Buchanan Community Schools

FINANCIAL REPORT

WITH SUPPLEMENTARY INFORMATION

June 30, 2022

KRUGGEL LAWTON CPA

St. Joseph, MI

BUCHANAN COMMUNITY SCHOOLS
Buchanan, Michigan
June 30, 2022

BOARD OF EDUCATION

Elected Member	Office	Term Expires
Dr. Harvey Burnett	President	December 31, 2022
Ruth Writer	Vice President	December 31, 2024
Kelly Laesch	Secretary	December 31, 2024
Chris Lee	Treasurer	December 31, 2022
Katie Berry	Trustee	December 31, 2026
Chris Carlson	Trustee	December 31, 2026
Dr. Scott Carlin	Trustee	December 31, 2026

SUPERINTENDENT

Patricia Robinson

BUCHANAN COMMUNITY SCHOOLS
Buchanan, Michigan
June 30, 2022

KRUGGEL LAWTON CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Buchanan Community Schools
Berrien County, Michigan

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Buchanan Community Schools 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 opinion.

Change in Accounting Principle

As discussed in Note 15 to the financial statements, in 2022 the District adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional 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 the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* 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 to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, including the 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 October 25, 2022 on our consideration of the 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 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 District's internal control over financial reporting and compliance.

Respectfully submitted,

Kruggel, Lawton & Company, LLC

Certified Public Accountants

St. Joseph, Michigan
October 25, 2022

Buchanan Community Schools, (the "District") a K-12 School District located in Berrien County, Michigan, follows the provisions of Governmental Accounting Standards Board Statement No. 34 ("GASB 34") with the enclosed financial statements. The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be discussion and analysis of the financial results for the fiscal year ended June 30, 2022 of the management of the District.

Generally accepted accounting principles in the United States of America ("GAAP") and GASB 34 requires the reporting of two types of financial statements: Fund Financial Statements and District-wide Financial Statements.

Fund Financial Statements

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Capital Projects Funds, Debt Service Funds, and the School Service Fund.

In the fund financial statements, capital assets purchased with cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District-Wide Financial Statements

The District-wide financial statements are full accrual basis statements. They report all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both short and long-term, regardless of whether they are "currently available" or not. Capital assets and long-term obligations of the District are reported in the Statement of Net Position of the District-wide Financial Statements.

Summary of Net Position

The net position (deficit) of the District is summarized in the table below:

	June 30, 2022	June 30, 2021
Assets		
Current assets	$ 8,258,593	$ 7,247,775
Capital assets		
Nondepreciable	$ 342,200	$ 342,200
Depreciable, net of accumulated depreciation/amortization	21,852,039	22,375,033
Capital assets, net book value	$ 22,194,239	$ 22,717,233
Total Assets	$ 30,452,832	$ 29,965,008
Deferred Outflows of Resources	$ 7,502,599	$ 8,582,937
Liabilities		
Current liabilities	$ 1,978,655	$ 1,641,101
Noncurrent liabilities	32,990,917	45,460,265
Total Liabilities	$ 34,969,572	$ 47,101,366
Deferred Inflows of Resources	$ 13,121,458	$ 4,994,914
Net Position (Deficit)		
Net investment in capital assets	$ 10,505,915	$ 10,287,608
Restricted	892,488	609,372
Unrestricted	(21,534,002)	(24,445,315)
Total Net Position (Deficit)	$ (10,135,599)	$ (13,548,335)

Analysis of Financial Position

During the fiscal year ended June 30, 2022, the District's net position increased by $3,412,736. Some items have been reclassified to match current year presentation. A few of the significant factors affecting net position during the year are discussed below:

A. General Fund Operations

The District's revenues and other financing sources exceeded its expenditures from General Fund operations by $127,433 for the fiscal year ended June 30, 2022. See the section entitled Results of Operations, below, for further discussion of General Fund operations.

B. Long-Term Debt Analysis

The District's long-term debt consists of:

	Principal balance July 1, 2021	Principal Additions	Principal Payments	Principal Balance June 30, 2022
2013 Building and Site Bonds	$ 12,890,000	$ -	$ (1,135,000)	$ 11,755,000
Building and Site Loan	251,013	-	(61,132)	189,881
Blue Bird Bus Lease	-	251,527	(62,882)	188,645
Santander Bus Lease	-	153,402	(31,598)	121,804
Total	$ 13,141,013	$ 404,929	$ (1,290,612)	$ 12,255,330

C. Capital Assets

The District's net capital assets decreased by $468,296 during 2022. The net activity for capital assets for the year is summarized in the following table:

	Balance July 31, 2021	Additions	Deletions	Balance June 30, 2022
Capital Assets	$ 37,287,696	$ 457,929	$ -	$ 37,745,625
Less: accumulated depreciation/amortization	(14,570,463)	(980,923)	-	(15,551,386)
Net investment capital outlay	$ 22,717,233			$ 22,194,239

This year, the District's additions of $500,653 in capital assets were primarily comprised of improvement a new bus, and two additional bus leases.

Results of Operations

The District-wide results of operations for the fiscal years ended June 30th are summarized in the table below:

	June 30, 2022	June 30 2021
Revenues:		
Programs Revenues:		
Charges for Services	$ 94,605	$ 65,144
Operating Grants and Contributions	6,826,199	5,569,246
Capital Grants and Contributions	31,842	-
General Revenues:		
Current Property Taxes	4,178,564	3,967,654
State School Aid - Unrestricted	10,457,908	10,150,823
Other General Revenues	102,590	95,559
Total Revenues	$ 21,691,708	$ 19,848,426
Functions/Program Expenses:		
Instruction	$ 9,853,091	$ 10,236,084
Support Services	6,681,359	7,834,157
Community Services	39,271	21,078
Athletics	353,924	348,833
Food Services	271,979	834,710
Student Activities	739,853	284,418
Interest on Long-Term Debt	339,495	517,532
Total expenses	$ 18,278,972	$ 20,076,812
Change in Net Position	$ 3,412,736	$ (228,386)
Beginning Net Position (Deficit)	$ (13,548,335)	$ (13,319,949)
Ending Net Position (Deficit)	$ (10,135,599)	$ (13,548,335)

State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan unrestricted aid is determined by the following variables:

1. State of Michigan State Aid Act per student foundation allowance,

2. Student Enrollment - Blended at 90 percent of current year fall count and 10 percent of prior year winter count, and

3. The District's non-homestead levy.

Per Student Foundation Allowance

Annually, the State of Michigan sets the per student foundation allowance. The District's net foundation allowance for the fiscal year 2022 was $8,700 per student. This amount increased by $589 from the District's 2021 net foundation allowance of $8,111 per student.

Student Enrollment

The District's student enrollment for the 2022 fiscal year was 1,519 students. The District's enrollment decreased from the prior year count by 56 students. The following summarizes student enrollments in the past five years:

Fiscal Year	Student FTE	FTE Change from Prior Year
2021-22	1,519	(54)
2020-21	1,573	(1)
2019-20	1,574	(2)
2018-19	1,576	(6)
2017-18	1,582	13

Subsequent to year end June 30, 2022, preliminary student enrollments for 2022-2023 indicate a student count of 1,518, a decrease of 1 student from the 2021-2022 enrollment.

Property Taxes Collected for General Operations (General Fund Non-Homestead Taxes)

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value. The District's non-homestead property levy for the 2021-2022 fiscal year was $134,315,215.

Property Taxes Collected for General Operations (General Fund Non-Homestead Taxes), concluded

The following summarizes the District's non-homestead property tax collected over the past three years:

Fiscal Year	Non-Homestead Tax Levy	% Change from Prior Year
2021-22	$ 2,484,947	5.42%
2020-21	2,357,137	1.30%
2019-20	2,326,898	2.05%

Debt Fund Property

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead.

For 2021-2022, the District's debt millage levy was 3.2 mills for 2013 debt which generated a total levy of $1,356,206.

Building & Site Capital Project Sinking Bond Fund

The District's Building & Site Fund levy, which is used to pay the principal and interest on note obligations; is based on the taxable valuation of all properties: homestead and non-homestead.

For 2021-2022, the District's debt millage levy was 0.8 mills for Building & Site loan which generated a total levy of $337,411.

Food Sales to Students & Adults (School Lunch Program)

Overall, the District's lunch and milk sales showed an increase over last year of approximately $269,000. This is directly related to the increased usage of federal sources for free and reduced lunch.

The revenues from Food Service operations exceeded total expenditures and transfers out for the year by $269,095.

General Fund Expenditures (Excluding Transfers) Budget vs. Actual Five Year History

	Expenditures Preliminary Budget	Expenditures Final Budget	Expenditures Final Audit	Variance Audit vs. Prelim. Budget	Variance Audit vs Final Budget
2021-22	$ 19,032,497	$ 20,377,896	$ 18,789,729	-1.28%	-7.79%
2020-21	16,017,676	17,569,719	17,092,842	6.71%	-2.71%
2019-20	16,683,472	13,600,135	15,691,894	-5.94%	15.38%
2018-19	16,576,199	16,543,563	15,638,867	-5.65%	-5.47%
2017-18	16,182,434	16,366,318	15,783,133	-2.47%	-3.56%
Five Year Average Actual Over (Under) Budget				-3.6%	0.2%

General Fund Revenues (Excluding Transfers) Budget vs. Actual Five Year History

	Revenue Preliminary Budget	Revenue Final Budget	Revenue Final Audit	Variance Audit vs. Prelim. Budget	Variance Audit vs Final Budget
2021-22	$ 18,640,755	$ 20,265,409	$ 18,917,162	1.48%	-6.65%
2020-21	15,167,046	17,381,267	17,201,839	13.42%	-1.03%
2019-20	16,245,731	16,638,178	16,148,281	-0.60%	-2.94%
2018-19	15,864,554	16,274,665	15,790,598	-0.47%	-2.97%
2017-18	15,351,252	15,914,624	15,560,989	1.37%	-2.22%
Five Year Average Actual Over (Under) Budget				2.9%	-2.6%

Original vs. Final Budget

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, the District amends its budget during the school year. For fiscal year ending June 30, 2022, the budget was created in June of 2021. The June 2022 budget amendment was the final budget for the fiscal year.

Change from Original Budget:		
General Fund Expenditures:		
Total Revenues Original Budget:	$ 18,640,755	100.00%
Total Revenues Final Amended Budget:	20,265,409	108.72%
	$ 1,624,654	8.72%

The final revenue budget reflects the following changes from the original budget:

- The District's amended budget had more state aid and property tax revenues than what was originally budgeted for.

Change from Original Budget:		
General Fund Expenditures:		
Total Expenditures Original Budget:	$ 19,032,497	100.00%
Total Expenditures Final Amended Budget:	20,377,896	107.07%
	$ 1,345,399	7.07%

The final expenditures budget reflects the following changes from the original budget:

- Certain hires for pupil services that were originally budgeted for did not happen during the year and the budget was amended to reflect such.

General Fund Balance as a Percent of Expenditures Five Year History

	Fund Balance	Change	Total Expenditures	Fund Balance as a Percentage of Expenditures	Months of Operation
2021-2022	$ 4,314,966	$ 127,433	$ 18,789,729	22.96%	2.76
2020-2021	4,187,533	177,356	17,092,842	24.50%	2.94
2019-2020	4,010,177	520,687	15,691,894	25.56%	3.07
2018-2019	3,489,490	18,731	15,638,867	22.31%	2.68
2017-2018	3,307,759	(197,144)	15,783,133	20.96%	2.51

Factors bearing on the District's Future

Our elected Board and Administration consider many factors when setting the District's future budget and assessing the District's financial health. One of the most important factors is our student count and the anticipated foundation allowance to be received for each student. The foundation allowance for 2022-23 is expected to increase. Our pupil count continues to remain steady with the aid of additional revenues from the virtual academy and step up programs. Additionally, we will be going out for a bond at the November election. The bond will allow the District to focus on meeting the needs of the future for our students. Health care and retirement costs continue to increase, as well as, overall costs of operation.

Contacting the District's Financial Management

The financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, please contact the Business Office at Buchanan Community Schools.

STATEMENT OF NET POSITION (DEFICIT)
JUNE 30, 2022

		Governmental Activities
Assets		
Current assets:		
Cash and cash equivalents	$	4,977,381
Due from other governmental units		3,264,808
Inventories		13,741
Prepaid items		2,663
Total current assets	$	8,258,593
Noncurrent assets:		
Capital assets, not being depreciated	$	342,200
Capital assets, depreciated/amortized		37,403,425
Less: accumulated depreciation/amportization		(15,551,386)
Total noncurrent assets	$	22,194,239
Total Assets	$	30,452,832
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	$	5,505,790
Deferred outflows of resources related to OPEB		1,996,809
Total Deferred Outflows of Resources	$	7,502,599
Liabilities		
Current liabilities:		
Accounts payable	$	202,761
Accrued payroll and other liabilities		1,676,774
Unearned revenue		13,187
Accrued interest		85,933
Total current liabilities	$	1,978,655
Noncurrent liabilities:		
Bonds payable, net of premium and discount, due within one year	$	1,254,282
Notes payable, due within one year		62,200
Capital lease payable, due within one year		87,242
Bonds payable, net of premium and discount, due in more than one year		9,933,712
Notes payable, due in more than one year		127,681
Capital lease payable, due in more than one year		223,207
Net pension liability		19,922,123
Net OPEB liability		1,311,830
Compensated abscences		68,640
Total noncurrent liabilities	$	32,990,917
Total Liabilities	$	34,969,572
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	$	8,104,371
Deferred inflows of resources related to OPEB		5,017,087
Total Deferred Inflows of Resources	$	13,121,458
Net Position		
Net investment in capital assets	$	10,505,915
Restricted for:		
Debt service		89,838
Capital projects		802,650
Unrestricted		(21,534,002)
Total Net Position (Deficit)	$	(10,135,599)

The Notes to Financial Statements are an integral part of this statement.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs					
Primary government -					
Governmental activities:					
Instruction	$ 9,853,091	$ 4,719	$ 5,231,727	$ -	$ (4,616,645)
Support services	6,681,359	-	98,821	31,842	(6,550,696)
Community services	39,271	6,300	-	-	(32,971)
Athletics	353,924	41,709	74,831	-	(237,384)
Student Activities	271,979	-	337,815	-	65,836
Food services	739,853	41,877	1,083,005	-	385,029
Interest on long-term debt	339,495	-	-	-	(339,495)
	$ 18,278,972	$ 94,605	$ 6,826,199	$ 31,842	$ (11,326,326)

General revenues:	
Taxes:	
Property taxes, levied for general purposes	$ 2,484,947
Property taxes, levied for debt purposes	1,356,206
Property taxes, levied for sinking funds	337,411
State aid not restricted to specific purposes	10,457,908
Interest and investment earnings	7,403
Other	95,187
Total general revenues	$ 14,739,062
Change in net position	$ 3,412,736
Net Position (Deficit) - beginning of year	(13,548,335)
Net Position (Deficit) - end of year	$ (10,135,599)

The Notes to Financial Statements are an integral part of this statement.

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Building & Site Capital Projects Fund	Other Nonmajor Governmental Funds	Total
Assets				
Cash and cash equivalents	$ 3,059,747	$ 837,502	$ 1,080,132	$ 4,977,381
Due from other governmental units	3,264,808	-	-	3,264,808
Due from other governmental funds	24,101	8,687	206,354	239,142
Inventories	-	-	13,741	13,741
Prepaid items	2,663	-	-	2,663
Total Assets	$ 6,351,319	$ 846,189	$ 1,300,227	$ 8,497,735
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 192,820	$ -	$ 9,941	$ 202,761
Accrued salaries and withholdings	1,672,031	-	4,743	1,676,774
Unearned revenue	-	-	13,187	13,187
Due to other governmental funds	171,502	43,539	24,101	239,142
Total Liabilities	$ 2,036,353	$ 43,539	$ 51,972	$ 2,131,864
Fund Balances				
Non-spendable:				
Inventories	$ -	$ -	$ 13,741	$ 13,741
Prepaid items	2,663	-	-	2,663
Restricted:				
Capital projects	-	802,650	-	802,650
Debt retirement	-	-	89,838	89,838
Food service	-		722,891	722,891
Committed:				
Student activities	-	-	421,785	421,785
Assigned for 2022-2023 budgeted deficit	87,881	-	-	87,881
Unassigned	4,224,422	-	-	4,224,422
Total Fund Balances	$ 4,314,966	$ 802,650	$ 1,248,255	$ 6,365,871
Total Liabilities and Fund Balances	$ 6,351,319	$ 846,189	$ 1,300,227	$ 8,497,735

The Notes to Financial Statements are an integral part of this statement.

RECONCILIATION OF FUND BALANCE OF GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2022

Total Fund Balances - Governmental Funds	$ 6,365,871
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	37,745,625
Accumulated depreciation/ amortization	(15,551,386)
Deferred outflows of resources related to:	
Pension	5,505,790
OPEB	1,996,809
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds and notes payable (including premiums and refunding)	(11,187,994)
Notes payable	(189,881)
Compensated abscences	(68,640)
Capital leases payable	(310,449)
Net pension liability	(19,922,123)
Net OPEB liability	(1,311,830)
Deferred inflows of resources related to differences between expected and actual experience and changes in proportion and differences between employer contributions and proportionate share of:	
Pension	(8,104,371)
OPEB	(5,017,087)
Accrued interest payable is not included as a liability in the funds	(85,933)
Total Net Position - Governmental Activities	$ (10,135,599)

The Notes to Financial Statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	General Fund	Building & Site Capital Projects Fund	Other Nonmajor Governmental Funds	Total
Revenues				
Property taxes	$ 2,484,947	$ 337,411	$ 1,356,206	$ 4,178,564
Local sources	246,736	-	379,692	626,428
State sources	13,678,207	-	56,826	13,735,033
Federal sources	1,669,979	-	1,139,831	2,809,810
Interdistrict sources	427,306	-	-	427,306
Earnings on investments	5,058	130	2,215	7,403
Total Revenues	$ 18,512,233	$ 337,541	$ 2,934,770	$ 21,784,544
Expenditures				
Instruction	$ 11,196,982	$ -	$ -	$ 11,196,982
Pupil services	1,003,987	-	-	1,003,987
Support services	6,145,082	-	1,242,399	7,387,481
Community services	38,749	-	-	38,749
Debt service				
Principal	-	61,132	1,135,000	1,196,132
Interest	-	4,391	211,342	215,733
Capital outlay	447,653	-	-	447,653
Total Expenditures	$ 18,832,453	$ 65,523	$ 2,588,741	$ 21,486,717
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (320,220)	$ 272,018	$ 346,029	$ 297,827
Other Financing Sources (Uses)				
Proceed from leases	$ 447,653	$ -	$ -	$ 447,653
Net Change in Fund Balances	$ 127,433	$ 272,018	$ 346,029	$ 745,480
Fund Balances - Beginning of year	4,187,533	530,632	902,226	5,620,391
Fund Balances - End of year	$ 4,314,966	$ 802,650	$ 1,248,255	$ 6,365,871

The Notes to Financial Statements are an integral part of this statement.

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Net Change in Fund Balances - Total Governmental Funds		$ 745,480
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these cost are allocated over their estimated useful lives as depreciation/amortization.		
Depreciation/amortization expense	$ (980,923)	
Capital outlay	457,929	
Total		(522,994)
Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid		(72,216)
The issuance of long-term debt provides current financial resources to		
Bond payments		1,135,000
Bond premium		(55,414)
Bond discount		3,868
Note payments		61,132
Capital lease payments		94,480
Proceeds from leases		(404,929)
Change in benefit expense related to pensions		1,073,298
Change in benefit expense related to OPEB		1,475,226
Revenue in support of pension contributions made subsequent to the measurement date		(92,835)
Change in the liability for compensated absences is not reported in the governmental funds.		(27,360)
Change in Net Position of Governmental Activities		$ 3,412,736

The Notes to Financial Statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Buchanan Community Schools (the "District") conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units and with the rules prescribed in the accounting manual by the Michigan Department of Education. The following is a summary of the significant accounting policies used by the District:

Reporting Entity

The District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board ("GASB") 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 District's reporting entity, and which organizations are legally separate, component units of the District. Based on the application of the criteria, the District does not contain any 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 non-fiduciary 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 District's district-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program 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 not properly included among program revenues are reported instead 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.

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 inter-fund activity has been eliminated from the district-wide financial statements.

Fund Based Statements — Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues 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 severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government. The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The District reports the following major governmental funds:

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

Building & Site Capital Project Fund is a capital project fund and is used to account for and report financial resources that are restricted to expenditures for capital outlays related to the sinking fund. As of June 30, 2022 the non-major capital projects funds maintained by the District is the Building & Site Capital Projects Fund.

Additionally, the District reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. As of June 30, 2022 the special revenue funds that are maintained by the District is the Food Service Fund and Student Activity Fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt Service Funds are used to account for and report financial resources that are restricted for principal and interest. As of June 30, 2022, the non-major debt service fund that is maintained by the District is the 2013 Building & Site Bonds Debt Retirement Fund.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Deposits 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.

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 "due to/from other governmental funds."

Property Taxes – Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. For the District's taxpayers, 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 Berrien County delinquent tax rolls.

State Aid – The State of Michigan (the "State") utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with State law and GAAP.

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

Inventories – 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. United States Department of Agriculture Commodities inventory received by the Food Service Fund are recorded as inventory.

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both District-wide and fund financial statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the District-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Right of use assets of the District are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized. The District does not have infrastructure type assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Building and additions	20 - 50 years
Buses and other vehicles	5 -10 years
Furniture and other equipment	5 - 20 years
Land improvements	10 - 20 years
Right of use - vehicles	5 - 10 years

Deferred Outflows of Resources – In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two deferred outflow of resources related to the pension and OPEB plans.

Compensated Absences – The liability for compensated absences, if any, reported in the District-wide statements consists of unpaid, accumulated sick pay. The liability has been calculated using the vesting method, in which unused sick time amounts for employees who are currently eligible to receive termination payments is included.

Long-Term Obligations – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year of issuance.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources – 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 will not be recognized as an inflow of sources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, for long-term receivables. These amounts are deferred and recognized as an inflow of resources in the period that amounts become available. The governmental funds report unavailable revenues from grant payments not considered to liquidate liabilities of the current period. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. During the current year the District does not have any unavailable revenue.

Comparative Data – Comparative data is not included in the District's financial statements.

Fund Equity – The District has adopted GASB Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The following are the District's fund balance classifications:

Non-spendable fund balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – includes amounts that can be spent only for specific purposes stipulated by what the external resource provides (for example grant providers, constitutionally, or through enabling legislation). Effectively restrictions may be changed or lifted only with the consent of resource providers.

Committed fund balance – includes amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed constraint originally.

Assigned fund balance – includes amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed.

Unassigned fund balance – is the residual classification for General Fund. This classification represents governmental fund balances that have not been assigned to other funds or that have not been restricted, committed, or assigned to specific purposes within the respective governmental fund balances.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Leases - The District is a lessee for two noncancelable leases of buses. The District recognizes a lease liability and an intangible right-of-use lease asset in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of $25,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Net Position Flow Assumption – Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Estimates – The process of preparing financial statements in conformity with GAAP requires the use of management estimates and assumptions regarding certain types of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenditures.

Pension and Other Postemployment Benefit (OPEB) Plans - For the purposes of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and major special revenue funds. All annual appropriations lapse at fiscal year-end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the District to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan law. State law permits districts to amend its budgets during the year. There was one amendment during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as assignments of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year-end; the commitments will be re-appropriated and honored during the subsequent year. There were no encumbrances at year-end.

Fund Deficits – As of June 30, 2022, the District had no fund deficits.

Deficit Net Position – As of June 30, 2022, the Government-wide Statement of Net Position had a cumulative net position deficit of $10,135,599.

NOTE 3. SINKING FUND

The Building & Site Bond Capital Projects Fund records capital project activities funded with Sinking Fund millage. For this fund, the District has complied with the applicable provisions of Section 1212 of the Revised School Code.

NOTE 4. CASH AND CASH EQUIVALENTS

Bank Deposits:

All cash of the District is on deposit with financial institutions which provide FDIC insurance coverage or in highly liquid pooled money funds.

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2022, $5,023,962 of the District's bank balance of $5,273,962 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

Credit Risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). The District's money market funds are unrated.

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

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

NOTE 5. RECEIVABLES AND PAYABLES

Receivables as of year-end for the District's individual major funds, and the non-major funds and fiduciary funds in the aggregate, including any allowance for uncollectible amounts are as follows:

	General Fund	Total
Receivables:		
Due from other Governments	$ 3,264,808	$ 3,264,808
	$ 3,264,808	$ 3,264,808

Payables as of year-end for the District's individual major funds, and the non-major funds in the aggregate, are as follows:

	General Fund	Other Nonmajor Governmental Funds	Total
Payables:			
Trade	$ 192,820	$ 9,941	$ 202,761
	$ 192,820	$ 9,941	$ 202,761

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Due To/From Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Student Activity	$ 24,101
Food Service Fund	General Fund	129,300
Building & Site Capital Projects Fund	General Fund	8,687
2013 Building & Site Bonds Debt Retirement Fund	General Fund	33,515
2013 Building & Site Bonds Debt Retirement Fund	Building & Site Capital Projects Fund	43,539
	Total	$ 239,142

Description of due to/from other governmental funds:

1) The Student Activity Fund owes the General Fund for expenses paid by the General Fund.
2) The General Fund owes the Food Service Fund for revenue collected by the General Fund that related to Food Service Fund and for operating expenses.
3) The General Fund owes the Building & Site Capital Projects Fund for property tax collection.
4) The General Fund owes the 2013 Building & Site Bonds Debt Retirement Fund for property tax collection allocation.
5) The Building & Site Capital Projects fund owes the 2013 Building & Site Bonds Debt Retirement Fund for payment of debt payment.

NOTE 7. CAPITAL ASSETS

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

	As restated Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Assets not being depreciated/amortized:				
Land	$ 342,200	$ -	$ -	$ 342,200
Net capital assets not being depreciated/amortized	$ 342,200	$ -	$ -	$ 342,200
Capital assets being depreciated/amortized:				
Building and building improvements	$ 34,553,905	$ -	$ -	$ 34,553,905
Land improvements	707,312	-	-	707,312
Buses and other vehicles	730,646	53,000	-	783,646
Furniture and equipment	953,633	-	-	953,633
Right of use - leased vehicles	-	404,929	-	404,929
Subtotal	$ 36,945,496	$ 457,929	$ -	$ 37,403,425
Accumulated depreciation/amortization:				
Building and building improvements	$ (12,606,835)	$ (793,952)	$ -	$ (13,400,787)
Land improvements	(612,866)	(9,337)	-	(622,203)
Buses and other vehicles	(545,337)	(55,668)	-	(601,005)
Furniture and equipment	(805,425)	(27,486)	-	(832,911)
Right of use - leased vehicles	-	(94,480)	-	(94,480)
Subtotal	$ (14,570,463)	$ (980,923)	$ -	$ (15,551,386)
Net capital assets being depreciated/amortized	$ 22,375,033			$ 21,852,039
Net capital assets	$ 22,717,233			$ 22,194,239

Depreciation and amortization expenses were allocated between functions as follows:

Governmental Activities

Instruction	$ 513,352
Support Services	407,157
Community Services	1,058
Athletics	17,494
Food Services	41,862
	$ 980,923

NOTE 8. RISK MANAGEMENT

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

The shared-risk pool program in which the 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.

NOTE 9. LONG-TERM DEBT

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds					
Bonds	$ 12,890,000	$ -	$ (1,135,000)	$ 11,755,000	$ 1,195,000
Bond premium	(664,970)	-	55,414	(609,556)	55,414
Bond discount	46,418	-	(3,868)	42,550	3,868
Total General Obligation Bonds	$ 12,271,448	$ -	$ (1,083,454)	$ 11,187,994	$ 1,254,282
Direct Borrowings and Direct Placement					
Note payable	$ 251,013	$ -	$ (61,132)	$ 189,881	$ 62,200
Leases	-	404,929	(94,480)	310,449	87,242
Total Direct Borrowings and Direct Placement	$ 251,013	$ 404,929	$ (155,612)	$ 500,330	$ 149,442
Total governmental activities long-term debt	$ 12,522,461	$ 404,929	$ (1,239,066)	$ 11,688,324	$ 1,403,724

Annual debt service requirement to maturity for the above Governmental activities bond and note obligations are as follows:

Annual debt service requirements to maturity for the above Governmental Activities bond and note obligations are as follows:

	Governmental Activities:				
	General Obligation Bonds		**Direct Borrowing and Direct Placement**		
Years Ended June 30:	Principal	Interest	Principal	Interest	Total
2023	$ 1,195,000	$ 450,269	$ 149,442	15,222	$ 1,809,933
2024	950,000	415,669	150,530	12,226	1,528,425
2025	1,000,000	379,869	151,638	8,541	1,540,048
2026	1,025,000	342,869	24,360	-	1,392,229
2027	1,040,000	304,669	24,363	-	1,369,032
2028-2032	5,440,000	905,745	-	-	6,345,745
2033	1,105,000	47,433	-	-	1,152,433
Premium and discount, net	(567,006)	-	-	-	(567,006)
	$ 11,187,994	$ 2,846,523	$ 500,333	$ 35,989	$ 14,570,839

NOTE 9. LONG-TERM DEBT (CONCLUDED)

Interest expense of $339,495 was not charged to activities as the District considers its debt to impact multiple activities and allocation is not practical.

Governmental Activities:

General Obligation Bonds		
The 2013 School Building and Site Bonds in the amount of $14,740,000 with US Bank. They are due in annual installments of $105,000 to $1,150,000 through May 1, 2033 and bear interest at 2.0% to 4.5%. These bonds were partially refunded by the 2021 Refunding Bonds noted below with annual installments ending in May 1, 2023.	$	865,000
On June 2, 2021 the District refunded bonds in the amount of $11,185,000 with UMB Bank. The bonds bear interest at 0.20% to 2.22% and are due serially each May 1 through 2033.		10,890,000
Total general obligation bonds	$	11,755,000
Direct Borrowing and Direct Replacement		
On February 27, 2018, the School District entered into a note payable with United Federal Credit Union in the amount of $430,561. The note is repayable in seven annual installments through November 1, 2024 and bears interest at 1.75%.	$	189,881
In 2021, the District entered into a six-year bus lease due in annual installments of $24,360 to $31,598 through August 8, 2026.		121,804
In 2021, the District entered into a four-year bus lease due in annual principal and interest payments of $50,908 to $170,832 through July 15, 2024 with interest at 4%.		188,645
Total direct borrowing and direct placement	$	500,330
Total long-term debt	$	12,255,330

Compensated absences at June 30, 2022 consist of the following:

	Beginnin g Balance	Net Change	Ending Balance	Due Within One Year
Compensated abscences consist of benefits which are payable upon termination of employment	41,280	27,360	68,640	-

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

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.

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 plans offered by MPSERS is as follows:

Plan Name	Plan Type	Plan Status
Basic	Defined Benefit	Closed
Member Investment Plan	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%.

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, 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 ("MPSERS") who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution ("DC") tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

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

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

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.

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.

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

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

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

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

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

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

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, 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 their 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, 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 an 18-year period beginning October 1, 2020 and ending September 30, 2038.

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

	Pension	Other Postemployment benefit
October 1, 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 District's pension contributions for the year ended June 30, 2022 were equal to the required contribution total. Total pension contributions were approximately $1,600,000.

The District's OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. Total OPEB contributions were approximately $643,000.

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

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

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 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	0.0841469%	0.1601443%
Net pension liability for the District	19,922,123	55,011,323

For the year ended June 30, 2022, the District recognized pension expense of $2,217,196.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 308,602	$ 117,318
Changes of assumptions	1,255,819	-
Net difference between projected and actual earnings on plan investments	-	6,404,899
Changes in proportion and differences between District contributions and proportionate share of contributions	695,598	220,088
District contributions subsequent to the measurement date*	3,245,771	-
Revenues in support of contributions subsequent to the measurement date	-	1,362,066
Total	$ 5,505,790	$ 8,104,371

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

Deferred inflows of resources of $2,116,428 resulting from the pension portion of the State Aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2022.

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

Year Ending June 30		Amount:
2022	$	(507,811)
2023		(968,824)
2024		(1,357,003)
2025		(1,648,648)
	$	(4,482,286)

*The contributions subsequent to the measurement date as a reduction of the net pension liability in the following year.

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 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 other postemployment benefits liability	$	12,046,393,511	$	13,206,903,534
Plan fiduciary net position		10,520,015,621		7,849,363,555
Net other postemployment benefits liability		1,526,377,890		5,357,266,979
Proportionate share		0.0859440%		0.1599183%
Net other postemployment benefit liability for the District		1,311,830		8,567,252

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

For the year ended June 30, 2022, the District recognized OPEB expense (credit) of ($731,436). At June 30, 2022, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 3,744,526
Changes of assumptions	1,096,625	164,096
Net difference between projected and actual earnings on OPEB plan investments	-	988,750
Changes in proportion and differences between District contributions and proportionate share of contributions	316,972	119,715
District contributions subsequent to the measurement date	583,212	-
Total	$ 1,996,809	$ 5,017,087

*The contributions subsequent to the measure date as a reduction of the net OPEB liability in the following 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:

Year Ending June 30	Amount:
2022	$ (986,842)
2023	(885,131)
2024	(777,524)
2025	(709,205)
2026	(216,395)
Therafter	(28,393)
	$ (3,603,490)

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

Actuarial Assumptions

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

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

Salary Increases - The rate of pay increase used for individual members is 2.75% - 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 morality improvements using projection scale MP-2017 from 2006.

Active: RP-2014 Male and Female Employee Annuitant Mortality Tables scaled 100% and adjusted for morality 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 valuation.

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

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

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

Healthcare Cost Trend Rate for Other Postemployment Benefit – Pre 65, 7.75% for year one and graded to 3.5% in 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.

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:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.4%
Private Equity Pools	16.0%	9.1%
International Equity 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/Oportunitstic Pools	12.5%	6.1%
Short-Term Investment Pools	2.0%	-1.3%
TOTAL	100.0%	

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 amounts actually invested.

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

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, 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 Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.80% (6.00% for the Pension Plus 2 Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	Current Single Discount Rate Assumption	1% Increase
$ 28,483,233	$ 19,922,123	$ 12,824,401
Column E Data Table	**Column F Data Table**	**Column G Data Table**

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

	OPEB - Discount	
1% Decrease	Current Discount Rate	1% Increase
$ 24,317,617	$ 1,311,830	$ 356,439

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

	OPEB - Trend Rate	
1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
$ 319,289	$ 1,311,830	$ 2,428,558

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONCLUDED

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

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

NOTE 11. UNEARNED REVENUE

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned revenue are as follows:

Fund	Description of Unearned Revenue	Unearned
Food Service	Prepaid student lunches	$ 13,187

NOTE 12. CONTINGENT LIABILITIES

Grants – In the normal course of operations, the District receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent to the granting funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 13. TAX ABATEMENTS

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by various municipalities within the District. 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. There were no abatements made by the District during the fiscal year ended June 30, 2022.

NOTE 14. UPCOMING ACCOUNTING PRONOUNCEMENTS

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 District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

NOTE 15. CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2022, the District implemented the following new pronouncement: GASB Statement No. 87, Leases.

Summary:

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

There was no material impact on the District's financial statement after the adoption of GASB Statement 87.

NOTE 16. SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 25, 2022, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE — GENERAL FUND
YEAR ENDED JUNE 30, 2022

	Original Budget	Final Budget	Actual	Variance
Revenues				
Local sources	$ 2,528,878	$ 2,545,863	$ 2,731,683	$ 185,820
State sources	13,068,899	13,880,406	13,678,207	(202,199)
Federal sources	2,772,388	3,501,681	1,669,979	(1,831,702)
Interdistrict sources	259,205	337,459	427,306	89,847
Miscellanoues	11,385	-	5,058	5,058
Total Revenues	$ 18,640,755	$ 20,265,409	$ 18,512,233	$ (1,753,176)
Expenditures				
Instruction	$ 11,381,193	$ 11,817,741	$ 11,196,982	$ 620,759
Pupil services	1,184,309	1,031,893	1,003,987	27,906
Support services	6,441,935	7,504,022	6,550,011	954,011
Community services	25,060	24,240	38,749	(14,509)
Total Expenditures	$ 19,032,497	$ 20,377,896	$ 18,789,729	$ 1,588,167
Excess (Deficit) of Revenues Over (Under) Expenditures	$ (391,742)	$ (112,487)	$ (277,496)	$ (165,009)
Other Financing Sources (Uses)				
Proceeds from leases	$ -	$ -	$ 404,929	$ 404,929
Total other financing sources (uses)	$ -	$ -	$ 404,929	$ 404,929
Net Change in Fund Balances	$ (391,742)	$ (112,487)	$ 127,433	$ 239,920
Fund Balances - Beginning of year	4,187,533	4,187,533	4,187,533	-
Fund Balances - End of year	$ 3,795,791	$ 4,075,046	$ 4,314,966	$ 239,920

The Notes to Required Supplementary Information are an integral part of this statement.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30TH

	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability	0.08415%	0.08133%	0.08105%	0.08288%	0.08447%	0.08500%	0.08449%	0.08389%
District's proportionate share of net pension liability	$ 19,922,123	$ 27,939,351	$ 26,842,095	$ 24,913,874	$ 21,890,276	$ 21,206,520	$ 20,637,907	$ 18,477,531
District's covered-employee payroll	$ 7,810,066	$ 7,285,249	$ 7,090,715	$ 6,985,732	$ 7,065,332	$ 7,254,265	$ 7,429,239	$ 7,429,854
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	255.08%	383.51%	378.55%	356.64%	309.83%	292.33%	277.79%	248.69%
Plan fiduciary net position as a percentage of total pension liability	72.60%	59.72%	60.31%	62.36%	64.21%	63.96%	63.01%	66.20%

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

The Notes to Required Supplementary Information are an integral part of this statement.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE YEAR ENDED JUNE 30TH

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	$ 2,526,613	$ 2,493,570	$ 2,229,523	$ 2,212,482	$ 2,109,317	$ 1,980,346	$ 1,933,382	$ 1,539,406
Contributions in relation to statutorily required contributions	2,526,613	2,493,570	2,229,523	2,212,482	2,109,317	1,980,346	1,933,382	1,539,406
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 8,127,814	$ 7,587,285	$ 7,234,598	$ 7,019,413	$ 6,950,159	$ 7,070,314	$ 7,304,446	$ 7,412,632
Contributions as a percentage of covered-employee payroll	31.09%	32.87%	30.82%	31.52%	30.35%	28.01%	26.47%	20.77%

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

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30TH

	2021	2020	2019	2018	2017
District's proportion of net OPEB liability	0.085944%	0.081850%	0.081000%	0.081990%	0.084830%
District's proportionate share of net OPEB liability	$ 1,311,830	$ 4,385,039	$ 5,814,322	$ 6,517,162	$ 7,511,692
District's covered-employee payroll	$ 7,810,066	$ 7,285,249	$ 7,090,715	$ 6,985,732	$ 7,065,332
District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	17%	60%	82%	93%	106%
Plan fiduciary net position as a percentage of total OPEB liability	87.33%	59.76%	48.67%	43.10%	36.53%

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

The Notes to Required Supplementary Information are an integral part of this statement.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE YEAR ENDED JUNE 30TH

	2022	2021	2020	2019	2018
Statutorily required contributions	638,001	604,431	562,697	580,987	492,772
Contributions in relation to statutorily required contributions	638,001	604,431	562,697	580,987	492,772
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 8,127,814	$ 7,587,285	$ 7,234,598	$ 7,019,413	$ 6,950,159
Contributions as a percentage of covered-employee payroll	7.85%	7.97%	7.78%	8.28%	7.09%

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

The Notes to Required Supplementary Information are an integral part of this statement.

NOTE 1- PENSION INFORMATION

Benefit changes- there were no changes of benefit terms in 2022.

Changes of assumptions – there were no changes of assumptions in 2022.

NOTE 2 – OPEB INFORMATION

Benefit changes – there were no changes of benefit terms in 2022.

Changes of assumptions – the assumption changes for 2021 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.

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations in Budgeted Funds — See previous Budgetary Comparison Schedule for budget variances as they apply to the District. Funds sufficient to provide for the excess expenditures were made available from other functions within the fund, and had no impact on the financial results of the District.

OTHER SUPPLEMENTARY

INFORMATION

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022

	Special Revenue Funds		Debt Retirement Fund	
	Food Service Fund	**Student Activities Fund**	**2013 Building & Site Bonds Debt Retirement Fund**	**Total Nonmajor Governmental Funds**
Assets				
Cash and cash equivalents	$ 621,462	$ 445,886	$ 12,784	$ 1,080,132
Due from other governmental funds	129,300	-	77,054	206,354
Inventories	13,741	-	-	13,741
Total Assets	$ 764,503	$ 445,886	$ 89,838	$ 1,300,227
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 9,941	$ -	$ -	$ 9,941
Payroll liabilities	4,743	-	-	4,743
Unearned revenue	13,187	-	-	13,187
Due to other governmental funds	-	24,101	-	24,101
Total Liabilities	$ 27,871	$ 24,101	$ -	$ 51,972
Fund Balances				
Non-spendable:				
Inventories	$ 13,741	$ -	$ -	$ 13,741
Restricted:				
Debt retirement	-	-	89,838	89,838
Food service	722,891	-	-	722,891
Committed to:				
Student Activities	-	421,785	-	421,785
Total Fund Balances	$ 736,632	$ 421,785	$ 89,838	$ 1,248,255
Total Liabilities and Fund Balances	$ 764,503	$ 445,886	$ 89,838	$ 1,300,227

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	Special Revenue Funds		Debt Retirement Fund	
	Food Service Fund	**Student Activites Fund**	**2013 Building & Site Bonds Debt Retirement Fund**	**Total Nonmajor Governmental Funds**
Revenues				
Property taxes	$ -	$ -	$ 1,356,206	$ 1,356,206
Local sources	41,877	337,815	-	379,692
State sources	56,826	-	-	56,826
Federal sources	1,139,831	-	-	1,139,831
Earnings on investments	531	-	1,684	2,215
Total Revenues	$ 1,239,065	$ 337,815	$ 1,357,890	$ 2,934,770
Expenditures				
Supporting services	$ 969,970	$ 271,979	$ 450	$ 1,242,399
Debt service				
Principal	-	-	1,135,000	1,135,000
Interest	-	-	211,342	211,342
Total Expenditures	$ 969,970	$ 271,979	$ 1,346,792	$ 2,588,741
Net Change in Fund Balances	$ 269,095	$ 65,836	$ 11,098	$ 346,029
Fund Balances - Beginning of year	467,537	355,949	78,740	902,226
Fund Balances - End of year	$ 736,632	$ 421,785	$ 89,838	$ 1,248,255

SINGLE AUDIT

INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor Pass Through Grantor Program Title Grant Number	Grant/Project Number	Federal Assistance Listing Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2021	Federal Funds/ In-Kind Payments	Federal Expenditures	Accrued (Deferred) Revenue June 30, 2022
U.S Department of Agriculture								
Passed through the Michigan Department of Education:								
Child Nutrition Cluster								
National School Lunch Program:								
Non-Cash Assistance (Donated Foods) - Entitlement Commodities - 2021/2022	N/A	10.555	$ 53,660	$ -	$ -	$ 53,660	$ 53,660	$ -
Non-Cash Assistance (Donated Foods) - Bonus - 2021/2022	N/A	10.555	-	-	-	-	-	-
Total Non-Cash Assistance - National School Lunch Program			$ 53,660	$ -	$ -	$ 53,660	$ 53,660	$ -
Cash Assistance:								
COVID 19 - National School Lunch Program	211961	10.555	$ 96,285	$ -	$ -	$ 96,285	$ 96,285	$ -
COVID 19 - National School Lunch Program	221961	10.555	675,802	-	-	656,658	675,802	19,144
COVID 19 - National School Lunch Program	211965	10.555	1,606	-	-	1,606	1,606	-
COVID 19 - National School Lunch Program	211980	10.555	343	-	-	343	343	-
COVID 19 - National School Lunch Program	221980	10.555	3,792	-	-	3,700	3,792	92
Total Cash Assistance - National School Lunch Program			$ 777,828	$ -	$ -	$ 758,592	$ 777,828	$ 19,236
Total National Lunch Program			$ 831,488	$ -	$ -	$ 812,252	$ 831,488	$ 19,236
School Breakfast Program								
COVID 19 - School Breakfast Program	211971	10.553	$ 24,512	$ -	$ -	$ 24,512	$ 24,512	$ -
COVID 19 - School Breakfast Program	221971	10.553	187,051	-	-	180,075	187,051	6,976
Total School Breakfast Program			$ 211,563	$ -	$ -	$ 204,587	$ 211,563	$ 6,976
Summer Food Service Program for Children:								
COVID-19 SFSP	210904	10.559	$ 756,317	$ 672,663	$ 71,706	$ 155,360	$ 83,654	$ -
COVID-19 SFSP	220904	10.559	13,126	-	-	-	13,126	13,126
Total Summer Food Service Program for Children			$ 769,443	$ 672,663	$ 71,706	$ 155,360	$ 96,780	$ 13,126
Total Cash Assistance			$ 1,758,834	$ 672,663	$ 71,706	$ 1,118,539	$ 1,086,171	$ 39,338
Total Child Nutrition Cluster			$ 1,812,494	$ 672,663	$ 71,706	$ 1,172,199	$ 1,139,831	$ 39,338
Pandemic EBT Local Level Costs								
COVID -19 - Pandemic EBT Local Level Costs	210980	10.649	$ 614	$ -	$ -	$ 614	$ 614	$ -
Total Pandemic EBT Local Level Costs			$ 614	$ -	$ -	$ 614	$ 614	$ -
Total U.S. Department of Agriculture			**$ 1,813,108**	**$ 672,663**	**$ 71,706**	**$ 1,172,813**	**$ 1,140,445**	**$ 39,338**

The Notes to Schedule of Expenditures of Federal Awards is an integral part of this statement.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor Pass Through Grantor Program Title Grant Number	Grant/Project Number	Federal Assistance Listing Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2021	Federal Funds/ In-Kind Payments	Federal Expenditures	Accrued (Deferred) Revenue June 30, 2022
U.S. Department of Education								
Passed through Michigan Department of Education								
Title I, Part A - Grants to Local Educational Agencies								
Title I, Part A 2021	211530	84.010	$ 379,139	$ 366,657	$ 33,722	$ 34,737	$ 1,015	$ -
Title I, Part A 2022	221530	84.010	275,128	-	-	183,375	241,592	58,217
Total Title I, Part A			$ 654,267	$ 366,657	$ 33,722	$ 218,112	$ 242,607	$ 58,217
Title II, Part A - Improving Teacher Quality								
Title II, Part A 2021	210520	84.367	$ 98,659	$ 59,341	$ 4,779	$ 4,779	$ -	$ -
Title II, Part A 2022	220520	84.367	70,898	-	-	19,805	46,779	26,974
Total Title II, Part A			$ 169,557	$ 59,341	$ 4,779	$ 24,584	$ 46,779	$ 26,974
Title IV, Part A - Student Support and Academic Enrichment Grant								
Title IV, Part A 2022	220750	84.424	$ 21,027	$ -	$ -	$ 17,735	$ 21,027	$ 3,292
Total Title IV, Part A			$ 21,027	$ -	$ -	$ 17,735	$ 21,027	$ 3,292
Education Stabilization Fund								
COVID -19 - Governor's Emergency Education Relief Fund								
COVID -19 - Governor's Emergency Education Relief Fund (GEER II) 2021 - 2022	211202	84.425C	$ 13,750	$ -	$ -	$ -	$ 13,750	$ 13,750
Total COVID -19 - Governor's Emergency Education Relief Fund			$ 13,750	$ -	$ -	$ -	$ 13,750	$ 13,750
COVID-19 - Elementary and Secondary School Emergency Relief								
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER I) 2019-2020	203710	84.425D	$ 269,965	$ 209,098	$ -	$ (148,231)	$ 60,867	$ 209,098
Total COVID 19 - Elementary and Secondary School Emergency Relief Fund (ESSER I)			$ 269,965	$ 209,098	$ -	$ (148,231)	$ 60,867	$ 209,098
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II)								
Passed through Michigan Department of Education								
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II) 2020-2021	213712	84.425D	$ 908,955	$ -	$ -	$ 908,955	$ 908,955	$ -
Total COVID 19 - Elementary and Secondary School Emergency Relief Fund (ESSER II) - Passed through Michigan Department of Education			$ 908,955	$ -	$ -	$ 908,955	$ 908,955	$ -
Passed through Berrien RESA:								
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II) 2021-2022	213722	84.425D	$ 74,250	$ -	$ -	$ 74,250	$ 74,250	$ -
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II) 2021-2022	213742	84.425D	18,700	-	-	18,700	18,700	-
Total COVID 19 - Elementary and Secondary School Emergency Relief Fund (ESSER II) - Passed through Berrien RESA			$ 92,950	$ -	$ -	$ 92,950	$ 92,950	$ -
Total COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II)			$ 1,001,905	$ -	$ -	$ 1,001,905	$ 1,001,905	$ -
Passed through Michigan Department of Education								
COVID-19 - Elementary and Secondary School Emergency Relief Funds (ESSER III Formula Funds)	213713	84.425U	$ 2,042,836	$ -	$ -	$ 162,447	$ 247,035	$ 84,588
Total Education Stabilization Fund			$ 3,328,456	$ 209,098	$ -	$ 1,016,121	$ 1,323,557	$ 307,436

The Notes to Schedule of Expenditures of Federal Awards is an integral part of this statement.

Federal Grantor Pass Through Grantor Program Title Grant Number	Grant/Project Number	Federal Assistance Listing Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2021	Federal Funds/ In-Kind Payments	Federal Expenditures	Accrued (Deferred) Revenue June 30, 2022
Passed through Berrien RESA								
Perkins Grant								
Perkins Grant 2021-2022	N/A	84.048	$ 26,443	$ -	$ -	$ 26,443	$ 26,443	$ -
Total Perkins Grant			$ 26,443	$ -	$ -	$ 26,443	$ 26,443	$ -
Total Passed Through Berrien RESA			$ 119,393	$ -	$ -	$ 119,393	$ 119,393	$ -
Total Passed Through Michigan Department of Education			$ 4,080,357	$ 635,096	$ 38,501	$ 1,183,602	$ 1,541,020	$ 395,919
Total U.S. Department of Education			**$ 4,199,750**	**$ 635,096**	**$ 38,501**	**$ 1,302,995**	**$ 1,660,413**	**$ 395,919**
U.S. Department of Health and Human Services								
Passed through the Berrien RESA								
Medicaid Cluster								
Medicaid Outreach - 2021-2022	N/A	93.778	$ 8,952	$ -	$ -	$ 8,952	$ 8,952	$ -
Total Medicaid Cluster			$ 8,952	$ -	$ -	$ 8,952	$ 8,952	$ -
Total U.S. Department of Health and Human Services			**$ 8,952**	**$ -**	**$ -**	**$ 8,952**	**$ 8,952**	**$ -**
Total Federal Financial Assistance			**$ 6,021,810**	**$ 1,307,759**	**$ 110,207**	**$ 2,484,760**	**$ 2,809,810**	**$ 435,257**

The Notes to Schedule of Expenditures of Federal Awards is an integral part of this statement.

SECTION I – SUMMARY OF AUDITORS RESULTS

Financial Statements

Type of auditors report issued based on financial statements prepared in accordance with generally accepted accouting principles:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	☐ Yes	☒ No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	☐ 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 that are not considered to be material weakness(es)?	☐ Yes	☒ none reported
Type of auditors report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 2 CRF 200.516 (a)?	☐ Yes	☒ No

Identification of major programs:

Federal Assistance Listing Number(s)	Name of Federal Program or Cluster
84.425C, 84.425D, 84.425U	Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	☐ Yes	☒ No

SECTION II –STATUS OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

2021-001 - Condition and Criteria: Accounting principles require personnel of the District to have the knowledge to review and determine that the financial report is a complete presentation in accordance with GAAP. The District's personnel prepare financial information throughout the year to assess the operations and the financial condition of the District. However, prior to the closing of the year end multiple reclassification journal entries, material to the financial statements, were proposed by their Independent Audit Firm. Also, the District relies on their Independent Audit Firm to assist in reporting the annual financial report in accordance with GAAP.

Effect: As a result, the District is considered to have a material weakness, since reporting errors or omissions could occur in the preparation of the annual financial report that would be departures from GAAP and the District would not be in a position to detect the errors or omissions.

Cause: The District relies on their Independent Audit Firm to assist in reporting the annual financial report in accordance with GAAP as well as propose material journal entries to the financial statements.

Context: The District has individuals on staff to review the financial report to ensure it is accurate, and the financial information reflects the recording of the proposed entries. However, the individuals do not review and determine that the financial report is a complete presentation in accordance with GAAP.

Status: The District has outsourced the District's Business Manager responsibilities to the Berrien RESA. The Business Manager who is overseeing the District's business office is a member of the Michigan School Accounting Manual (Bulletin 1022) Committee and also serves the same roll for multiple other Districts that are overseen by the Berrien RESA. The Business Manager has the skills, knowledge and experience to accept responsibility for the District's financials. During the current year audit, there were no material reclassifications or entries made by the District's independent auditors. The Business Office was instrumental in preparing the District's yearend financial statements for the audit.

2021-002 – Child Nutrition Cluster – Program Income

Federal Assistance Listing No. 10.553, 10.555, 10.556 and 10.559, Grant No. 55030/200900/210904

Condition and Criteria: The USDA requires that the ending balance of the non-profit school fund service fund does not exceed three months' average of operating expenses. If an excess fund balance should occur, the School Food Authority ("SFA") will be required to develop a spending plan for reducing the balance to an acceptable level during the following school year. The plan must be submitted to MDE, Office of School Support Services, for prior approval. As a result, this allows the SFA to use those excess funds to further improve the school meals program operations. The school food service account is a non-profit account, which means that the excess funds cannot be used to profit the General Fund. It must be used for a specific purpose in the School Meals Program. At year end, the District's fund equity in the Food Service Fund exceeded the allowable three months of expenditures threshold.

Effect: The District's ending fund equity exceeded the three months' average operating expenses, creating a Program Income finding.

Cause: Due to the excess dollars received as part of the Extended Summer Food Service Program, the District was not able to plan for, and subsequently spend down, the excess dollars by year end.

Context: The District's fund equity of $468,859 at fiscal year-end exceeded the allowable three months' average operating expenses threshold by $188,805. We would like to note that the District did not obtain a waiver from the State for $126,730 of this excess, leaving $62,075 in unapproved excess fund balance.

Questioned Costs: None

Status of Comment: As of June 30, 2022, the District still has an excess fund equity in the District's Food Service Fund. The excess is directly due to the COVID-19 pandemic and is not related to the District's internal controls. The District will continue to monitor the fund balance throughout the 2022-2023 school year and will continue to follow the District's planned fund balance spend down plan. This finding will not be repeated.

SECTION III –FINANCIAL STATEMENT FINDINGS

There are no current year financial statement findings.

SECTION IV – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no current year federal award findings and questioned costs.

NOTE 1. BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Buchanan Community Schools (the "District") under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principals contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein *certain* types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Passthrough entity identifying numbers are presented where available.

NOTE 3. FOOD DISTRIBUTION

The amounts reported on the Recipient Entitlement Balance Report (PAL report), agree with this schedule for USDA donated food commodities and are reported in the Federal Funds/In-Kind Payments column. Spoilage or pilferage, if any, is included in expenditures.

NOTE 4. SCHEDULE OF RECONCILIATION OF EXPENDITURES WITH EXPENDITURES FOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

The actual Federal source expenditures amounted to $2,809,810 per the audit of the financial statements. The related expenditures are composed of the following:

	Amount
Actual cash expenditures	$ 2,756,150
Entitlement commodities used	53,660
	$ 2,809,810

NOTE 5. INDIRECT COSTS

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

NOTE 6. GRANT AUDITOR REPORT

Management has utilized the Cash Management System (CMS) Grant Auditor Report in preparing the Schedule. Unreconciled differences, if any, have been disclosed to the auditor.

NOTE 8. PASS-THROUGH SUBRECIPIENTS

The District did not pass-through any federal award dollars to any subrecipients.

MANAGEMENT COMPLIANCE

LETTERS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Education of
Buchanan Community Schools
Berrien County, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buchanan Community Schools (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 25, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

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,* Concluded

Report on Compliance and Other Matters

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

Respectfully submitted,

Kruggel, Lawton & Company, LLC

Certified Public Accountants

St. Joseph, Michigan
October 25, 2022

KRUGGEL LAWTON CPA

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

To the Board of Education of
Buchanan Community Schools
Berrien County, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Buchanan Community Schools' (the "District") 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 the District's major federal programs for the year ended June 30, 2022. The District's 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 the District's 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 the District's and to meet our other 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 the District's 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 the District's federal programs.

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance, Continued

Auditor's Responsibilities 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 the District's 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 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 the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with 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 the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Buchanan Community 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 the District's 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.

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance, Concluded

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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.

Respectfully submitted,

Kruggel, Lawton & Company, LLC

Certified Public Accountants

St. Joseph, Michigan
October 25, 2022