HOMER COMMUNITY SCHOOLS

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

YEAR ENDED JUNE 30, 2022

Maner Costerisan

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Homer Community Schools

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Homer Community Schools, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Homer Community Schools' 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 Homer Community Schools, as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note 14 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 Homer Community Schools' 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 Homer Community Schools' internal control. Accordingly, no such opinion is expressed.

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

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

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

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 Homer Community Schools' 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 28, 2022 on our consideration of Homer Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Homer Community Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Homer Community Schools' internal control over financial reporting and compliance.

Maner Costerisan PC

October 28, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Homer Community Schools' (HCS) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The District's general fund balance increased by approximately $81,000 to a total of $1,275,062 as of June 30, 2022. The fund balance increase was primarily the result of increased state foundation revenue and usage of federal grant monies.

The District continues to participate in short-term loans, borrowing $2,000,000 for 2022, against anticipated state aid payments. The District will borrow $2,000,000 for the 2023 fiscal year.

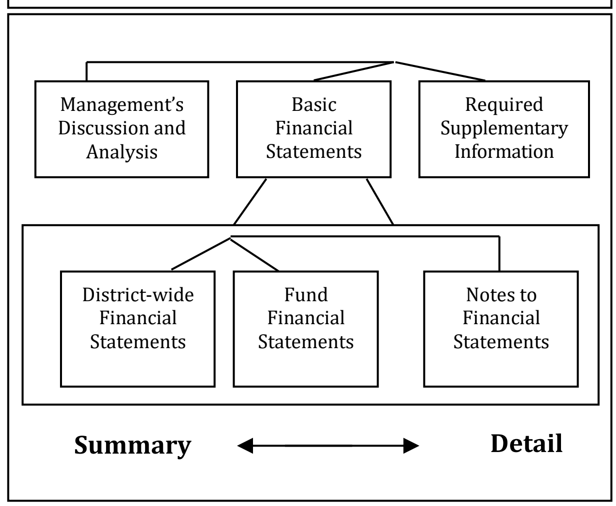
The food service fund balance increased by approximately $50,000 in the 2021 - 2022 school year. This increase was due to maximizing federal grant revenues and decreasing staff costs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide notes to financial statements.
- The governmental funds statements tell how basic services like instruction and support services were financed in the short-term as well as what remains for future spending.

Figure A-1
Organization of Homer Community Schools' Annual Financial Report



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2
Major Features of District-Wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements Governmental Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance.
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred outflows, deferred inflows, and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how they have changed. Net position - the difference between the District's assets, deferred outflows, deferred inflows and liabilities - are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities:

- Governmental activities - Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (like repaying debt, and its capital projects fund) or to show that it is properly using certain revenues (like food service).

The District has one kind of fund:

- Governmental funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position - The District's net position (deficit) changed as follows.

Table A-3
Homer Community Schools
Net Position

	2022	2021*
Current and other assets	$ 5,774,006	$ 5,460,899
Capital assets and other	19,822,414	19,856,096
Total assets	25,596,420	25,316,995
Deferred outflows of resources	4,463,615	5,903,707
Long-term obligations outstanding	16,157,934	17,066,138
Net other postemployment benefits liability	918,464	3,081,828
Net pension liability	14,002,380	20,301,366
Other liabilities	3,147,538	3,035,454
Total liabilities	34,226,316	43,484,786
Deferred inflows of resources	9,536,185	3,806,079
Net position		
Net investment in capital assets	4,507,942	3,689,082
Restricted for debt service	386,186	440,363
Unrestricted	(18,596,594)	(20,199,608)
Total net position	$ (13,702,466)	$ (16,070,163)

*The 2021 figures have not been updated for the adoption of GASB 87.

Table A-4
Changes in Homer Community Schools' Net Position

		2022		2021*
Revenues				
Program revenues				
Charges for services	$	73,454	$	50,185
Operating grants and contributions		4,985,183		3,430,488
General revenues				
Property taxes		1,474,273		1,484,975
Investment earnings		4,271		264
State aid - unrestricted		7,695,699		7,560,600
ISD		678,720		722,794
Other		82,764		91,663
Total revenues		14,994,364		13,340,969
Expenses				
Instruction		5,974,651		7,118,919
Support services		4,310,257		4,187,203
Community services		50,501		31,999
Food services		586,734		538,199
Student / school activities		216,625		48,603
Interest on long-term debt		667,241		712,265
Unallocated depreciation/amortization		820,658		790,887
Total expenses		12,626,667		13,428,075
Change in net position	$	2,367,697	$	(87,106)

*the 2021 figures have not been updated for the adoption of GASB 87.

District Governmental Activities

The District's financial condition has been impacted by a number of factors.

- The State Foundation Allowance remained at $8,700 per student in 2021 and 2022.

- Full-time equivalent students enrolled in the District decreased from 992 in 2021 to 952 in 2022. Homer Community Schools does participate in School of Choice and Open Enrollment to attract new students to the District.

- The District's payment into Michigan Public School Employees' Retirement System (MPSERS) averaged 44.62% of qualified wages in 2022. 18.75% of this cost was offset by State categorical revenues.

- Most District employees received wage increase of 2% in 2021 and teachers also received salary schedule step increases.

- The District has used grant funds es to keep pace with minimal revenue increases and rising employee benefit costs.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District as a whole has a combined fund balance of $2.61 million compared to $2.47 million in 2021. The combined fund balance increased primarily due to additional federal grants. The general fund increased its fund balance by $81,432, major debt service funds decreased by $181,011, and other non-major governmental funds increased by $239,443 (food service, school / student activities, and capital projects).

General Fund and Budget Highlights

During the 2022 fiscal year the original District budget was amended to reflect changes which affected the District. These changes included adjustments for the final student count, adjustments to the State revenue projections and the final determination of grant awards.

The final amended budget projected revenues exceeding expenditures by $207,914. Final results showed that revenues came in $400,485 lower than anticipated and expenditures were lower than anticipated by $132,760. The net result after other financing sources (uses) was a change in fund balance of $81,432, increasing the fund balance to $1,275,062.

Overall, the difference between the final District's amended budget and end of the year figures amounted to a $126,482 variance. The majority of this variance was due to the uncertainty of the State of Michigan economic conditions in place at the time of the final budget adoption and the potential impact on state aid funding.

CAPITAL ASSET AND OBLIGATION ADMINISTRATION

Capital Assets

The District's capital assets are as follows:

Table A-5
Homer Community Schools' Capital Assets

	2022			2021*
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	$ 15,000	$ -	$ 15,000	$ 15,000
Construction in process	513,567	-	513,567	-
Buildings and improvements	27,942,999	9,381,098	18,561,901	19,137,378
Technology	358,620	292,218	66,402	92,676
Furniture and fixtures	955,601	749,739	205,862	232,634
Right to use - leased equipment	118,747	30,649	88,098	-
Machinery and equipment	789,867	660,882	128,985	151,326
Transportation equipment	973,463	730,864	242,599	227,082
Total	$ 31,667,864	$ 11,845,450	$ 19,822,414	$ 19,856,096

*The 2021 figures have not been updated for the adoption of GASB 87.

The capital asset additions in 2022 consisted of the updates to track, roof, buses, and other equipment all placed into service during the year.

LONG-TERM OBLIGATIONS

At year end the District had $16,084,587 of long-term obligations outstanding as shown in Table A-6. More detailed information is available in the notes to the financial statements.

The District borrows from the School Loan Revolving Fund in order to make debt service payments in excess of the 7.0 mill tax levy. The current outstanding balance excluding interest is $1,923,252 at the end of fiscal year 2022, which includes the addition of $355,026 during the year. Principal and interest are considered long-term. Accrued interest is an additional $73,347.

Table A-6
Homer Community Schools
Outstanding Long-Term Obligations

	2022	2021*
General obligation bonds	$ 13,639,414	$ 14,941,252
Notes from direct borrowings and direct placements	2,012,094	1,568,226
Compensated absences	433,079	527,140
	$ 16,084,587	$ 17,036,618

*2021 figures have not been updated for the adoption of GASB 87.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The State School Aid Budget has been approved with a significant increase to the foundation allowance moving from $8,700 to $9.150. However, uncertainty with regards to financial economic conditions in the State of Michigan could jeopardize maintaining this increase long term.

- Student count is projected to continue showing a slight decrease in 2022 - 2023 as the State-wide.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Homer Community Schools, 403 S. Hillsdale Street, Homer, Michigan 49245.

BASIC FINANCIAL STATEMENTS

HOMER COMMUNITY SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 1,719,976
Investments	1,357,819
Receivables	
Accounts receivable	9,449
Intergovernmental receivable	2,620,674
Leases	58,481
Inventories	2,635
Prepaid expenses	4,972
Capital assets not being depreciated/amortized	528,567
Capital assets, net of accumulated depreciation/amortization	19,293,847
TOTAL ASSETS	25,596,420
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding, net of amortization	97,711
Related to other postemployment benefits	1,390,432
Related to pensions	2,975,472
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,463,615
LIABILITIES	
Accounts payable	48,346
Accrued salaries and related items	517,772
Accrued retirement	400,731
Accrued interest	50,720
Due to other governmental units	5,196
Unearned revenue	124,773
Note payable	2,000,000
Noncurrent liabilities	
Due within one year	1,368,235
Due in more than one year	14,716,352
Accrued interest due in more than one year	73,347
Net other postemployment benefits liability	918,464
Net pension liability	14,002,380
TOTAL LIABILITIES	34,226,316
DEFERRED INFLOWS OF RESOURCES	
Related to other postemployment benefits	3,658,245
Related to pensions	4,865,237
Related to unavailable revenue - leases	57,908
Related to state aid funding for pension	954,795
TOTAL DEFERRED INFLOWS OF RESOURCES	9,536,185
NET POSITION	
Net investment in capital assets	4,507,942
Restricted for capital projects	167,410
Restricted for debt service	218,776
Unrestricted	(18,596,594)
TOTAL NET POSITION	$ (13,702,466)

See notes to financial statements.

HOMER COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

		Program Revenues		Governmental Activities
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	$ 5,974,651	$ 8,085	$ 2,490,737	$ (3,475,829)
Support services	4,310,257	63,359	1,125,585	(3,121,313)
Community services	50,501	-	19,689	(30,812)
Food services	586,734	2,010	805,263	220,539
Student/school activities	216,625	-	217,440	815
Interest on long-term debt	667,241	-	326,469	(340,772)
Unallocated depreciation/amortization	820,658	-	-	(820,658)
Total governmental activities	$ 12,626,667	$ 73,454	$ 4,985,183	(7,568,030)
General revenues				
Property taxes, levied for general purposes				515,469
Property taxes, levied for debt service				958,804
Investment earnings				4,271
State sources				7,695,699
Intermediate sources				678,720
Other				82,764
Total general revenues				9,935,727
CHANGE IN NET POSITION				2,367,697
NET POSITION, beginning of year				(16,070,163)
NET POSITION, end of year				$ (13,702,466)

See notes to financial statements.

HOMER COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Combined Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 1,394,359	$ 24,520	$ 301,097	$ 1,719,976
Investments	359,767	282,209	715,843	1,357,819
Receivables				
Accounts receivable	9,449	-	-	9,449
Intergovernmental receivable	2,613,318	-	7,356	2,620,674
Leases	58,481	-	-	58,481
Due from other funds	-	29,546	76,616	106,162
Inventories	-	-	2,635	2,635
Prepaid expenditures	4,972	-	-	4,972
TOTAL ASSETS	$ 4,440,346	$ 336,275	$ 1,103,547	$ 5,880,168
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 45,953	$ -	$ 2,393	$ 48,346
Accrued salaries and related items	514,745	-	3,027	517,772
Accrued retirement	400,057	-	674	400,731
Accrued interest	7,643	-	-	7,643
Due to other funds	24,591	1,075	80,496	106,162
Due to other governmental units	-	-	5,196	5,196
Unearned revenue	114,387	-	10,386	124,773
Note payable	2,000,000	-	-	2,000,000
TOTAL LIABILITIES	3,107,376	1,075	102,172	3,210,623
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue - leases	57,908	-	-	57,908
FUND BALANCES				
Nonspendable				
Inventories	-	-	2,635	2,635
Prepaid expenditures	4,972	-	-	4,972
Restricted for:				
Debt service	-	335,200	-	335,200
Food service	-	-	286,975	286,975
Capital projects	-	-	167,410	167,410
Committed for student/school activities	-	-	218,225	218,225
Assigned for:				
Capital projects	-	-	326,130	326,130
Unassigned	1,270,090	-	-	1,270,090
TOTAL FUND BALANCES	1,275,062	335,200	1,001,375	2,611,637
TOTAL LIABILITIES, DEFERRED INFLOW, AND FUND BALANCES	$ 4,440,346	$ 336,275	$ 1,103,547	$ 5,880,168

See notes to financial statements.

HOMER COMMUNITY SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total governmental fund balances		$ 2,611,637
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows of resources - charges on refunding, net of amortization		97,711
Deferred outflows of resources - related to pensions		2,975,472
Deferred inflows of resources - related to pensions		(4,865,237)
Deferred outflows of resources - related to other postemployment benefits		1,390,432
Deferred inflows of resources - related to other postemployment benefits		(3,658,245)
Deferred inflows of resources - related to state funding for pension		(954,795)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of the capital assets is	$ 31,667,864	
Accumulated depreciation/amortization is	(11,845,450)	
		19,822,414
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Long-term obligations		(15,651,508)
Compensated absences		(433,079)
Accrued interest is not included as a liability in government funds, it is recorded when paid		(116,424)
Net other postemployment benefit liability		(918,464)
Net pension liability		(14,002,380)
Net position of governmental activities		$ (13,702,466)

See notes to financial statements.

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

	General Fund	Combined Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Local sources				
Property taxes	$ 515,469	$ 958,804	$ -	$ 1,474,273
Investment earnings	2,231	641	1,115	3,987
Food sales	-	-	66,866	66,866
Student/school activities	-	-	217,724	217,724
Other	287,454	-	319,776	607,230
Total local sources	805,154	959,445	605,481	2,370,080
State sources	9,654,946	66,015	19,595	9,740,556
Federal sources	1,246,403	326,469	720,812	2,293,684
Incoming transfers and other	774,979	18,527	-	793,506
TOTAL REVENUES	12,481,482	1,370,456	1,345,888	15,197,826
EXPENDITURES				
Current				
Instruction	7,269,479	-	-	7,269,479
Supporting services	4,899,962	-	-	4,899,962
Food service activities	-	-	703,577	703,577
Student/school activities	-	-	216,625	216,625
Community service activities	50,501	-	-	50,501
Other transactions	334,544	-	-	334,544
Debt service				
Principal repayment	29,905	1,280,000	-	1,309,905
Interest	1,902	624,183	-	626,085
Other	-	2,310	-	2,310
TOTAL EXPENDITURES	12,586,293	1,906,493	920,202	15,412,988
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(104,811)	(536,037)	425,686	(215,162)
OTHER FINANCING SOURCES (USES)				
School loan revolving fund issuance	-	355,026	-	355,026
Transfers in	186,243	-	-	186,243
Transfers out	-	-	(186,243)	(186,243)
TOTAL OTHER FINANCING SOURCES (USES)	186,243	355,026	(186,243)	355,026
NET CHANGE IN FUND BALANCES	81,432	(181,011)	239,443	139,864
FUND BALANCES				
Beginning of year	1,193,630	516,211	761,932	2,471,773
End of year	$ 1,275,062	$ 335,200	$ 1,001,375	$ 2,611,637

See notes to financial statements.

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

Net change in fund balances total governmental funds	$ 139,864
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation/amortization:	
Depreciation/amortization expense	(820,658)
Capital outlay	668,229
Accrued interest on bonds and debt is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable, beginning of the year	75,848
Accrued interest payable, end of the year	(116,424)
The issuance of long-term obligations (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term obligations and related items and are as follows:	
School loan revolving fund issuance	(355,026)
Payments on debt	1,309,905
Amortization of deferred loss on refunding	(5,428)
Amortization of bond premium	21,838
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences, beginning of the year	527,140
Accrued compensated absences, end of the year	(433,079)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the the governmental funds:	
Other postemployment benefit items	970,947
Pension related items	588,003
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period:	
Change in state aid funding for pension	(203,462)
Change in net position of governmental activities	$ 2,367,697

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

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

Reporting Entity

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

Basis of Presentation - Government-wide Financial Statements

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

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

Basis of Presentation - Fund Financial Statements

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

The District reports the following *Major Governmental Funds*:

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

The *Combined Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. Effective July 1, 2014, the *combined debt service* fund was established to combine the activity of the other debt funds.

The District reports the following *Other Nonmajor Funds:*

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

Other Nonmajor Funds (continued):

The *Capital Projects Building and Site Fund* accounts for the receipt of transfers from the general fund, other revenue and the acquisition of capital assets or construction of major capital projects and restricted contributions.

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

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

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

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

Budgetary Information

Budgetary Basis of Accounting

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

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

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

a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information (continued)

Budgetary Basis of Accounting (continued)

b. Public hearings are conducted to obtain taxpayer comments.

c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

e. The budget was amended during the year with supplemental appropriations, the last one approved prior to the year ended June 30, 2022. The District does not consider these amendments to be significant.

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

Cash and Cash Equivalents

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

Investments

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

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

b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services, and which matures not more than 270 days after the date of purchase.

d. The United States government or federal agency obligations repurchase agreements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Investments (continued)

e. Bankers' acceptances of United States banks.

f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

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

Inventories and Prepaid Items

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

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

Capital Assets

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

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

Land and construction in progress, if any, are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives. Right to use assets of the District are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives:

Capital Asset Classes	Lives
Buildings and improvements	7 - 50
Technology	5 - 10
Furniture and fixtures	5 - 20
Right to use - leased equipment	5
Machinery and equipment	5 - 20
Transportation equipment	5 - 10

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Defined Benefit Plans

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

Deferred Outflows

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

Deferred Inflows

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

Net Position Flow Assumption

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Net Position Flow Assumption (continued)

However, in a previous period, the District issued bonded debt in the amount of $5,240,000 used to make principal and interest payments related to the SLRF. 4.57% of these proceeds were not considered capital related debt as that percentage of the proceeds was used to pay off accrued interest. The remaining portion of those proceeds that is not considered to be capital related debt, after factoring for subsequent payments on those proceeds, is $239,325 at June 30, 2022.

In the computation of net investment in capital assets the school loan revolving fund principal proceeds of $1,923,252 are considered capital-related debt. Accrued interest on the school loan revolving fund of $73,347 is not considered capital related debt.

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Leases

Lessee: The District is a lessee for a noncancelable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value that it considers significant to the government-wide financial statements, or with annual lease payments that are considered significant to the fund in which they are accounted for.

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.

Lessor: The District is a lessor for a noncancelable lease of a building. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payment received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Leases (continued)

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

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of this lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Revenues and Expenditures/Expenses

Program Revenues

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

Property Taxes

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

For the year ended June 30, 2022, the District levied the following amounts per $1,000 of assessed valuation:

Fund	Mills
General fund	
Non-Principal Residence Exemption (PRE)	18.0000
Commercial Personal Property	6.0000
Debt service fund	
PRE, Non-PRE, Commercial Personal Property	7.0000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Compensated Absences

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

Long-Term Obligations

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2022 the District had deposits and investments subject to the following risks.

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, $1,817,632 of the District's bank balance of $2,094,929 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. The carrying value on the books for deposits at the end of the year was $1,719,976.

Custodial Credit Risk - Investments

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

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

Foreign Currency Risk

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

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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.

Investment Type	Fair Value	Weighted Average Maturity (Years)
Michigan Class Investment Pool	$ 1,357,819	0.0972
Portfolio weighted average maturity		0.0972

One day maturity equals 0.0027, one year equals 1.00.

Concentration of Credit Risk

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

Investment Type	Fair Value	Rating	Rating Agency
Michigan Class Investment Pool	$ 1,357,819	AAAm	Standard & Poor's

Fair Value Measurement

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

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement (continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The District does not have any investments subject to fair value measurements.

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

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

At the year ended June 30, 2022, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Michigan Class Investment Pool	$ 1,357,819	$ -	No restrictions	None

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

The following summarizes the categorization of these amounts as of June 30, 2022:

	Primary Government
Cash and cash equivalents	$ 1,719,976
Investments	1,357,819
	$ 3,077,795

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2022 consist of the following:

Governmental units	
State aid	$ 1,751,723
Federal revenue	625,295
Other	243,656
	$ 2,620,674

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

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

NOTE 4 - CAPITAL ASSETS

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

	(As Restated) Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Governmental activities				
Capital assets, not being depreciated/amortized				
Land	$ 15,000	$ -	$ -	$ 15,000
Construction in process	-	513,567	-	513,567
Total capital assets, not being depreciated/amortized	15,000	513,567	-	528,567
Capital assets, being depreciated/amortized				
Buildings and improvements	27,910,189	32,810	-	27,942,999
Technology	603,177	-	(244,557)	358,620
Furniture and fixtures	903,601	52,000	-	955,601
Right to use - leased equipment	118,747	-	-	118,747
Machinery and equipment	806,867	-	(17,000)	789,867
Transportation equipment	903,611	69,852	-	973,463
Total capital assets being depreciated/amortized	31,246,192	154,662	(261,557)	31,139,297
Accumulated depreciation/amortization				
Buildings and improvements	8,772,811	608,287	-	9,381,098
Technology	510,501	26,274	(244,557)	292,218
Furniture and fixtures	670,967	78,772	-	749,739
Right to use - leased equipment	-	30,649	-	30,649
Machinery and equipment	655,541	22,341	(17,000)	660,882
Transportation equipment	676,529	54,335	-	730,864
Total accumulated depreciation/amortization	11,286,349	820,658	(261,557)	11,845,450
Net capital assets being depreciated/amortized	19,959,843	(665,996)	-	19,293,847
Net governmental capital assets	$ 19,974,843	$ (152,429)	$ -	$ 19,822,414

NOTE 4 - CAPITAL ASSETS (continued)

The District determined that it was impractical to allocate depreciation/amortization to the various governmental activities as the assets serve multiple functions.

NOTE 5 - NOTE PAYABLE - STATE AID ANTICIPATION NOTE

At June 30, 2022, the District has issued a state aid anticipation note payable in the amount of $2,000,000 which has an interest rate of 0.38% and matures on August 20, 2022. Proceeds of the note were used to fund school operations. The note is secured by the full faith and credit of the District as well as pledged state aid. In an event of a default on the note, the financial institution may impose a penalty interest rate and at the financial institution's discretion, accelerate the repayment terms. Activity for the year ended June 30, 2022 is as follows:

Balance July 1, 2021	Additions	Payments	Balance June 30, 2022
$ 2,000,000	$ 2,000,000	$ 2,000,000	$ 2,000,000

NOTE 6 - LONG-TERM OBLIGATIONS

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

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

	General Obligation Bonds	Notes from Direct Borrowings and Direct Placements	Compensated Absences	Total
Balance, July 1 2021, as restated	$ 14,941,252	$ 1,686,973	$ 527,140	$ 17,155,365
Additions	-	355,026	-	355,026
Deletions	(1,301,838)	(29,905)	(94,061)	(1,425,804)
Balance, June 30, 2022	13,639,414	2,012,094	433,079	16,084,587
Due within one year	(1,301,838)	(30,307)	(36,090)	(1,368,235)
Due in more than one year	$ 12,337,576	$ 1,981,787	$ 396,989	$ 14,716,352

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

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

General Obligation Bonds	
2011 Qualified School Construction Bonds due in annual payments ranging from \$1,280,000 to \$1,300,000 through May 1, 2026, with interest from 5.95% to 6.25%.	\$ 5,155,000
2019 Refunding Bonds due in annual payments ranging from \$1,245,000 to \$1,375,000 through May 1, 2030, with interest from 2.50% to 4.00%.	5,240,000
2021 Refunding Bonds due in annual payments ranging from \$100,000 to \$710,000 through May 1, 2040, with interest from 1.10% to 5.00%.	2,910,000
Plus premium on bond issuances and refunding - net	334,414
Total general obligation bonds	13,639,414
Notes from Direct Borrowings and Direct Placements	
Copier lease due in monthly installments of \$1,360 through April 2024, with an implied interest rate of 2.00%.	29,354
Phone lease due in monhtly installments of \$1,291 through June 2026, with an implied interest rate of 2.00%.	59,488
Borrowing from the State of Michigan under the School Loan Revolving Fund, excluding interest at 1.19% at year-end.	1,923,252
Total notes from direct borrowings and direct placements	2,012,094
Total general obligation bonds and notes from direct borrowings and direct placements	15,651,508
Obligation under contract for compensated absences	433,079
Total general long-term obligations	\$ 16,084,587

Interest expense (all funds) for the year ended June 30, 2022 was approximately \$626,000. General fund interest expense is included in support services.

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Borrowing from the State of Michigan - The School Loan Revolving Fund payable represents notes payable to the State of Michigan for loans made to the school district, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. The interest rate at June 30, 2022 was 1.19%. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 7.0 mills. The school district is required to levy 7.0 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. Currently the District levies 7.0 mills. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the above amortization schedule. The state may apply a default late charge on the note if the District does not make the repayments or apply the default late charge if the District fails to levy the appropriate debt mills. The state may also withhold state aid payments if the District is in default.

The annual requirements to amortize long-term obligations outstanding as of June 30, 2022, including interest are as follows:

	General Obligation Bonds		Notes from Direct Borrowings and Direct Placements			
Year Ending June 30,	Principal	Interest	Principal	Interest	Compensated Absences	Total
2023	$ 1,280,000	$ 535,799	$ 30,307	$ 1,500	$ -	$ 1,847,606
2024	1,285,000	457,079	28,196	891	-	1,771,166
2025	1,290,000	378,053	15,017	470	-	1,683,540
2026	1,300,000	297,427	15,322	166	-	1,612,915
2027	1,245,000	216,177	-	-	-	1,461,177
2028 - 2032	5,395,000	493,517	-	-	-	5,888,517
2033 - 2037	1,210,000	61,520	-	-	-	1,271,520
2038 - 2040	300,000	10,500	-	-	-	310,500
Total	13,305,000	2,450,072	88,842	3,027	-	15,846,941
School loan revolving fund	-	-	1,923,252	73,347	-	1,996,599
Premium on bond issuance	334,414	-	-	-	-	334,414
Compensated absences	-	-	-	-	433,079	433,079
	$ 13,639,414	$ 2,450,072	$ 2,012,094	$ 76,374	$ 433,079	$ 18,611,033

The above interest payments do not include the interest credit on the qualified school construction bonds (QSCB). See page 58 for a complete schedule showing the QSCB credit.

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Inter-fund payable and receivable balances at June 30, 2022 are as follows:

Receivable Fund			Payable Fund		
Total Nonmajor Funds	$	76,616	General Fund	$	24,591
Combined Debt Service Fund		29,546	Combined Debt Service Fund		1,075
			Total Nonmajor Funds		80,496
	$	106,162		$	106,162

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the Board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Annual Comprehensive 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 (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Pension

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

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

Pension Reform 2010

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

Pension Reform 2012

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

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

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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.

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 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform of 2017 (continued)

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.

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.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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 $2,092,000. Of the total pension contributions approximately $2,008,000 was contributed to fund the Defined Benefit Plan and approximately $84,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. Total OPEB contributions were approximately $517,000. Of the total OPEB contributions approximately $468,000 was contributed to fund the Defined Benefit Plan and approximately $49,000 was contributed to fund the Defined Contribution Plan.

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (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	0.05914%	0.05910%
Net pension liability for the District	$ 14,002,380	$ 20,301,366

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

For the year ended June 30, 2022, the District recognized pension expense of $1,420,027.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 216,903	$ (82,457)
Changes of assumptions	882,660	-
Net difference between projected and actual plan investments earnings	-	(4,501,720)
Changes in proportion and differences between employer contributions and proportionate share of contributions	54,326	(281,060)
Employer contributions subsequent to the measurement date	1,821,583	-
	$ 2,975,472	$ (4,865,237)

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

$1,821,583, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ended September 30,	Amount
2022	$ (482,547)
2023	(873,305)
2024	(1,139,336)
2025	(1,216,160)

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 benefit liability	$ 12,046,393,511	$ 13,206,903,534
Plan fiduciary net position	$ 10,520,015,621	$ 7,849,636,555
Net other postemployment benefit liability	$ 1,526,377,890	$ 5,357,266,979
Proportionate share	0.06017%	0.05753%
Net other postemployment benefit liability for the District	$ 918,464	$ 3,081,828

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

For the year ended June 30, 2022, the District recognized OPEB benefit of $502,481.

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	$ -	$ (2,621,690)
Changes of assumptions	767,790	(114,890)
Net difference between projected and actual plan investments earnings	-	(692,263)
Changes in proportion and differences between employer contributions and proportionate share of contributions	230,791	(229,402)
Employer contributions subsequent to the measurement date	391,851	-
	$ 1,390,432	$ (3,658,245)

$391,851, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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 Ended September 30,	Amount
2022	$ (703,784)
2023	(639,451)
2024	(583,767)
2025	(557,887)
2026	(154,501)
2027	(20,274)

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (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 mortality improvements using projection scale MP-2017 from 2006.

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

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

Experience Study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2020. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 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.

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.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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:

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

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

Rate of Return - For 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 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (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:

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	$ 20,019,606	$ 14,002,380	$ 9,013,705

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

	Other Postemployment Benefits		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	$ 1,706,672	$ 918,464	$ 249,557

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:

	Other Postemployment Benefit		
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	$ 223,547	$ 918,464	$ 1,700,330

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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 2021 Annual Comprehensive Financial Report.

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

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of $500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including property and casualty errors and omissions, fleet and employee health and accident insurance.

NOTE 10 - TRANSFERS

The capital projects fund transferred $132,575 to the general fund for reimbursement of capital improvements. The food service fund transferred $53,668 to the general fund for current year indirect costs reimbursement.

NOTE 11 - TAX ABATEMENTS

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

Municipality	Taxes Abated
City of Albion	$ 437,187

NOTE 11 - TAX ABATEMENTS (continued)

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

There are no significant abatements made by the District.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent to year end, the District has approved borrowing $2,000,000 for fiscal year 2023 to replace the note payable as described in Note 5.

NOTE 13 - CONTINGENT LIABILITIES

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

NOTE 14 - 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.

The restatement of the beginning of year had no impact on net position. The change capital assets and long-term obligations is as follows:

	Capital Assets, Net of Accumulated Depreciation	Long-term Obligations
Balances as of July 1, 2021, as previously stated	$ 19,856,096	$ 17,036,618
Adoption of GASB Statement No. 87	118,747	118,747
Balances as of July 1, 2021, as restated	$ 19,974,843	$ 17,155,365

NOTE 15 - LEASE RECEIVABLE

During the current fiscal year, the District leased a portion of their cell tower to a third-party. The lease is for 5 years and the District will receive monthly payments of $1,350. The District recognized $758 in lease revenue and $1,331 in interest revenue during the current fiscal year related to this lease. As of June 30, 2022, the District's receivable for lease payments was $58,481. Also, the District has deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2022, the balance of the deferred inflow of resources was $57,908.

NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENT

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

REQUIRED SUPPLEMENTARY INFORMATION

HOMER COMMUNITY SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	$ 659,071	$ 963,314	$ 805,154	$ (158,160)
State sources	9,905,666	9,719,793	9,654,946	(64,847)
Federal sources	873,971	1,460,525	1,246,403	(214,122)
Incoming transfers and other	361,235	738,335	774,979	36,644
TOTAL REVENUES	11,799,943	12,881,967	12,481,482	(400,485)
EXPENDITURES				
Current				
Instruction				
Basic programs	5,646,921	5,599,569	5,718,597	(119,028)
Added needs	1,364,217	1,602,198	1,550,882	51,316
Total instruction	7,011,138	7,201,767	7,269,479	(67,712)
Supporting services				
Pupil	614,087	724,087	767,162	(43,075)
Instructional staff	510,132	512,732	510,837	1,895
General administration	304,003	394,507	368,848	25,659
School administration	634,341	657,024	582,829	74,195
Business	318,895	309,124	294,784	14,340
Operation/maintenance	868,039	1,451,843	1,234,131	217,712
Pupil transportation	370,539	515,068	544,306	(29,238)
Central	252,283	240,440	224,741	15,699
Athletics	313,663	336,032	372,324	(36,292)
Total supporting services	4,185,982	5,140,857	4,899,962	240,895
Community services	42,102	52,379	50,501	1,878
Other transactions	113,651	324,050	334,544	(10,494)
Debt service				
Principal repayment	-	-	29,905	(29,905)
Interest	-	-	1,902	(1,902)
Total debt service	-	-	31,807	(31,807)
TOTAL EXPENDITURES	11,352,873	12,719,053	12,586,293	132,760
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	447,070	162,914	(104,811)	(267,725)
OTHER FINANCING SOURCES (USES)				
Transfers in	45,000	45,000	186,243	141,243
NET CHANGE IN FUND BALANCE	$ 492,070	$ 207,914	81,432	$ (126,482)
FUND BALANCE				
Beginning of year			1,193,630	
End of year			$ 1,275,062	

HOMER COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)

	2021	2020	2019	2018	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.05914%	0.05910%	0.06069%	0.06016%	0.06055%	0.06111%	0.06148%	0.06267%
Reporting Unit's proportionate share of net pension liability	$ 14,002,380	$ 20,301,366	$ 20,098,385	$ 18,086,162	$ 15,689,796	$ 15,245,629	$ 15,017,290	$ 13,803,935
Reporting Unit's covered-employee payroll	$ 5,557,698	$ 5,113,909	$ 5,257,291	$ 5,167,127	$ 5,051,498	$ 5,153,192	$ 5,118,816	$ 5,251,003
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	251.95%	396.98%	382.30%	350.02%	310.60%	295.85%	293.37%	262.88%
Plan fiduciary net position as a percentage of total pension liability (non-university employers)	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

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

HOMER COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT’S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	$ 2,008,030	$ 1,695,220	$ 1,601,394	$ 1,562,720	$ 1,528,765	$ 1,407,072	$ 1,355,023	$ 1,127,568
Contributions in relation to statutorily required contributions	2,008,030	1,695,220	1,601,394	1,562,720	1,528,765	1,407,072	1,355,023	1,127,568
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Reporting Unit's covered-employee payroll	$ 5,747,185	$ 5,263,244	$ 5,144,230	$ 5,116,455	$ 5,020,844	$ 5,146,525	$ 5,123,101	$ 5,319,061
Contributions as a percentage of covered-employee payroll	34.94%	32.21%	31.13%	30.54%	30.45%	27.34%	26.45%	21.20%

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

HOMER COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)

	2021	2020	2019	2018	2017
Reporting Unit's proportion of net OPEB liability (%)	0.06017%	0.05753%	0.06115%	0.05977%	0.06053%
Reporting Unit's proportionate share of net OPEB liability	$ 918,464	$ 3,081,828	$ 4,388,939	$ 4,751,476	$ 5,360,244
Reporting Unit's covered-employee payroll	$ 5,557,698	$ 5,113,909	$ 5,257,291	$ 5,167,127	$ 5,051,498
Reporting Unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	16.53%	60.26%	83.48%	91.96%	106.11%
Plan fiduciary net position as a percentage of total OPEB liability (non-university employers)	87.33%	59.44%	48.46%	42.95%	36.39%

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

HOMER COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)

	2022	2021	2020	2019	2018
Statutorily required OPEB contributions	$ 468,466	$ 448,233	$ 437,212	$ 448,726	$ 421,149
Contributions in relation to statutorily required contributions	468,466	448,233	437,212	448,726	421,149
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Reporting Unit's covered-employee payroll (OPEB)	$ 5,747,185	$ 5,263,244	$ 5,144,230	$ 5,116,455	$ 5,020,844
OPEB contributions as a percentage of covered-employee payroll	8.15%	8.52%	8.50%	8.77%	8.39%

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

HOMER COMMUNITY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022

NOTE 1 - PENSION INFORMATION

Benefit Changes - there were no changes of benefit terms in 2021.

Changes of Assumptions - there were no changes of assumptions in 2021.

NOTE 2 - OPEB INFORMATION

Benefit Changes - there were no changes of benefit terms in 2021.

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.

ADDITIONAL SUPPLEMENTARY INFORMATION

HOMER COMMUNITY SCHOOLS
NONMAJOR GOVERNMENTAL FUND TYPES
COMBINING BALANCE SHEET
JUNE 30, 2022

	Special Revenue			
	Food Service	Student/ School Activities	Capital Projects Funds - Building and Site	Total Nonmajor Funds
ASSETS				
Cash and cash equivalents	$ 191,846	$ 109,251	$ -	$ 301,097
Investments	104,342	117,961	493,540	715,843
Intergovernmental receivable	7,356	-	-	7,356
Inventories	2,635	-	-	2,635
Due from other funds	60,005	16,611	-	76,616
TOTAL ASSETS	$ 366,184	$ 243,823	$ 493,540	$ 1,103,547
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 195	$ 2,198	$ -	$ 2,393
Accrued salaries and related items	3,027	-	-	3,027
Accrued retirement	674	-	-	674
Due to other funds	57,096	23,400	-	80,496
Due to other governmental funds	5,196	-	-	5,196
Unearned revenue	10,386	-	-	10,386
TOTAL LIABILITIES	76,574	25,598	-	102,172
FUND BALANCES				
Nonspendable - inventory	2,635	-	-	2,635
Restricted for				
Food service	286,975	-	-	286,975
Capital projects	-	-	167,410	167,410
Committed for - student/school activities	-	218,225	-	218,225
Assigned for - Capital projects	-	-	326,130	326,130
TOTAL FUND BALANCES	289,610	218,225	493,540	1,001,375
TOTAL LIABILITIES AND FUND BALANCES	$ 366,184	$ 243,823	$ 493,540	$ 1,103,547

HOMER COMMUNITY SCHOOLS
NONMAJOR GOVERNMENTAL FUND TYPES
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2022

	Special Revenue			
	Food Service	Student/ School Activities	Capital Projects Funds - Building and Site	Total Nonmajor Funds
REVENUES				
Local sources				
Food sales	$ 66,866	$ -	$ -	$ 66,866
Student/school activities	-	217,724	-	217,724
Investment earnings	262	-	853	1,115
Other local revenue	-	-	319,776	319,776
Total local sources	67,128	217,724	320,629	605,481
State sources	19,595	-	-	19,595
Federal sources	720,812	-	-	720,812
TOTAL REVENUES	807,535	217,724	320,629	1,345,888
EXPENDITURES				
Current				
Food service activities	703,577	-	-	703,577
Student/school activities	-	216,625	-	216,625
TOTAL EXPENDITURES	703,577	216,625	-	920,202
EXCESS OF REVENUES OVER EXPENDITURES	103,958	1,099	320,629	425,686
OTHER FINANCING (USES)				
Transfers out	(53,668)	-	(132,575)	(186,243)
NET CHANGE IN FUND BALANCES	50,290	1,099	188,054	239,443
FUND BALANCES				
Beginning of year	239,320	217,126	305,486	761,932
End of year	$ 289,610	$ 218,225	$ 493,540	$ 1,001,375

HOMER COMMUNITY SCHOOLS
BONDED DEBT
JUNE 30, 2022

$15,000,000 School Building and Site Bonds, Series A (Federally taxable - Qualified School Construction Bonds) issued in 2011:

	Interest Due			Debt Service Requirement for Fiscal Year	
Principal Due May 1	May 1	November 1	QSCB Credit	June 30,	Amount
$ 1,280,000	$ 159,811	$ 159,811	$ (277,339)	2023	$ 1,322,283
1,285,000	120,451	120,451	(208,475)	2024	1,317,427
1,290,000	80,938	80,938	(139,342)	2025	1,312,534
1,300,000	40,625	40,625	(69,940)	2026	1,311,310
$ 5,155,000	$ 401,825	$ 401,825	$ (695,096)		$ 5,263,554

The above bonds were authorized at an election May 3, 2011, and have interest rates ranging from 5.95% - 6.25%. The bonds were issued for the purpose of erecting, furnishing, and equipping an addition to and partially remodeling, furnishings and refurnishing, and equipping and re-equipping the school building, in part for security purposes; acquiring, installing and equipping, developing and improving play fields and playgrounds; developing and improving parking areas and the site; and paying the costs of issuing the bonds.

The District designated the above bonds as 'Qualified School Construction Bonds' as defined in Section 54F of the Internal Revenue Code of 1986, as amended, and will irrevocably elect under Section 6431(f)(2) of the code to receive direct payments from the United States Treasury equal to the lesser of the amount of interest payable on the bonds or the amount of interest which would have been payable on the bonds if interest were determined at the applicable credit rate determined under Section 54A(b)(c) of the code. The District will deposit all such credits into the debt retirement fund pledged for the payment of the bonds.

HOMER COMMUNITY SCHOOLS
BONDED DEBT
JUNE 30, 2022

$5,240,000 2019 Refunding Bonds, issued in 2020:

Principal Due May 1	Interest Due May 1	Interest Due November 1	Debt Service Requirement for Fiscal Year June 30,	Debt Service Requirement for Fiscal Year Amount
$ -	$ 76,201	$ 76,201	2023	$ 152,402
-	76,201	76,201	2024	152,402
-	76,201	76,201	2025	152,402
-	76,201	76,201	2026	152,402
1,245,000	76,201	76,201	2027	1,397,402
1,290,000	51,301	51,301	2028	1,392,602
1,330,000	35,176	35,176	2029	1,400,352
1,375,000	18,219	18,219	2030	1,411,438
$ 5,240,000	$ 485,701	$ 485,701		$ 6,211,402

The above bonds dated November 26, 2019, were issued for the purpose of refunding certain indebtedness of the School District to the State of Michigan Bond Qualification and Loan Program.

HOMER COMMUNITY SCHOOLS
BONDED DEBT
JUNE 30, 2022

$2,910,000 2021 Refunding Bonds, issued in 2021:

Principal Due May 1	Interest Due May 1	Debt Service Requirement for Fiscal Year June 30,	Debt Service Requirement for Fiscal Year Amount
$ -	$ 63,775	2023	$ 63,775
-	63,775	2024	63,775
-	63,775	2025	63,775
-	63,775	2026	63,775
-	63,775	2027	63,775
-	63,775	2028	63,775
-	63,775	2029	63,775
-	63,775	2030	63,775
695,000	63,775	2031	758,775
705,000	29,025	2032	734,025
710,000	21,270	2033	731,270
125,000	12,750	2034	137,750
125,000	11,000	2035	136,000
125,000	9,250	2036	134,250
125,000	7,250	2037	132,250
100,000	5,250	2038	105,250
100,000	3,500	2039	103,500
100,000	1,750	2040	101,750
$ 2,910,000	$ 675,020		$ 3,585,020

The above bonds dated February 22, 2021, were issued for the purpose of refunding the 2011 - Series B bonds.

HOMER COMMUNITY SCHOOLS
SCHEDULE OF BORROWINGS - STATE OF MICHIGAN
SCHOOL LOAN REVOLVING FUND PROGRAM
JUNE 30, 2022

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Loan Revolving Fund. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. The borrowings from and repayments to the State under this program have been summarized as follows:

Year Ended June 30,	Loan Proceeds	Accrued Interest	Loan Balance (Net Change)
2012	$ 319,685	$ 1,808	$ 321,493
2013	660,482	16,523	677,005
2014	610,880	41,472	652,352
2015	629,999	67,030	697,029
2016 refinance payment	(2,220,945)	(128,336)	(2,349,281)
2016	645,983	6,840	652,823
2017	683,044	25,943	708,987
2018	671,149	48,264	719,413
2019	3,010,149	89,873	3,100,022
2020 refinance payment	(5,026,519)	(239,326)	(5,265,845)
2020	679,863	73,824	753,687
2021	904,456	25,605	930,061
2022	355,026	43,827	398,853
Total June 30, 2022	$ 1,923,252	$ 73,347	$ 1,996,599

HOMER COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Grantor's Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2021	(Memo Only) Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2022
U.S. Department of Agriculture									
Passed through Michigan Department of Education									
Child Nutrition Cluster									
Non-cash assistance (donated foods)									
National School Lunch Program - Entitlement	10.555	N/A	$ 43,993	$ -	$ -	$ -	$ 43,993	$ 43,993	$ -
Cash Assistance									
COVID-19 - National School Lunch Program	10.555	211961	53,710	-	-	-	53,710	53,710	-
COVID-19 - National School Lunch Program		220910	17,851	-	-	-	17,851	21,091	(3,240)
COVID-19 - National School Lunch Program		221961	381,240	-	-	-	381,240	375,113	6,127
Total ALN 10.555			496,794	-	-	-	496,794	493,907	2,887
COVID-19 - School Breakfast Program	10.553	211971	21,190	-	-	-	21,190	21,190	-
COVID-19 - School Breakfast Program		221971	176,283	-	-	-	176,283	175,728	555
Total ALN 10.553			197,473	-	-	-	197,473	196,918	555
COVID-19 Summer Food Service Program for Children	10.559	210904	486,027	168,788	460,096	(62)	25,931	194,657	-
Total cash assistance			1,136,301	168,788	460,096	(62)	676,205	841,489	3,442
Total Child Nutrition Cluster			1,180,294	168,788	460,096	(62)	720,198	885,482	3,442
COVID-19 Pandemic EBT Local Level Costs	10.649	210980	614	-	-	-	614	614	-
Total U.S. Department of Agriculture			1,180,908	168,788	460,096	(62)	720,812	886,096	3,442

The accompanying notes are an integral part of this schedule.

HOMER COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Grantor's Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2021	(Memo Only) Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2022
U.S. Department of Education									
Passed through Michigan Department of Education									
Title I Grants to Local Educational Agencies	84.010	211530-2021	$ 212,958	$ 59,538	$ 101,197	$ 32,823	$ -	$ 92,361	$ -
Title I Grants to Local Educational Agencies		221530-2122	267,804	-	-	-	251,435	79,188	172,247
Total ALN 84.010			480,762	59,538	101,197	32,823	251,435	171,549	172,247
Student Support and Academic Enrichment	84.424	210750-2021	10,645	4,038	4,038	-	-	4,038	-
Student Support and Academic Enrichment		220750-2122	15,786	-	-	-	15,786	-	15,786
Total ALN 84.424			26,431	4,038	4,038	-	15,786	4,038	15,786
Supporting Effective Instruction State Grants	84.367	210520-2021	47,228	222	753	-	-	222	-
Supporting Effective Instruction State Grants		220520-2122	67,978	-	-	-	54,176	-	54,176
Total ALN 84.367			115,206	222	753	-	54,176	222	54,176
Education Stabilization Fund									
COVID-19 Governor's Emergency Education Relief Fund (GEER I)	84.425C	201200-2021	62,364	12,620	44,466	-	-	12,620	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Formula)	84.425D	213712-2021	660,817	-	-	-	590,075	507,902	82,173
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II - 23b(2a)	84.425D	213722-2122	57,112	-	-	-	29,165	-	29,165
COVID-19 Elementary and Secondary School Emergency Relief Fund (Benchmark Assessment)	84.425D	213762-2122	8,038	-	-	-	7,877	7,877	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III Formula)	84.425U	213713-2122	1,477,156	-	-	-	265,066	-	265,066
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER I)	84.425D	203710-1920	120,235	32,207	-	-	-	32,207	-
Total ALN 84.425 and Education Stabilization Fund			2,385,722	44,827	44,466	-	892,183	560,606	376,404
Total U.S. Department of Education			3,008,121	108,625	150,454	32,823	1,213,580	736,415	618,613
TOTAL FEDERAL AWARDS			$ 4,189,029	$ 277,413	$ 610,550	$ 32,761	$ 1,934,392	$ 1,622,511	$ 622,055

The accompanying notes are an integral part of this schedule.

HOMER COMMUNITY SCHOOLS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF PRESENTATION

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

Management has utilized the NexSys Cash Management System and the Grant Auditor Report in preparing the schedule of expenditures of federal awards.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Homer Community Schools has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS

Federal expenditures are reported as revenue in the following funds in the financial statements June 30, 2022:

General fund	$ 1,246,403
Combined debt service fund	326,469
Other nonmajor governmental funds	720,812
Total federal revenue in the fund financial statements	2,293,684
Less: Prior year federal expenditures incurred but not reported on SEFA	32,823
Less: Federal assistance funding not subject to single audit act	326,469
Expenditures per schedule of expenditures of federal awards	$ 1,934,392

NOTE 4 - ADJUSTMENT

During the current year there were adjustments on schedule of federal awards for reclassification of expenses allocated to different grants compared to the prior year. There was also adjustments made for prior year federal expenditures incurred but not reported on the prior year SEFA.

Maner Costerisan

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

To the Board of Education
Homer Community Schools

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 Homer Community Schools, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Homer Community Schools' basic financial statements, and have issued our report thereon dated October 28, 2022.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as items 2022-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-002 and 2022-003 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Homer Community Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Maner Costerisan PC

October 28, 2022

Maner Costerisan

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

To the Board of Education
Homer Community Schools

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, Homer Community Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on 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 Homer Community Schools 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 Homer Community Schools' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

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 Homer Community Schools' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Homer Community Schools' 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 Homer Community Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Homer 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 Homer Community Schools' internal control over compliance. Accordingly, no such opinion is expressed.

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

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.

Maner Costerisan PC

October 28, 2022

HOMER COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:	*Unmodified*	
Internal control over financial reporting:		
➢ Material weakness(es) identified?	X Yes	___ None
➢ Significant deficiency(ies) identified that are not considered to be material weakness(es)?	X Yes	___ None reported
Noncompliance material to financial statements noted?	___ Yes	X None

Federal Awards

Internal control over major programs:		
➢ Material weakness(es) identified?	___ Yes	X None
➢ Significant deficiency(ies) identified that are not considered to be material weakness(es)?	___ Yes	X None reported
Type of auditor's report issued on compliance for major programs:	*Unmodified*	
Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)?	X Yes	___ No

Identification of major programs:

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

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

Section II - Financial Statement Findings

2022-001 Considered a Material Weakness

Condition: Material journal entries for the proper recognition of revenue and accruals were proposed by the auditors. These misstatements were not detected by the District's internal control over financial reporting. These entries were brought to the attention of management and were subsequently recorded in the District's general ledger.

Criteria: Statement on Auditing Standards No. 115 (SAS 115*), Communication Internal Control Related Matters Identified in an Audit,* emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cashflows (where applicable), including the notes to the financial statements, in conformity with U.S. generally accepted accounting principles.

Cause: Misstatements were not identified and corrected by management.

Effect: Material journal entries that were not otherwise identified by management were proposed by the District's auditors. These journal entries were necessary for the fair presentation of the District's financial statements.

Recommendation: We recommend that the District take steps to assure that material journal entries are not necessary at the time future audit analysis is performed. We understand that the District is in time of transition within the business office. Given the importance of the accounting function to the overall health of the District, we believe that, for internal controls and financial reporting to function as needed, the Business Manager should be provided with additional training on school district accounting.

View of Responsible Officials: The District and Business Manager concur with the facts of this finding and is implementing a checklist for year-end reconciliation procedures.

2022-002 Considered a Significant Deficiency

Condition: The District's food service fund balance was $289,610 at June 30, 2022, which exceeded three months of operating costs by $55,319.

Criteria: The United States Department of Agriculture requires that entities receiving federal funding through the Child Nutrition Cluster maintain a fund balance that does not exceed three months of operating cost.

Context: The District was aware that they needed to maintain a fund balance in the food service fund of not more than three months of operating cost; however, as a result of the Seamless Summer Option Food Service program in the current year, the District did not have time to spend down the fund balance prior to June 30, 2022.

Questioned costs: $0

Cause: As a result of the Seamless Summer Option Food Service program, the District received a significant increase in federal reimbursements for the meals distributed during the year ended June 30, 2022.

Section II - Financial Statement Findings (continued)

2022-002 Considered a Significant Deficiency (continued)

Recommendation: The District should develop a plan to spend down the fund balance of the food service fund during the year ended June 30, 2022 in order to maintain fund balance of not more than three months of operating cost in the food service fund.

View of Responsible Officials: The Business Manager and Food Service Director concur with the facts of this finding and is implementing a plan to spend down the food service fund balance during the upcoming year.

2022-003 Considered a Significant Deficiency

Condition: The District's final budget reflects estimated net increase in fund balance while the actual increase was less than budgeted.

Criteria: Compliance with the Uniform Budgeting and Accounting Act. MCL (Michigan Compile Laws) 141.436 states, except as otherwise permitted in MCL 388.1702 the local school board shall not adopt a general appropriations act (Budget) or an amendment to that act which causes fund balance to be lower than budgeted.

Cause: The primary reason was not properly adjusting budgeted revenues based on actual results.

Effect: At June 30, 2022, the District's final budget anticipated adding $207,914to the District's fund balance. The actual result has the District only adding $81,432 to fund balance. This created a negative budget to actual variance of $126,482.

Recommendation: We recommend that the District develop procedures to review the budget and general ledger monthly and revise the budget accordingly.

View of Responsible Officials: The District and Business Manager concur with the facts of this finding and is implementing the recommendation.

Section III - Federal Award Findings and Questioned Costs

None noted.

HOMER COMMUNITY SCHOOLS

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Corrective Action Plan

Homer Community Schools respectfully submits the following corrective action plan for the year ended June 30, 2021.

Auditor: Maner Costerisan
2425 E. Grand River Ave., Suite 1
Lansing, Michigan 48912

Audit Period: Year ended June 30, 2022

District contact person: Amanda Croad

The findings from the June 30, 2022 schedule of findings and responses are discussed below. The findings are numbered consistently with the number assigned in the schedule.

Finding - Financial Statement Audit

Finding 2022-001 Considered a material weakness

Recommendation: We recommend that the District take steps to assure that material journal entries are not necessary at the time future audit analysis is performed.

Action to be taken: Management agrees with the finding and we are in the process of developing a spend down plan. We are looking at expanding food choices, expanding healthy food options, as well as needed upgrades to equipment.

Finding 2022-002 Considered a significant deficiency

Recommendation: The District should develop a plan to spend down the fund balance of the food service fund during the year ended June 30, 2023 in order to maintain fund balance of not more than three months of operating cost in the food service fund.

Action to be taken: The District has taken steps to begin spending down the food service fund balance and will have spent down fund balance to an allowable amount by June 30, 2023.

Finding 2022-003 Considered a significant deficiency

Recommendation: We recommend that the District develop procedures to review the budget and general ledger monthly and revise the budget accordingly.

Action to be taken: The District and Business Manager concur with the facts of this finding and is implementing the recommendation.

HOMER COMMUNITY SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

Financial Statement Finding

2021-001 Considered a Material Weakness

Condition: Material journal entries for the proper recognition of revenue and accruals were proposed by the auditors. These misstatements were not detected by the District's internal control over financial reporting. These entries were brought to the attention of management and were subsequently recorded in the District's general ledger.

Criteria: Statement on Auditing Standards No. 115 (SAS 115*), Communication Internal Control Related Matters Identified in an Audit,* emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cashflows (where applicable), including the notes to the financial statements, in conformity with U.S. generally accepted accounting principles.

Cause: Misstatements were not identified and corrected by management.

Effect: Material journal entries that were not otherwise identified by management were proposed by the District's auditors. These journal entries were necessary for the fair presentation of the District's financial statements.

Recommendation: We recommend that the District take steps to assure that material journal entries are not necessary at the time future audit analysis is performed.

View of Responsible Officials: The District and Business Manager concur with the facts of this finding and is implementing a checklist for year-end reconciliation procedures.

Status: a similar matter was repeated as finding 2022-001, we do not consider this issue resolved.

HOMER COMMUNITY SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Awards Finding

2021-002 Considered a Significant Deficiency

Funding Type: Significant Deficiency/Significant Deficiency in Internal Control Over Compliance (Special Test)

Programs: Child Nutrition Cluster; U.S. Department of Agriculture; Assistance Listing Numbers 10.555 and 10.559; All Award Numbers.

Criteria: The United States Department of Agriculture requires that entities receiving federal funding through the Child Nutrition Cluster maintain a fund balance that does not exceed three months of operating cost.

Condition: The District's food service fund balance was $239,320 at June 30, 2021, which exceeded three months of operating costs by $51,044.

Context: The District was aware that they needed to maintain a fund balance in the food service fund of not more than three months of operating cost; however, as a result of the Summer Food Service program in the current year, the District did not have time to spend down the fund balance prior to June 30, 2021.

Cause: As a result of the Seamless Summer Option Food Service program, the District received a significant increase in federal reimbursements for the meals distributed during the year ended June 30, 2021.

Questioned Costs: None noted

Recommendation: The District should develop a plan to spend down the fund balance of the food service fund during the year ended June 30, 2021 in order to maintain fund balance of not more than three months of operating cost in the food service fund.

View of Responsible Officials: The Business Manager and Food Service Director concur with the facts of this finding and is implementing a plan to spend down the food service fund balance during the upcoming year.

Status: A similar matter was repeated as finding 2022-002, we do not consider this issue resolved.

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October 28, 2022

To the Board of Education
Homer Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Homer Community Schools for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Homer Community Schools are described in Note 1 to the financial statements. During fiscal year 2022, the District implemented Governmental Accounting Standard No. 87, *Leases*. The application of existing policies was not changed during fiscal year 2022. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability. We evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit liability in determining that they are reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate in calculating the liability for employee compensated absences. We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of the estimated life span of the capital assets. We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 28, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. With respect to this other supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

A separate management letter was not issued.

Restriction on Use

This information is intended solely for the use of the Board of Education and management of Homer Community Schools and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Maner Costerisan PC