ 5,448,295
Fringe benefits	4,274,290	3,927,282
Purchased services	1,654,849	1,357,510
Supplies	1,078,900	1,150,380
Capital outlay	1,078,158	415,532
Other	784,757	728,846
Total	<u>\$ 14,640,948</u>	<u>\$ 13,027,845</u>

Expenditures have increased by \$1,613,103 from the prior year mainly due increased grant funded expenditures.

**HEMLOCK PUBLIC SCHOOLS**  
Management's Discussion & Analysis  
For the Year Ended June 30, 2022

**General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Budgeted revenues were increased by \$2,825,408 due to increased State Aid, increased federal revenue primarily due to CRRSA and ARP Act funding and increased local revenue.
- Budgeted expenditures were increased by \$2,350,583 mainly due to increased grant funded expenditures.
- Actual revenues came in \$15,058 below along with expenditures of \$832,090 below in comparison to the final operating budget.

**Capital Assets**

At June 30, 2022, the School District had \$11,519,556 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net increase (including additions and disposals) of 1% from last year.

	2022	2021
Land	\$ 688,500	\$ 688,500
Construction in progress	489,155	0
Buildings and improvements	31,711,819	31,619,468
Buses and other vehicles	920,377	696,920
Furniture and equipment	1,971,676	1,794,997
	<hr/>	<hr/>
Total capital assets	35,781,527	34,799,885
	<hr/>	<hr/>
Less accumulated depreciation	24,261,971	23,417,608
	<hr/>	<hr/>
Net capital assets	\$ 11,519,556	\$ 11,382,277

This year's additions of \$1,150,189 were for buses, a tractor, rooftop units, roofing, flooring and miscellaneous equipment purchases.

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

**HEMLOCK PUBLIC SCHOOLS**  
Management's Discussion & Analysis  
For the Year Ended June 30, 2022

**Debt**

At the end of this year, the School District had \$7,320,000 in bonds outstanding versus \$8,990,000 in the previous year.

	<u>2022</u>	<u>2021</u>
2013 Improvement Bonds	\$ 5,740,000	\$ 6,395,000
2015 Refunding Bonds	0	875,000
2017 Improvement Bonds	0	100,000
2018 Energy Bonds	1,580,000	1,620,000
	<u>\$ 7,320,000</u>	<u>\$ 8,990,000</u>

**Factors Expected to have an Effect on Future Operations**

Our elected Board and administration consider many factors when setting the School District's 2023 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2023 fiscal year budget was adopted in June 2022, based on an estimate of students that will be enrolled in September 2022. Under state law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2022 - 2023 school year, we anticipate that the fall student count will remain consistent with estimates used in creating the 2023 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates that funds are sufficient to fund the appropriation until 2022 - 2023.

**Requests for Information**

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Superintendent  
Hemlock Public Schools  
200 Wilson Street  
P.O. Box 260  
Hemlock, MI 48626

HEMLOCK PUBLIC SCHOOLS  
Statement of Net Position  
June 30, 2022

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 4,480,325
Receivables - net:	
Accounts receivable	640
Due from other governmental units	2,726,902
Inventories	19,334
Prepaid expenses	44,661
Capital assets less accumulated depreciation \$24,261,971	<u>11,519,556</u>
Total assets	<u>18,791,418</u>
 <u>Deferred Outflows of Resources</u>	
Related to pensions	2,972,348
Related to OPEB	<u>1,156,205</u>
Total deferred outflows of resources	<u>4,128,553</u>
 <u>Liabilities</u>	
Accounts payable	478,788
Unearned revenue	347,805
Accrued payroll and other liabilities	1,049,285
Accrued interest payable	50,601
Long-term liabilities:	
Due within one year	1,875,000
Due in more than one year	5,589,992
Net pension liability	14,682,764
Net OPEB liability	<u>927,280</u>
Total liabilities	<u>25,001,515</u>
 <u>Deferred Inflows of Resources</u>	
Related to pensions	6,120,022
Related to OPEB	<u>3,667,967</u>
Total deferred inflows of resources	<u>9,787,989</u>
 <u>Net Position</u>	
Net investment in capital assets	4,064,564
Restricted for debt service	439,187
Restricted for capital projects	263,900
Unrestricted	<u>(16,637,184)</u>
Total net position	<u>\$ (11,869,533)</u>

See accompanying notes to financial statements.

HEMLOCK PUBLIC SCHOOLS  
Statement of Activities  
For the Year Ended June 30, 2022

		Program Revenues		Governmental
		Charges for	Operating	Activities
	Expenses	Services	Grants/ Contributions	Net (Expense) Revenue and Changes in Net Position
<u>Functions/Programs</u>				
Primary government -				
Governmental activities:				
Instruction	\$ 6,637,691	\$ 229,088	\$ 3,440,631	\$ (2,967,972)
Support services	4,429,759	0	151,459	(4,278,300)
Community services	551,239	544,298	313,358	306,417
Food services	618,254	24,160	680,669	86,575
Athletics	326,150	74,115	0	(252,035)
Student/school activities	445,891	416,019	0	(29,872)
Capital outlay	234,220	0	0	(234,220)
Interest on long-term debt	231,848	0	0	(231,848)
Depreciation (unallocated)	1,012,910	0	0	(1,012,910)
Total governmental activities	<u>\$ 14,487,962</u>	<u>\$ 1,287,680</u>	<u>\$ 4,586,117</u>	<u>(8,614,165)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				1,754,478
Property taxes, levied for capital projects				386,104
Property taxes, levied for debt services				1,671,941
State aid				8,800,001
Investment earnings				3,048
Other				100,329
Total general revenues				<u>12,715,901</u>
Change in net position				4,101,736
Net position - beginning of year				<u>(15,971,269)</u>
Net position - end of year				<u>\$ (11,869,533)</u>

See accompanying notes to financial statements.



HEMLOCK PUBLIC SCHOOLS  
Governmental Funds  
Balance Sheet  
June 30, 2022

	<u>General</u>	<u>Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 3,193,494	\$ 489,483	\$ 797,348	\$ 4,480,325
Receivables - net:				
Accounts receivable	489	0	151	640
Due from other funds	2,313	0	2,546	4,859
Due from other governmental units	2,725,007	806	1,089	2,726,902
Inventories	10,556	0	8,778	19,334
Prepaid expenditures	44,661	0	0	44,661
 Total assets	 <u>\$ 5,976,520</u>	 <u>\$ 490,289</u>	 <u>\$ 809,912</u>	 <u>\$ 7,276,721</u>
<u>Liabilities and Fund Balance</u>				
<u>Liabilities</u>				
Accounts payable	\$ 458,751	\$ 0	\$ 20,037	\$ 478,788
Due to other funds	2,546	500	1,813	4,859
Unearned revenue	347,431	0	374	347,805
Accrued payroll and other liabilities	1,049,285	0	0	1,049,285
 Total liabilities	 <u>1,858,013</u>	 <u>500</u>	 <u>22,224</u>	 <u>1,880,737</u>
<u>Fund Balance</u>				
Nonspendable - inventory	10,556	0	8,778	19,334
Nonspendable - prepaid	44,661	0	0	44,661
Restricted for debt service	0	489,789	0	489,789
Restricted for capital projects	0	0	263,900	263,900
Restricted for food service	0	0	268,734	268,734
Committed for student/school activities	0	0	246,276	246,276
Unassigned	4,063,290	0	0	4,063,290
 Total fund balance	 <u>4,118,507</u>	 <u>489,789</u>	 <u>787,688</u>	 <u>5,395,984</u>
 Total liabilities and fund balance	 <u>\$ 5,976,520</u>	 <u>\$ 490,289</u>	 <u>\$ 809,912</u>	 <u>\$ 7,276,721</u>

See accompanying notes to financial statements.

HEMLOCK PUBLIC SCHOOLS  
Reconciliation of Balance Sheet of Governmental Funds  
to the Statement of Net Position  
June 30, 2022

Total fund balance - governmental funds	\$ 5,395,984
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Amounts reported for governmental activities in the statement of net position are different because:

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

Cost of the capital assets	35,781,527
Accumulated depreciation	(24,261,971)

Deferred outflows used in governmental activities are not financial resources and therefore are not reported in governmental funds:

Related to pensions	2,972,348
Related to OPEB	1,156,205

Long-term liabilities are not due and payable in the current period and are not reported in the funds:

Bonds payable	(7,320,000)
Compensated absences	(10,000)
Bond premium, net of amortization	(134,992)
Net pension liability	(14,682,764)
Net OPEB liability	(927,280)

Accrued interest payable is included as a liability in governmental activities

(50,601)

Deferred inflows used in governmental activities are not recognized as current resources and therefore are not reported in governmental funds:

Related to pensions	(6,120,022)
Related to OPEB	(3,667,967)

Total net position - governmental activities	<u>\$ (11,869,533)</u>
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See accompanying notes to financial statements.

HEMLOCK PUBLIC SCHOOLS  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended June 30, 2022

	General	Debt Service	Other Nonmajor Governmental Funds	Total
<u>Revenues</u>				
Local sources	\$ 2,631,072	\$ 1,672,980	\$ 834,201	\$ 5,138,253
State sources	10,286,207	346,734	11,714	10,644,655
Federal sources	2,085,372	0	668,956	2,754,328
Interdistrict and other sources	222,796	0	0	222,796
Total revenues	15,225,447	2,019,714	1,514,871	18,760,032
<u>Expenditures</u>				
Current:				
Instruction	7,726,619	0	0	7,726,619
Support services	5,391,468	0	0	5,391,468
Community services	551,239	0	0	551,239
Athletics	326,150	0	0	326,150
Capital outlay	540,534	0	423,795	964,329
Food services	0	0	627,619	627,619
Student/school activities	0	0	453,788	453,788
Debt service:				
Principal	40,000	1,630,000	0	1,670,000
Interest and other	64,938	312,725	0	377,663
Total expenditures	14,640,948	1,942,725	1,505,202	18,088,875
Excess (deficiency) of revenues over expenditures	584,499	76,989	9,669	671,157
<u>Other Financing Sources (Uses)</u>				
Operating transfers in	0	0	3,000	3,000
Operating transfers out	(3,000)	0	0	(3,000)
Total other financing sources (uses)	(3,000)	0	3,000	0
Net change in fund balance	581,499	76,989	12,669	671,157
Fund balance - beginning of year	3,537,008	412,800	775,019	4,724,827
Fund balance - end of year	<u>\$ 4,118,507</u>	<u>\$ 489,789</u>	<u>\$ 787,688</u>	<u>\$ 5,395,984</u>

See accompanying notes to financial statements.

HEMLOCK PUBLIC SCHOOLS  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balance of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2022

Net change in fund balance - total governmental funds	\$ 671,157
Amounts reported for governmental activities in the statements 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	(1,012,910)
Capital outlay	1,150,189
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Lease payments	8,680
The issuance of long-term debt (e.g. bonds) provide 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, discounts, and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items as follows:	
Payments on long-term debt	1,670,000
Amortization of bond premium	135,020
Amortization on loss on refunding	(23,965)
Decreases in compensated absences are reported as an addition in expenditures when financial resources are used in the governmental fund in accordance with GASB Interpretation No. 6	15,540
Decreases in accrued interest are reported as an addition to expenses on the Statement of Activities	10,797
Some revenue and expenses reported in the statement of activities are not recognized as or do not require the use of current financial resources and, therefore, are not reported in the governmental funds	
Pension related items	455,226
OPEB related items	1,022,002
Change in net position of governmental activities	<u>\$ 4,101,736</u>

See accompanying notes to financial statements.

**HEMLOCK PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Hemlock Public Schools (School District) conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

**Reporting Entity**

The School District is governed by an elected Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

**District-wide and Fund Financial Statements**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes; (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items are not properly included among program revenues are reported as general revenue.

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

HEMLOCK PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

Amounts reported as program revenue include; (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

**Fund-based Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are 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.

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

The School District reports the following major governmental funds:

**General Fund** - The General Fund is used to record the general operations of the School District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

**Debt Service Fund** - The Debt Service Fund is used to account for the recording of transactions relative to the bonds of the School District.

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

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

HEMLOCK PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

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

**Capital Assets** - Capital assets, which include land, buildings, equipment and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and any asset susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

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

Buildings and improvements	25-50 years
Buses and other vehicles	8 years
Furniture and equipment	5-20 years

**Compensated Absences** - The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

**Long-term Obligations** - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

HEMLOCK PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Defined Benefit Plan** - 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 School Employees Retirement Systems (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.

**Fund Equity** - The fund balance classifications are reported on the extent to which a government is bound to observe constraints imposed on the use of the resources in governmental funds. The fund balances are classified as nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance represents amounts that are not in a spendable form. The School District's nonspendable fund balance represents inventories and prepaid expenditures. In the fund financial statements, governmental funds report restrictions on fund balances for amounts that are legally restricted by outside parties for a specific purpose. Committed fund balance represents funds formally set aside by the School District for a particular purpose. The use of committed funds would be approved by the Board of Education through the budget process or official board action.

Assigned fund balance would represent tentative management plans that are subject to change which at the present time the School District does not have any assigned fund balance. The School District's intent would be to spend uncommitted/unassigned funds prior to the use of committed funds. When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

**Deferred Outflows and Inflows of Resources**

**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. They are the deferred charge on refunding and pension and other postemployment benefits contributions 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. For district-wide financial statements, the School District reports deferred outflows of resources related to pensions and other postemployment benefits. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension and other postemployment benefits liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. The School District also reported deferred outflows of resources for pension and other postemployment benefits contributions made after the measurement date. This amount will reduce the net pension liability in the following year.



**HEMLOCK PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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. For district-wide financial statements, the School District reports deferred inflows of resources related to pensions and other postemployment benefits. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and other postemployment benefits expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. Deferred inflows of resources also includes revenue received relating to Section 147c state aid deferred to offset the deferred outflows related to Section 147c pension contributions subsequent to the measurement period.

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

**Property taxes** - For the taxpayers of the School District, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

**State Aid** - For the fiscal year ended June 30, 2022, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2022, the foundation allowance was based on the average pupil membership counts taken in February of 2021 and October of 2021.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October 2021 - August 2022. The local revenue is recognized as outlined in Note 1. Amounts receivable from the State of Michigan at June 30, 2022 relating to state aid is \$1,894,861.

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

**HEMLOCK PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Events Occurring After Reporting Date**

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying Independent Auditor's Report, which is the date the financial statements were available to be issued.

**NOTE 2 - BUDGETS**

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of school districts prior to the expenditure of monies in a fiscal year.

Hemlock Public Schools follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The School District's Superintendent submits to the Board of Education a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board of Education throughout the year. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end and therefore cancels all encumbrances. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as Required Supplemental Information.

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.

**NOTE 3 - CASH AND INVESTMENTS**

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

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

HEMLOCK PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2022

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

2. 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.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. 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.

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

	Primary Government
Cash and cash equivalents	\$ 4,480,325

As of June 30, 2022 the School 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 School District's deposits may not be returned to it. As of June 30, 2022, \$3,345,956 of the School District's bank balance of \$4,585,440 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

HEMLOCK PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2022

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

The School 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 School District will do business.

**Interest rate risk.** In accordance with its investment policy, the School 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 School District's cash requirements.

**Concentration of credit risk.** The School District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School 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. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure by credit quality.

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

**Fair value measurement.** The School 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 School 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 School District does not have any investments subject to the fair value hierarchy.

HEMLOCK PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2022

**NOTE 4 - CAPITAL ASSETS**

A summary of changes in governmental capital assets follows:

	Balance June 30, 2021	Additions	Disposals and Adjustments	Balance June 30, 2022
Assets not being depreciated:				
Land	\$ 688,500	\$ 0	\$ 0	\$ 688,500
Construction in progress	0	489,155	0	489,155
Subtotal	688,500	489,155	0	1,177,655
Capital assets being depreciated:				
Buildings and improvements	31,619,468	92,351	0	31,711,819
Buses and other vehicles	696,920	373,054	(149,597)	920,377
Furniture and equipment	1,794,997	195,629	(18,950)	1,971,676
Subtotal	34,111,385	661,034	(168,547)	34,603,872
Accumulated depreciation:				
Buildings and improvements	21,412,310	837,491	0	22,249,801
Buses and other vehicles	578,844	86,880	(149,597)	516,127
Furniture and equipment	1,426,454	88,539	(18,950)	1,496,043
Subtotal	23,417,608	1,012,910	(168,547)	24,261,971
Net capital assets being depreciated	10,693,777	(351,876)	0	10,341,901
Net capital assets	<u>\$ 11,382,277</u>	<u>\$ 137,279</u>	<u>\$ 0</u>	<u>\$ 11,519,556</u>

Depreciation expense for fiscal year ended June 30, 2022 was \$1,012,910. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

HEMLOCK PUBLIC SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2022

**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

A summary of interfund receivable and payable balances at June 30, 2022 are as follows:

		<u>Payables</u>			
		<u>General</u>	<u>Debt Service</u>	<u>Student/ School Activities</u>	<u>Total</u>
Receivables	General	\$ 0	\$ 500	\$ 1,813	\$ 2,313
	Food Service	2,546	0	0	2,546
		<u>\$ 2,546</u>	<u>\$ 500</u>	<u>\$ 1,813</u>	<u>\$ 4,859</u>

A summary of interfund transfers made during the year ended June 30, 2022 are as follows:

		<u>Transfers Out</u>
		<u>General</u>
Transfers In	Food Service	<u>\$ 3,000</u>

These interfund receivable and payable balances resulted from the time lag between the dates that; (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers are used to provide funds for school breakfast.

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2022 consist of accounts (fees) and intergovernmental grants.

A summary of the intergovernmental receivables (due from other governmental units) follows:

State aid and grants	\$ 1,894,861
Federal grants	458,941
ISD	355,891
Other governments	17,209
	<u>\$ 2,726,902</u>

**NOTE 7 - UNEARNED REVENUE**

Governmental funds report unearned revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also reflect unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, grant and categorical aid payments received prior to meeting all eligibility requirements amounted to \$347,805.

**HEMLOCK PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 8 - LONG-TERM OBLIGATIONS**

The following is a summary of governmental long-term obligations for the School District for the year ended June 30, 2022:

	Balance June 30, 2021	Additions	Retirements and Payments	Balance June 30, 2022	Amount Due Within One Year
General obligation bonds	\$ 9,260,012	\$ 0	\$ 1,805,020	\$ 7,454,992	\$ 1,875,000
Compensated absences	25,540	0	15,540	10,000	0
	<u>\$ 9,285,552</u>	<u>\$ 0</u>	<u>\$ 1,820,560</u>	<u>\$ 7,464,992</u>	<u>\$ 1,875,000</u>

Long-term obligations at June 30, 2022 is comprised of the following issues:

General obligation bonds:

\$7,500,000, 2013 School Building and Site bonds due in annual installments of \$125,000 to \$1,995,000 through May 1, 2025; interest at 2.00% to 4.00%	\$ 5,740,000
\$7,945,000, 2015 refunding bonds due in annual installments of \$875,000 to \$1,285,000 through May 1, 2022; interest at 4.00%	0
\$465,000, 2017 School Building and Site bonds due in annual installments of \$85,000 to \$100,000 through May 1, 2022; interest at 1.600% to 2.350%	0
\$1,725,000, 2018 Improvement bonds due in annual installments of \$70,000 to \$150,000 through May 1, 2039; interest at 3.5%	<u>1,580,000</u>
	7,320,000
Bond premium	<u>134,992</u>
Total bonded debt	<u>\$ 7,454,992</u>

Compensated absences include unused sick pay and vacation pay. Unused sick pay is calculated using the daily rate for eligible employees times the number of unused days (maximum 50 days). At June 30, 2022, the amount of \$10,000 has been recorded in the district-wide financial statements.

**HEMLOCK PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 8 - LONG-TERM OBLIGATIONS (CONTINUED)**

The annual requirements to amortize bonds outstanding as of June 30, 2022, including interest payments are as follows:

<u>Year Ended June 30</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,875,000	\$ 303,562	\$ 2,178,562
2024	1,965,000	210,488	2,175,488
2025	2,050,000	132,138	2,182,138
2026	60,000	50,413	110,413
2027	65,000	48,313	113,313
2028 - 2032	405,000	203,939	608,939
2033 - 2037	610,000	119,239	729,239
2038 - 2039	290,000	15,950	305,950
	<u>\$ 7,320,000</u>	<u>\$ 1,084,042</u>	<u>\$ 8,404,042</u>

**NOTE 9 - RISK MANAGEMENT**

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

The SET-SEG shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The District has an agreement with SecureOne, in which the District maintains a partially self-funded plan for employee benefits covering dental and vision.



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**NOTE 10 - DEFINED BENEFIT PENSION PLAN AND 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/orsschools](http://www.michigan.gov/orsschools).

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.

**Benefits Provided - Overall**

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension 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%.

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**NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

**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 (MPERS) who became a member of MPERS 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.

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 transition 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.

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**NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

**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 worked 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.

**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 contribution 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.

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**NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

**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.

**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 60<sup>th</sup> 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.

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**NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

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, 2021 were determined as of the September 30, 2018 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2018, are amortized over a 18-year period beginning October 1, 2020 and ending September 30, 2038.

The School District's 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:

	<u>Pension</u>	<u>Other postemployment benefit</u>
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

The School District's pension contributions for the year ended June 30, 2022 were equal to the required contribution total. Total pension contributions were approximately \$2,135,000. Of the total pension contributions approximately \$2,067,000 was contributed to fund the Defined Benefit Plan and approximately \$68,000 was contributed to fund the Defined Contribution Plan.

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**NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

The School District's OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. Total OPEB contributions were approximately \$465,000. Of the total OPEB contributions approximately \$454,000 was contributed to fund the Defined Benefit Plan and approximately \$11,000 was contributed to fund the Defined Contribution Plan.

These amounts, for both pension and OPEB benefits, 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, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2020 and rolled-forward using generally accepted actuarial procedures. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-University Employers:	September 30, 2021	September 30, 2020
Total Pension Liability	\$ 86,392,473,395	\$ 85,290,583,799
Plan Fiduciary Net Position	\$ 62,717,060,920	\$ 50,939,496,006
Net Pension Liability	\$ 23,675,412,475	\$ 34,351,087,793
Proportionate share	0.06202 %	0.06302 %
Net Pension liability for the School District	\$ 14,682,764	\$ 21,647,606

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

For the year ended June 30, 2022, the School District recognized pension expense of approximately \$593,304.

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Notes to Financial Statements  
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**NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred (Inflows) of Resources</u></b>
Differences between expected and actual experience	\$ 227,442	\$ (86,464)
Net difference between projected and actual earnings on pension plan investments	0	(4,720,461)
Changes in assumptions	925,549	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	15,598	(352,169)
Unearned revenue related to pension portion of section 147c	0	(960,928)
School District's contributions subsequent to the measurement date	<u>1,803,759</u>	<u>0</u>
<b>Total</b>	<b><u>\$ 2,972,348</u></b>	<b><u>\$ (6,120,022)</u></b>

\$1,803,759, reported as deferred outflows of resources related to pensions resulting from School 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:

<b>Year Ended June 30</b>	<b><u>Amount</u></b>
2023	\$ (553,541)
2024	(918,595)
2025	(1,212,156)
2026	(1,306,213)
	<b><u>\$ (3,990,505)</u></b>

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**NOTE 10 - DEFINED BENEFIT PENSION PLAN AND 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, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2020 and rolled-forward using generally accepted actuarial procedures. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-University Employers:	September 30, 2021	September 30, 2020
Total OPEB Liability	\$ 12,046,393,511	\$ 13,206,903,534
Plan Fiduciary Net Position	\$ 10,520,015,621	\$ 7,849,636,555
Net OPEB Liability	\$ 1,526,377,890	\$ 5,357,266,979
Proportionate share	0.06075 %	0.06257 %
Net OPEB liability for the School District	\$ 927,280	\$ 3,351,844

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

For the year ended June 30, 2022, the School District recognized OPEB expense of approximately \$(683,493).



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**NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

At June 30, 2022, the School District 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>
Difference between expected and actual experience	\$ 0	\$ (2,646,854)
Net difference between projected and actual plan investments	0	(698,907)
Changes in assumption	775,160	(115,993)
Changes in proportion and differences between employer contributions and proportionate share of contributions	40,531	(206,213)
School District's contributions subsequent to the measurement date	<u>340,514</u>	<u>0</u>
<b>Total</b>	<u><u>\$ 1,156,205</u></u>	<u><u>\$ (3,667,967)</u></u>

\$340,514, reported as deferred outflows of resources related to OPEB resulting from School District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

<b>Year Ended June 30</b>	<b>Amount</b>
2023	\$ (751,463)
2024	(686,179)
2025	(616,325)
2026	(559,397)
2027	(211,204)
Thereafter	(27,708)
	<u><u>\$ (2,852,276)</u></u>

**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 the Pension Plus 2 Plan.

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**NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

**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% - 11.55%, including wage inflation at 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, 2020. 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, 2018 Comprehensive Annual Financial Report.

**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 the 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 plan and OPEB 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** – Pre 65, 7.75% for year one and graded to 3.5% for year fifteen. Post 65, 5.25% for year one and graded to 3.5% in year fifteen.

**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.

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Notes to Financial Statements  
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**NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

**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, 2021 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

\*Long term rate of return are net of administrative expenses and 2.0% inflation.

**Rate of return** - For fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 27.3% and 27.14% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amount 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 long-term 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.

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**NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

**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 School District'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 School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<b>Pension</b>		
	<b><u>1% Decrease</u></b>	<b><u>Discount Rate</u></b>	<b><u>1% Increase</u></b>
School District's proportionate share of the net pension liability	<u>\$20,992,371</u>	<u>\$14,682,764</u>	<u>\$9,451,686</u>

**Sensitivity of the net OPEB liability to changes in the discount rate** - The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the 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:

	<b>Other postemployment benefit</b>		
	<b><u>1% Decrease</u></b>	<b><u>Discount Rate</u></b>	<b><u>1% Increase</u></b>
School District's proportionate share of the net OPEB liability	<u>\$1,723,053</u>	<u>\$927,280</u>	<u>\$251,952</u>

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**NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

**Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates** - The following presents the School District's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.0% (decreasing to 3.0%), as well as what the School District'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:

	<b>Other postemployment benefit</b>		
	<b>1% Decrease</b>	<b>Current Healthcare cost trend rates</b>	<b>1% Increase</b>
School District's proportionate share of the net OPEB liability	<u>\$225,693</u>	<u>\$927,280</u>	<u>\$1,716,650</u>

**Pension and OPEB Plan Fiduciary Net Position** - Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2021 valuation.

**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 included in the financial statements as a liability titled accrued payroll and payroll liabilities. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

**NOTE 11 - GRANTS**

The School District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the School District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the School District administration believes such disallowance, if any, would be immaterial.

**HEMLOCK PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 12 - ECONOMIC DEPENDENCY**

The School District received approximately 68% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source to the School District, the School District is considered to be economically dependent.

**NOTE 13 - PARTNERSHIP**

The School District, Hemlock Semiconductor and Dow Corning Health Care Materials Site are engaged in a partnership for the purpose of developing various educational activities in the school, workplace and community that offers each child an opportunity to attain excellence in his or her chosen educational endeavors. Such activities are categorized as follows:

1. Student oriented activities
2. Shared staff/administration development programs
3. Support of special projects
4. Acquisition of instruction materials, supplies and equipment

A task force represented by members of all the partners determines the direction of the Partnership and its goals. The cash activity of the Partnership is summarized as follows:

Cash balance, beginning of the year		\$	55,065
Revenue			
Contributions			25,000
Expenses			
Scholarships	\$	25,000	
Materials and equipment		2,530	
Educational activities		3,201	
Other		2,270	
Total expenses			<u>33,001</u>
Cash balance, end of the year		\$	<u><u>47,064</u></u>

**HEMLOCK PUBLIC SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 14 - TAX ABATEMENTS**

Effective for the year ended June 30, 2017, the School District is required to disclose significant tax abatements as required by GASB Statement 77 (Tax abatements).

The School 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>
Thomas Township	<u>\$ 812,694</u>

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

**NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENT**

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The School District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

**NOTE 16 - SUBSEQUENT EVENT**

Subsequent to year-end, the School District issued the 2022 School Building and Site Bonds, Series I dated August 16, 2022 in the amount of \$17,200,000.

HEMLOCK PUBLIC SCHOOLS  
Required Supplemental Information  
Budgetary Comparison Schedule - General Fund  
For the Year Ended June 30, 2022

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Local sources	\$ 2,318,366	\$ 2,786,542	\$ 2,631,072	\$ (155,470)
State sources	9,265,682	10,353,082	10,286,207	(66,875)
Federal sources	703,353	2,004,527	2,085,372	80,845
Interdistrict and other sources	227,696	196,354	222,796	26,442
Total revenues	<u>12,515,097</u>	<u>15,340,505</u>	<u>15,225,447</u>	<u>(115,058)</u>
<u>Expenditures</u>				
Instruction:				
Basic programs	5,773,374	5,993,296	5,904,549	88,747
Added needs	1,675,757	1,821,203	1,822,070	(867)
Support services:				
Pupil	711,963	797,595	756,141	41,454
Instructional staff	188,856	135,173	88,036	47,137
General administrative	426,431	633,575	606,718	26,857
School administrative	784,156	768,805	769,893	(1,088)
Business services	275,811	274,246	257,687	16,559
Operations and maintenance	1,283,585	1,454,895	1,590,255	(135,360)
Transportation	479,558	614,651	854,645	(239,994)
Information services	369,297	469,892	423,124	46,768
Other	20,395	35,079	44,969	(9,890)
Community services	472,803	594,878	551,239	43,639
Athletics	265,013	353,510	326,150	27,360
Capital outlay	278,913	1,409,802	540,534	869,268
Debt service	116,543	116,438	104,938	11,500
Total expenditures	<u>13,122,455</u>	<u>15,473,038</u>	<u>14,640,948</u>	<u>832,090</u>
Excess (deficiency) of revenues over expenditures	(607,358)	(132,533)	584,499	717,032
<u>Other Financing Sources (Uses)</u>				
Operating transfers out	<u>0</u>	<u>0</u>	<u>(3,000)</u>	<u>(3,000)</u>
Net change in fund balance	(607,358)	(132,533)	581,499	714,032
Fund balance - beginning of year	<u>3,537,008</u>	<u>3,537,008</u>	<u>3,537,008</u>	<u>0</u>
Fund balance - end of year	<u>\$ 2,929,650</u>	<u>\$ 3,404,475</u>	<u>\$ 4,118,507</u>	<u>\$ 714,032</u>



HEMLOCK PUBLIC SCHOOLS  
Required Supplemental Information  
Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability  
Michigan Public School Employees Retirement Plan  
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	<u>2021</u>	<u>2020</u>	<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 (%)	0.06202 %	0.06302 %	0.06292 %	0.06369 %	0.06420 %	0.06483 %	0.06238 %	0.06479 %
Reporting unit's proportionate share of net pension liability	\$ 14,682,764	\$ 21,647,606	\$ 20,836,018	\$ 19,145,952	\$ 16,636,568	\$ 16,175,073	\$ 15,236,344	\$ 14,270,093
Reporting unit's covered-employee payroll*	\$ 5,523,312	\$ 5,549,667	\$ 5,417,583	\$ 5,383,351	\$ 5,293,137	\$ 5,541,650	\$ 5,107,037	\$ 5,670,819
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	37.61766 %	25.63640 %	26.00105 %	28.11744 %	31.81628 %	34.26043 %	33.51878 %	39.73919 %
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	72.60000 %	59.72000 %	60.31000 %	62.36000 %	64.21000 %	63.27000 %	62.92000 %	66.15000 %

\* The employer's covered payroll is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 68 in 2015, the 10 year history will be provided prospectively until a full 10 year history is shown.

HEMLOCK PUBLIC SCHOOLS  
Required Supplemental Information  
Schedule of the Reporting Unit's Pension Contributions  
Michigan Public School Employees Retirement Plan  
Last 10 Reporting Unit Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 2,067,084	\$ 1,852,266	\$ 1,739,315	\$ 1,746,068	\$ 1,737,697	\$ 1,501,025	\$ 1,561,373	\$ 1,346,626
Contributions in relation to statutorily required contributions*	<u>2,067,084</u>	<u>1,852,266</u>	<u>1,739,315</u>	<u>1,746,068</u>	<u>1,737,697</u>	<u>1,501,025</u>	<u>1,561,373</u>	<u>1,346,626</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reporting unit's covered-employee payroll**	\$ 5,749,078	\$ 5,465,542	\$ 5,570,164	\$ 5,377,202	\$ 5,340,479	\$ 5,395,962	\$ 5,214,001	\$ 5,430,881
Contributions as a percentage of covered-employee payroll	35.96 %	33.89 %	31.23 %	32.47 %	32.54 %	27.82 %	29.95 %	24.80 %

\* Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

\*\* The employer's covered payroll is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based. For non-university employers, covered payroll for both pensions and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 68 in 2015, the 10 year history will be provided prospectively until a full 10 year history is shown.

HEMLOCK PUBLIC SCHOOLS  
Required Supplemental Information  
Schedule of the Reporting Unit's Proportionate Share of the Net OPEB Liability  
Michigan Public School Employees Retirement Plan  
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting unit's proportion of net OPEB liability (%)	0.06075 %	0.06257 %	0.06196 %	0.06323 %	0.06407 %
Reporting unit's proportionate share of net OPEB liability	\$ 927,280	\$ 3,351,844	\$ 4,447,148	\$ 5,026,415	\$ 5,673,381
Reporting unit's covered-employee payroll*	\$ 5,523,312	\$ 5,549,667	\$ 5,417,583	\$ 5,383,351	\$ 5,293,137
Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	595.64662 %	165.57056 %	121.82151 %	107.10120 %	93.29775 %
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	87.33000 %	59.44000 %	48.46000 %	42.95000 %	36.39000 %

\* The employer's covered payroll is defined by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 75 in 2018, the 10 year history will be provided prospectively until a full 10 year history is shown.

HEMLOCK PUBLIC SCHOOLS  
Required Supplemental Information  
Schedule of the Reporting Unit's OPEB Contributions  
Michigan Public School Employees Retirement Plan  
Last 10 Reporting Unit Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 453,834	\$ 444,856	\$ 446,477	\$ 420,512	\$ 1,737,697
Contributions in relation to statutorily required contributions*	<u>453,834</u>	<u>444,856</u>	<u>446,477</u>	<u>420,512</u>	<u>1,737,697</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reporting unit's covered-employee payroll**	\$ 5,749,078	\$ 5,465,542	\$ 5,570,164	\$ 5,377,202	\$ 5,340,479
Contributions as a percentage of covered-employee payroll	7.89 %	8.14 %	8.02 %	7.82 %	32.54 %

\* Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

\*\* The employer's covered payroll is defined by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

With the implementation of GASB Statement No. 75 in 2018, the 10 year history will be provided prospectively until a full 10 year history is shown.

HEMLOCK PUBLIC SCHOOLS  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2022

**Changes of benefit terms:** There were no changes of benefit terms in 2021.

**Changes of assumptions:** There were no changes of assumptions for the pension in 2021.

The assumption changes for 2021 for OPEB were:

Healthcare cost trend rate was broken into two groups, Pre 65 and Post 65. The Pre 65 rate is 7.75% Year 1 graded to 3.50% Year 15. The Post 65 rate is 5.25% Year 1 graded to 3.50% Year 15. The prior healthcare cost trend rate was reported as one group with a rate of 7.00% Year 1 graded to 3.50% Year 15.

HEMLOCK PUBLIC SCHOOLS  
Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2022

	<u>Special Revenue Funds</u>		<u>Capital Project Funds</u>		
	<u>Food Service</u>	<u>Student/ School Activities</u>	<u>Energy Bond Capital Project</u>	<u>Sinking Fund Capital Project</u>	<u>Total</u>
<u>Assets</u>					
Cash and investments	\$ 272,726	\$ 257,434	\$ 31,737	\$ 235,451	\$ 797,348
Receivables - net:					
Accounts receivable	151	0	0	0	151
Due from other funds	2,546	0	0	0	2,546
Due from other governmental units	882	0	0	207	1,089
Inventories	8,778	0	0	0	8,778
Total assets	<u>\$ 285,083</u>	<u>\$ 257,434</u>	<u>\$ 31,737</u>	<u>\$ 235,658</u>	<u>\$ 809,912</u>
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accounts payable	\$ 7,197	\$ 9,345	\$ 0	\$ 3,495	\$ 20,037
Due to other funds	0	1,813	0	0	1,813
Unearned revenue	374	0	0	0	374
Total liabilities	<u>7,571</u>	<u>11,158</u>	<u>0</u>	<u>3,495</u>	<u>22,224</u>
<u>Fund Balance</u>					
Non-spendable - inventory	8,778	0	0	0	8,778
Restricted for capital projects	0	0	31,737	232,163	263,900
Restricted for food service	268,734	0	0	0	268,734
Committed for student/school activities	0	246,276	0	0	246,276
Total fund balance	<u>277,512</u>	<u>246,276</u>	<u>31,737</u>	<u>232,163</u>	<u>787,688</u>
	<u>\$ 285,083</u>	<u>\$ 257,434</u>	<u>\$ 31,737</u>	<u>\$ 235,658</u>	<u>\$ 809,912</u>

HEMLOCK PUBLIC SCHOOLS  
Other Supplemental Information  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balance - Nonmajor Governmental Funds  
For the Year Ended June 30, 2022

	Special Revenue Funds		Capital Projects Funds			
	Food Service	Student/ School Activities	Capital Projects Fund	Energy Bond Capital Project	Sinking Fund Capital Project	Total
<u>Revenues</u>						
Local sources	\$ 31,908	\$ 416,019	\$ 0	\$ 53	\$ 386,221	\$ 834,201
State sources	11,714	0	0	0	0	11,714
Federal sources	668,956	0	0	0	0	668,956
Total revenues	<u>712,578</u>	<u>416,019</u>	<u>0</u>	<u>53</u>	<u>386,221</u>	<u>1,514,871</u>
<u>Expenditures</u>						
Current:						
Food services	627,619	0	0	0	0	627,619
Student/school activities	0	453,788	0	0	0	453,788
Capital outlay	0	0	2,526	87,440	333,829	423,795
Total expenditures	<u>627,619</u>	<u>453,788</u>	<u>2,526</u>	<u>87,440</u>	<u>333,829</u>	<u>1,505,202</u>
Excess (deficiency) of revenues over expenditures	84,959	(37,769)	(2,526)	(87,387)	52,392	9,669
<u>Other Financing Sources</u> <u>(Uses)</u>						
Operating transfers in	3,000	0	0	0	0	3,000
Net change in fund balance	87,959	(37,769)	(2,526)	(87,387)	52,392	12,669
Fund balance - beginning of year	189,553	284,045	2,526	119,124	179,771	775,019
Fund balance - end of year	<u>\$ 277,512</u>	<u>\$ 246,276</u>	<u>\$ 0</u>	<u>\$ 31,737</u>	<u>\$ 232,163</u>	<u>\$ 787,688</u>

HEMLOCK PUBLIC SCHOOLS  
Other Supplemental Information  
Schedule of Bonded Indebtedness - 2013 Issue  
For the Year Ended June 30, 2022

PURPOSE

The bonds were issued for the purpose of remodeling, equipping and re-equipping and furnishing and refurbishing school district buildings; erecting an addition to the high school building; acquiring and installing instructional technology in school buildings; purchasing school buses; and developing, improving and equipping playgrounds, athletic facilities, athletic fields and sites.

DATE OF ISSUE

June 30, 2013

INTEREST PAYABLE

May 1 and November 1 of each year

AMOUNT OF ISSUE

\$ 7,500,000

AMOUNT OF REDEEMED

During prior years

\$ 1,105,000

During current year

655,000

1,760,000

BALANCE OUTSTANDING - June 30, 2022

\$ 5,740,000

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	2.00%	\$ 1,830,000	\$ 247,900	\$ 2,077,900
2024	3.00%	1,915,000	156,400	2,071,400
2025	3.00%	1,995,000	79,800	2,074,800
		<u>\$ 5,740,000</u>	<u>\$ 484,100</u>	<u>\$ 6,224,100</u>



HEMLOCK PUBLIC SCHOOLS  
Other Supplemental Information  
Schedule of Bonded Indebtedness - 2015 Issue  
For the Year Ended June 30, 2022

<u>PURPOSE</u>	The refunding bonds were issued for the purpose of improvement of school facilities.		
<u>DATE OF ISSUE</u>	March 10, 2015		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year		
<u>AMOUNT OF ISSUE</u>			\$ 7,945,000
<u>AMOUNT OF REDEEMED</u>			
	During prior years	\$ 7,070,000	
	During current year	<u>875,000</u>	<u>7,945,000</u>
<u>BALANCE OUTSTANDING - June 30, 2022</u>			<u>\$ 0</u>

HEMLOCK PUBLIC SCHOOLS  
Other Supplemental Information  
Schedule of Bonded Indebtedness - 2017 Issue  
For the Year Ended June 30, 2022

<u>PURPOSE</u>	The bonds were issued for the purpose of remodeling, equipping and re-equipping and furnishing and refurbishing school district buildings; erecting an addition to the high school building; acquiring and installing instructional technology in school buildings; purchasing school buses; and developing, improving and equipping playgrounds, athletic facilities, athletic fields and sites.		
<u>DATE OF ISSUE</u>	June 12, 2017		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year		
<u>AMOUNT OF ISSUE</u>			\$ 465,000
<u>AMOUNT OF REDEEMED</u>			
	During prior years	\$ 365,000	
	During current year	<u>100,000</u>	<u>465,000</u>
<u>BALANCE OUTSTANDING - June 30, 2022</u>			<u><u>\$ 0</u></u>

HEMLOCK PUBLIC SCHOOLS  
Other Supplemental Information  
Schedule of Bonded Indebtedness - 2018 Issue  
For the Year Ended June 30, 2022

PURPOSE The Improvement bonds were issued for the purpose of improvement of school to make the district more energy efficient.

DATE OF ISSUE December 20, 2018

INTEREST PAYABLE May 1 and November 1 of each year

AMOUNT OF ISSUE \$ 1,725,000

<u>AMOUNT OF REDEEMED</u>	During prior years	\$ 105,000	
	During current year	<u>40,000</u>	<u>145,000</u>

BALANCE OUTSTANDING - June 30, 2022 \$ 1,580,000

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	3.50%	\$ 45,000	\$ 55,662	\$ 100,662
2024	3.50%	50,000	54,088	104,088
2025	3.50%	55,000	52,338	107,338
2026	3.50%	60,000	50,413	110,413
2027	3.50%	65,000	48,313	113,313
2028	3.50%	70,000	46,038	116,038
2029	3.50%	75,000	43,588	118,588
2030	3.50%	80,000	40,963	120,963
2031	3.50%	85,000	38,163	123,163
2032	3.50%	95,000	35,187	130,187
2033	3.50%	105,000	31,862	136,862
2034	3.50%	115,000	28,188	143,188
2035	3.50%	125,000	24,163	149,163
2036	3.50%	130,000	19,788	149,788
2037	3.50%	135,000	15,238	150,238
2038	3.50%	140,000	10,513	150,513
2039	3.50%	<u>150,000</u>	<u>5,437</u>	<u>155,437</u>
		<u>\$ 1,580,000</u>	<u>\$ 599,942</u>	<u>\$ 2,179,942</u>



**WEINLANDER FITZHUGH**  
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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

September 29, 2022

Board of Education  
Hemlock Public Schools  
Hemlock, Michigan

We have audited, in accordance with U.S. generally accepted auditing standards 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 Hemlock Public Schools (School District), as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise Hemlock Public Schools' basic financial statements and have issued our report thereon dated September 29, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Hemlock Public Schools' internal control over financial reporting (internal control) as a basis for designing 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 Hemlock Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Hemlock Public 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 School District'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 were not identified.



**WEINLANDER FITZHUGH**

Certified Public Accountants & Advisors

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Hemlock Public 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 financial statements. 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 School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Weinlander Fitzhugh*



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

September 29, 2022

Board of Education  
Hemlock Public Schools  
Hemlock, Michigan

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Hemlock Public Schools' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hemlock Public Schools' major federal programs for the year ended June 30, 2022. Hemlock Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Hemlock Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Hemlock Public Schools and to meet our ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Hemlock Public Schools' compliance with the compliance requirements referred to above.



### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Hemlock Public Schools' federal programs.

### **Auditor's Responsibility for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Hemlock Public Schools' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Hemlock Public Schools' compliance with the requirements for each major federal program as a whole.

In performing an audit in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Hemlock Public Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Hemlock Public Schools' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Hemlock Public Schools' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



## WEINLANDER FITZHUGH

Certified Public Accountants & Advisors

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on Hemlock Public Schools' response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Hemlock Public Schools' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Hemlock Public Schools is responsible for preparing a corrective action plan to address the audit finding included in our auditor's report. Hemlock Public Schools' corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

### **Report on 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 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

*Weinlander Fitzhugh*



HEMLOCK PUBLIC SCHOOLS  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2022

**SECTION I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:

Unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified? ☐ YES ☒ NO
- Significant deficiency(ies) identified? ☐ YES ☒ NONE REPORTED

Noncompliance material to financial statements noted?

☐ YES ☒ NO

**Federal Awards**

Internal Control over major programs:

- Material weakness(es) identified? ☐ YES ☒ NO
- Significant deficiency(ies) identified? ☐ YES ☒ NONE REPORTED

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

Unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

☒ YES ☐ NO

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425D, 84.425U	Education Stabilization Fund
10.553, 10.555, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?

☐ YES ☒ NO

**SECTION II - Financial Statement Findings**

There are no matters reported.

**HEMLOCK PUBLIC SCHOOLS**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2022**

**SECTION III - Federal Award Findings and Questioned Costs**

**2022-001 Repeat finding (2021-001)**

Program

U.S. Department of Agriculture Child Nutrition Cluster passed through the Michigan Department of Education, CFDA #10.555 and 10.559.

Criteria

Federal register section 7 CFR Part 210.14b requires School Districts to limit its National School Food Programs fund net resources to an amount that does not exceed three months of average expenditures.

Condition

The School District's net cash resources exceeded three months of average expenditures at June 30, 2022.

Questioned costs

None

Context

The School District did not meet the three months of average expenditures test at June 30, 2022.

Effect

The School District's net cash resources were in excess of three months' average expenditures by approximately \$88,000 at June 30, 2022.

Cause

The School District received more federal funding during the 2021-2022 fiscal year due to the nationwide waiver allowing the Seamless Summer Option Operations through the entire fiscal year. As a result of this increased funding, the School District did not fully spend down the excess funds in the current fiscal year.

Recommendation

We recommend the School District create a spend-down plan and submit the plan of action with Michigan Department of Education. The School District should closely monitor the spend-down plan and periodically review the Food Service Fund's net cash resources. The spend-down plan and three months of average expenditures requirement should be taken into consideration when preparing the annual budget and any subsequent adjustments to the budget.

Views of the Responsible Officials and Planned Corrective Action

The Director of Business Operations and Human Resources will work with the Superintendent and Board of Education to create a spend-down plan. The spend-down plan will be submitted to Michigan Department of Education, and the plan will be monitored throughout the 2022-2023 fiscal year to ensure the plan is achieved by June 30, 2023.

HEMLOCK PUBLIC SCHOOLS  
Summary Schedule of Prior Year Findings  
For the Year Ended June 30, 2022

**2021-001**

Audit Finding

The audit finding listed above is a repeat finding in the current year.

Corrective Action Taken

The corrective action plan continues to be implemented.

**HEMLOCK PUBLIC SCHOOLS**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2022**

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal AL Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue June 30, 2021	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2022
<u>U.S. Department of Education</u>								
Passed through Michigan Department of Education								
Title I, Part A								
Title I Grants to Local Educational Agencies (LEAs)	84.010							
Project 211530-2021		\$ 119,935	\$ 100,488	\$ 79,162	\$ 0	\$ 93,131	\$ 13,969	\$ 0
Project 221530-2122		130,495	0	0	0	95,833	112,310	16,477
			100,488	79,162	0	188,964	126,279	16,477
Title II, Part A								
Improving Teacher Quality State Grants	84.367							
Project 210520-2021		39,878	30,757	25,297	0	25,454	157	0
Project 220520-2122		47,575	0	0	0	36,542	45,898	9,356
			30,757	25,297	0	61,996	46,055	9,356
Title IV								
Student Support and Academic Enrichment	84.424							
Project 210750-2021		10,000	9,519	6,940	0	6,984	44	0
Project 220750-2122		10,436	0	0	0	8,869	10,184	1,315
			9,519	6,940	0	15,853	10,228	1,315
Education Stabilization Fund								
COVID-19 - Elementary and Secondary School								
Emergency Relief Funds								
ESSER Formula Funds	84.425D	84,412	84,412	79,644	0	79,644	0	0
ESSER Education Equity Funds	84.425D	364,281	0	0	0	364,281	364,281	0
ESSER II Benchmark Assessments'	84.425D	9,675	0	0	0	9,675	9,675	0
ESSER III Formula Funds	84.425U	818,704	0	0	0	130,022	419,183	289,161
ESSER III Equilization - 11t	84.425U	484,480	0	0	0	238,064	380,695	142,631
			84,412	79,644	0	821,686	1,173,834	431,792

See accompanying notes to Schedule of Expenditures of Federal Awards

**HEMLOCK PUBLIC SCHOOLS**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2022**

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal AL Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue June 30, 2021	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2022
Passed through Saginaw Intermediate School District Special Education IDEA Cluster Programs								
IDEA Flowthrough	84.027A							
2020-2021		\$ 336,005	\$ 325,301	\$ 325,301	\$ 0	\$ 330,376	\$ 10,704	\$ 5,629
2021-2022		324,017	0	0	0	129,722	324,017	194,295
			<u>325,301</u>	<u>325,301</u>	<u>0</u>	<u>460,098</u>	<u>334,721</u>	<u>199,924</u>
Special Education - Preschool Grants (IDEA Preschool)	84.173							
2019-2020		18,334	18,334	126	0	126	0	0
2020-2021		15,112	15,112	15,112	0	15,112	0	0
2021-2022		13,598	0	0	0	8,397	13,598	5,201
			<u>33,446</u>	<u>15,238</u>	<u>0</u>	<u>23,635</u>	<u>13,598</u>	<u>5,201</u>
Total Special Education Cluster			<u>358,747</u>	<u>340,539</u>	<u>0</u>	<u>483,733</u>	<u>348,319</u>	<u>205,125</u>
Total U.S. Department of Education			<u>583,923</u>	<u>531,582</u>	<u>0</u>	<u>1,572,232</u>	<u>1,704,715</u>	<u>664,065</u>

See accompanying notes to Schedule of Expenditures of Federal Awards

HEMLOCK PUBLIC SCHOOLS  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2022

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal AL Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue June 30, 2021	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2022
<u>U.S. Department of Agriculture</u>								
Passed through Michigan Department of Education Child Nutrition Cluster								
Non-Cash Assistance (Commodities) Entitlement	10.555	\$ 35,296	\$ 0	\$ 0	\$ 0	\$ 35,296	\$ 35,296	\$ 0
Cash Assistance								
COVID-19 - School Breakfast Program	10.553							
211971		24,495	0	0	0	24,495	24,495	0
221970		327	0	0	0	327	327	0
221971		138,944	0	0	0	138,944	138,944	0
			0	0	0	163,766	163,766	0
COVID-19 - National School Lunch Program	10.555							
211961		65,341	0	0	0	65,341	65,341	0
211965		1,899	0	0	0	1,899	1,899	0
220910		25,759	0	0	0	25,759	25,759	0
221960		555	0	0	0	555	555	0
221961		375,726	0	0	0	375,726	375,726	0
			0	0	0	469,280	469,280	0
COVID-19 - Summer Food Service Program for Children	10.559							
210904		460,723	460,723	24,526	0	24,526	0	0
Total Child Nutrition Cluster			460,723	24,526	0	692,868	668,342	0
Pandemic EBT Local Level Costs	10.649							
210980		614	0	0	0	614	614	0
Total U.S. Department of Agriculture			460,723	24,526	0	693,482	668,956	0

See accompanying notes to Schedule of Expenditures of Federal Awards

HEMLOCK PUBLIC SCHOOLS  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2022

Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	<u>Federal AL Number</u>	<u>Approved Grant Award Amount</u>	<u>(Memo Only) Prior Year Expenditures</u>	<u>Accrued (Unearned) Revenue June 30, 2021</u>	<u>Adjustments and Transfers</u>	<u>Current Year Receipts (Cash Basis)</u>	<u>Current Year Expenditures</u>	<u>Accrued (Unearned) Revenue June 30, 2022</u>
<u>U.S. Department of Health and Human Services</u> Passed through Saginaw Intermediate School District Medicaid Administrative Outreach 2021-2022	93.778	\$ 1,300	\$ 0	\$ 0	\$ 0	\$ 1,300	\$ 1,300	\$ 0
Total U.S. Department of Health and Human Services			0	0	0	1,300	1,300	0
<u>U.S. Federal Communications Commission</u> Passed through U.S. Department of Treasury Emergency Connectivity Funds	32.009	6,000	0	0	0	5,625	6,000	375
Total Federal Communications Commission			0	0	0	5,625	6,000	375
			<u>\$ 1,044,646</u>	<u>\$ 556,108</u>	<u>\$ 0</u>	<u>\$ 2,272,639</u>	<u>\$ 2,380,971</u>	<u>\$ 664,440</u>

See accompanying notes to Schedule of Expenditures of Federal Awards

**HEMLOCK PUBLIC SCHOOLS**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Hemlock Public Schools under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Hemlock Public Schools, it is not intended to and does not present the financial position or changes in net position of Hemlock Public Schools.

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 credit made in the normal course of business to amounts reported as expenditures.

The School District has elected not to use the 10 percent de minimus indirect cost rate to recover costs as allowed under the Uniform Guidance.

The School District does not have any subrecipients.

**NOTE 2 - OTHER DISCLOSURES**

Management has utilized the Nexsys System Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

**NOTE 3 - RECONCILIATION OF REVENUE REPORTED IN THE FINANCIAL STATEMENTS**

Total federal expenditures per Schedule of Expenditures of	
Federal Awards	\$ 2,380,971
Add:	
COVID-19 - Child Care Stabilization Grant	313,357
DERA School Bus Rebates	60,000
Revenues per financial statements - federal sources	<u>\$ 2,754,328</u>