Stockbridge Community Schools

Financial Statements

June 30, 2022

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Stockbridge Community Schools
Members of the Board of Education
June 30, 2022

<u>Members of the Board of Education</u>

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Independent Auditors' Report

Management and the Board of Education
Stockbridge Community Schools
Stockbridge, Michigan

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Stockbridge 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Stockbridge 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.

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 Stockbridge 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 auditors' 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 Stockbridge 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 Stockbridge 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, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, and schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability, and schedule of the school district's OPEB contributions 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Stockbridge Community Schools' basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is 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 other supplementary information, as identified in the table of contents, 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 other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2022 on our consideration of Stockbridge 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 Stockbridge 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 Stockbridge Community Schools' internal control over financial reporting and compliance

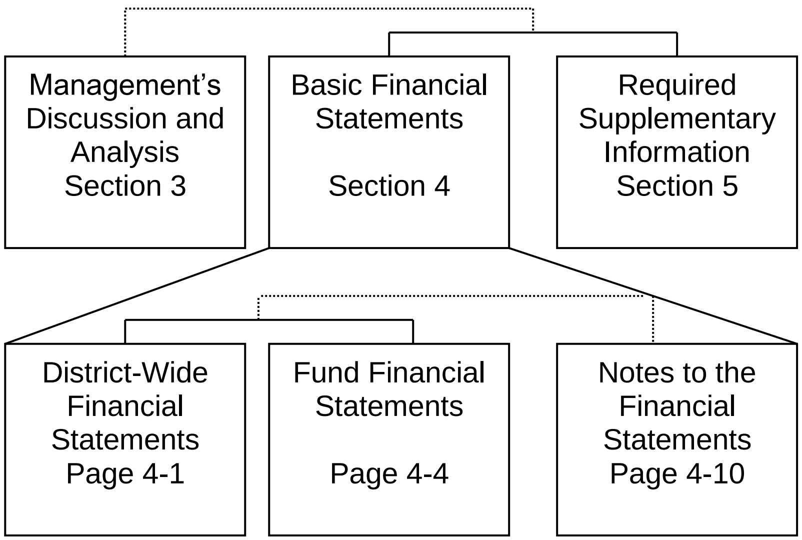
Yeo & Yeo, P.C.

Lansing, MI
September 27, 2022

MANAGEMENT’S DISCUSSION AND ANALYSIS

This financial report is presented in the format required by the Governmental Accounting Standards Board (GASB). The overall organization of this report is shown in Figure A-1.

Figure A-1
Stockbridge Community Schools
Organization of Annual Financial Report



District-Wide Financial Statements

One of the most important questions asked about the District is, "As a whole, what is the District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the District's financial statements, report information on the District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the District's net position - the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, as reported in the statement of net position - as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the District.

The statement of net position and the statement of activities report the governmental activities for the District, which encompass all of the District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Fund Financial Statements

The District's fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by state law and by bond covenants. However, the District establishes many other funds to help it control and manage money for particular purposes (the Food Services is an example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects).

The governmental funds of the District use the following accounting approach:

Governmental funds - All of the District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

Financial Analysis of the District as a Whole

Recall that the statement of net position provides the perspective of the District as a whole. The below table provides a summary of the District's net position as of June 30, 2022 and 2021:

	Governmental Activities Year Ended June 30, 2022	Governmental Activities Year Ended June 30, 2021
Assets and Deferred Outflows		
Current assets	$ 9,378,736	$ 9,787,282
Capital assets	43,139,499	42,859,757
Less accumulated depreciation	(16,909,816)	(15,299,285)
Capital assets, net book value	26,229,683	27,560,472
Deferred outflows of resources	6,095,844	7,887,813
Total assets and deferred outflows	41,704,263	45,235,567
Liabilities and Deferred Inflows		
Current liabilities	2,610,349	4,110,932
Long-term liabilities	40,856,609	52,696,227
Deferred inflows of resources	11,987,317	5,228,427
Total liabilities and deferred inflows	55,454,275	62,035,586
Net Position		
Net investment in capital assets	5,068,799	5,306,744
Restricted	536,467	530,099
Unrestricted	(19,355,278)	(22,636,862)
Total net position	$ (13,750,012)	$ (16,800,019)

The above analysis focuses on the net position. The change in net position of the District's governmental activities is discussed below. By far the most significant portion of the District's net position is the negative unrestricted portion related to pensions and other postemployment benefits. Net investment in capital assets totaling $5,068,799 and $5,306,744 at June 30, 2022 and 2021, respectively, compares the original cost, less depreciation of the District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the District's ability to use those net position for day-to-day operations. Restricted net position was $536,467 and $530,099 at June 30, 2022 and 2021, respectively. The remaining amount of net position, ($19,355,278) and ($22,636,862) at June 30, 2022 and 2021, respectively, was unrestricted.

The ($19,355,278) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations.. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the District as a whole are reported in the statement of activities, which shows the changes in net position for fiscal years 2022 and 2021.

	Governmental Activities Year Ended June 30, 2022	Governmental Activities Year Ended June 30, 2021
Revenues		
Program revenues		
Charges for services	$ 449,319	$ 271,288
Operating grants and contributions	4,901,956	3,783,666
General revenues		
Property taxes	6,231,314	6,271,374
State aid - unrestricted	6,658,897	6,352,088
Other	928,024	808,639
Total revenues	19,169,510	17,487,055
Expenses		
Instruction	8,967,614	9,919,783
Support services	5,097,797	5,390,253
Food service	580,464	596,814
Community services	363,632	405,318
Athletics	324,828	337,603
Other transactions	785,168	846,089
Total expenses	16,119,503	17,495,860
Change in net position	$ 3,050,007	$ (8,805)

As reported in the statement of activities, the cost of all of our governmental activities this year was $16,119,503. Certain activities were partially funded from those who benefited from the programs ($449,319) or by other governments and organizations that subsidized certain programs with grants and contributions ($4,901,956). We paid for the remaining "public benefit" portion of our governmental activities with $6,231,314 in taxes, $6,658,897 in state foundation allowance, and with our other revenues, i.e., interest and general entitlements.

The District experienced an increase in net position of $3,050,007. Key reasons for the change in net position in 2021-2022 included additional revenue related to special education, savings related to positions filled by long term substitutes, and an increase in unanticipated federal grant revenue.

As discussed above, the net cost shows the financial burden that was placed on the State and the District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the District and balance those needs with state-prescribed available unrestricted resources.

The School District's Funds

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

As the District completed this year, the governmental funds reported a combined fund balance of $6,913,827, which is an increase of $1,086,524 from last year. The primary reasons for the change are as follows:

- In the General Fund, our principal operating fund, the fund balance increased from $4,231,756 to $5,312,168. The change is due mainly to lower than budgeted benefit costs, along with federal grants received to cover costs associated with COVID-19. Vacancies and staffing positions, additional federal grants to cover cost related to additional supports for students, and additional revenue received to cover the cost of special education. The General Fund balance is available to fund costs related to allowable school operating purposes.

- Special Revenue Funds showed a combined fund balance increase of $204,542. The change was due to the increase in federal funding related to school lunch and breakfast programs.

- The 2015 Debt Service Fund showed a fund balance decrease of $14,574. Millage rates remain at $1.80 per $1,000 of taxable value. Taxable values increased slightly for 2022 however additional MTT and BOR were accessed against this debt fund. Millage rates are determined annually to ensure that the District accumulates sufficient resources to pay annual bond issue-related debt service. Millage rates for 2016 Debt Service Fund and 2020 Debt Service Fund remain the same. The Fund Balance increase for 2016 Debt service fund in the amount of $7,552, and the 2020 increase of $7,877 were a result of taxable values. Millage rates were $.40 per $1,000 of the increase in taxable values. Debt Service Funds fund balances are restricted since they can only be used to pay debt service obligations.

- The 2020 Capital Projects Funds showed a decrease in fund balance of $199,285. The decrease in fund balance is due to the purchase of technology during current year. Capital and projects related to Projects Funds fund balances are restricted since they can only be used to pay for capital projects.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted just before year-end. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

There were revisions made to the 2021-2022 General Fund original budget. Budgeted revenues were increased by $584,111 due to additional grant funds from both the federal and state levels.

Budgeted expenditures were increased by $604,151 to account for additional grant expenditures received from additional State and Federal grant revenues.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2022, the District had $26,229,683 invested in a broad range of capital assets, including land, construction in progress, buildings, vehicles, furniture, and equipment. This amount represents a net decrease (including additions and depreciation) of $1,330,789, or 4.83 percent, from last year.

Assets	2022	2021
Land	$ 380,120	$ 380,120
Buildings and improvements	38,913,799	38,905,562
Buses and other vehicles	1,413,505	1,413,505
Furniture and equipment	2,432,075	2,160,570
Subtotal	43,139,499	42,859,757
Less accumulated depreciation	(16,909,816)	(15,299,285)
	$ 26,229,683	$ 27,560,472

This year's additions of $279,742 pertained to the purchase of athletics equipment and improvements.

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

Debt

At the end of this year, the District had $21,829,695 in debt outstanding versus $23,138,497 in the previous year - a change of 5.66 percent. Debt consisted of the following:

	June 30, 2022	June 30, 2021
2015 Refunding Bonds	$ 3,535,000	$ 4,380,000
2016 Building and Site Bonds	15,560,000	15,695,000
2020 Building and Site Bonds	650,000	825,000
Premium on Bonds	1,927,063	2,085,144
Compensated Absences	157,632	153,353
	$ 21,829,695	$ 23,138,497

The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the District's boundaries. If the District issues "qualified debt", i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The District's outstanding unqualified general obligation debt of $19,745,000 is significantly below the statutorily imposed limit.

Other obligations include accrued vacation pay and sick leave. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration considered many factors when setting the District's 2022-2023 fiscal year budget. Other budget factors affecting the budget are student count, state foundation revenue, and the continuing presence of uncertainty caused by the pandemic. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for fiscal year 2022 is 90 percent of the October 2021 student counts and 10 percent of the February 2022 student counts, respectively. The 2022-2023 budget was adopted in June 2022, based on an estimate of students who will be enrolled in September 2022. Approximately 80 percent of total General Fund revenue is from the foundation allowance. Under state law, the District cannot assess additional property tax revenue for general operations. As a result, district funding in the 2022-2023 school year, we anticipate that the fall student count will be similar to the estimates used in creating the 2022-2023 budget. Once the final student count and related per pupil funding is validated, state law requires the District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimated funding will increase for the 2022-2023 school year, though the determination as to length of time the increase will remain in effect is still unknown. When developing the budget, the district assumed an $435 increase. Since the approval of the proposed budget the state passed an increase of $450 per pupil.

Requests for Information

This financial report is designed to give a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning this report or requests for additional information should be addressed to the Superintendent and Finance Director, Stockbridge Community Schools, 100 Price Avenue, Stockbridge, Michigan, 49285; telephone number 517-851-7188.

BASIC FINANCIAL STATEMENTS

Stockbridge Community Schools
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Cash	$ 6,571,444
Accounts receivable	17,230
Due from other governmental units	2,702,511
Inventory	16,838
Prepaid items	70,713
Capital assets not being depreciated	380,120
Capital assets - net of accumulated depreciation	25,849,563
Total assets	35,608,419
Deferred Outflows of Resources	
Deferred amount relating to the net pension liability	4,339,554
Deferred amount relating to the net OPEB liability	1,672,482
Deferred amount on debt refunding	83,808
Total deferred outflows of resources	6,095,844

Stockbridge Community Schools
Statement of Net Position
June 30, 2022

	Governmental Activities
Liabilities	
Accounts payable	$ 103,498
Due to other governmental units	69,665
Accrued expenditures	916,570
Accrued salaries payable	1,057,035
Unearned revenue	463,581
Long-term liabilities	
Net pension liability	17,871,170
Net OPEB liability	1,155,744
Debt due within one year	1,256,000
Debt due in more than one year	20,573,695
Total liabilities	43,466,958
Deferred Inflows of Resources	
Deferred amount relating to the net pension liability	7,440,453
Deferred amount relating to the net OPEB liability	4,546,864
Total deferred inflows of resources	11,987,317
Net Position	
Net investment in capital assets	5,068,799
Restricted for	
Debt service	536,467
Unrestricted	(19,355,278)
Total net position	$ (13,750,012)

See Accompanying Notes to the Financial Statements

Stockbridge Community Schools
Statement of Activities
For the Year Ended June 30, 2022

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Governmental activities				
Instruction	$ 8,967,614	$ 300,457	$ 3,654,438	$ (5,012,719)
Supporting services	5,097,797	59,365	407,236	(4,631,196)
Food services	580,464	22,205	779,912	221,653
Community services	363,632	36,659	60,370	(266,603)
Athletics	324,828	30,633	-	(294,195)
Interest and fiscal charges on long-term debt	785,168	-	-	(785,168)
Total governmental activities	$ 16,119,503	$ 449,319	$ 4,901,956	(10,768,228)
General revenues				
Property taxes, levied for general purposes				4,159,330
Property taxes, levied for debt service				2,071,984
State aid - unrestricted				6,658,897
Special Education county allocation				895,917
Interest and investment earnings				6,221
Other				25,886
Total general revenues				13,818,235
Change in net position				3,050,007
Net position - beginning				(16,800,019)
Net position - ending				$(13,750,012)

See Accompanying Notes to the Financial Statements

Stockbridge Community Schools
Governmental Funds
Balance Sheet
June 30, 2022

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash	$ 5,278,531	$ 1,292,913	$ 6,571,444
Accounts receivable	17,230	-	17,230
Due from other funds	6,697	322,516	329,213
Due from other governmental units	2,694,895	7,616	2,702,511
Inventory	-	16,838	16,838
Prepaid items	69,758	955	70,713
Total assets	$ 8,067,111	$ 1,640,838	$ 9,707,949
Liabilities			
Accounts payable	$ 96,547	$ 6,951	$ 103,498
Due to other funds	322,358	6,855	329,213
Due to other governmental units	69,665	-	69,665
Accrued expenditures	764,087	7,043	771,130
Accrued salaries payable	1,048,585	8,450	1,057,035
Unearned revenue	453,701	9,880	463,581
Total liabilities	2,754,943	39,179	2,794,122

See Accompanying Notes to the Financial Statements

Stockbridge Community Schools
Governmental Funds
Balance Sheet
June 30, 2022

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances			
Non-spendable			
Inventory	$ -	$ 16,838	$ 16,838
Prepaid items	69,758	955	70,713
Restricted for			
Food service	-	342,077	342,077
Debt service	-	681,907	681,907
Capital projects	-	427,371	427,371
Committed	-	132,511	132,511
Assigned - subsequent year's expenditures	352,062	-	352,062
Unassigned	4,890,348	-	4,890,348
Total fund balances	5,312,168	1,601,659	6,913,827
Total liabilities and fund balances	$ 8,067,111	$ 1,640,838	$ 9,707,949

See Accompanying Notes to the Financial Statements

Stockbridge Community Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2022

Total fund balances for governmental funds	$ 6,913,827
Total net position for governmental activities in the statement of net position is different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Capital assets not being depreciated	380,120
Capital assets - net of accumulated depreciation	25,849,563
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	83,808
Deferred inflows of resources resulting from the net pension liability	(7,440,453)
Deferred inflows of resources resulting from the net OPEB liability	(4,546,864)
Deferred outflows of resources resulting from the net pension liability	4,339,554
Deferred outflows of resources resulting from the net OPEB liability	1,672,482
Certain liabilities are not due and payable in the current period and are not reported in the funds	
Accrued interest	(145,440)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities	
Net pension liability	(17,871,170)
Net OPEB liability	(1,155,744)
Compensated absences	(157,632)
Bonds payable	(21,672,063)
Net position of governmental activities	$ (13,750,012)

Stockbridge Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	$ 5,529,131	$ 2,246,202	$ 7,775,333
State sources	9,018,778	79,426	9,098,204
Federal sources	1,570,558	725,415	2,295,973
Total revenues	16,118,467	3,051,043	19,169,510
Expenditures			
Current			
Education			
Instruction	9,140,732	-	9,140,732
Supporting services	5,051,616	145,873	5,197,489
Food services	-	554,265	554,265
Community services	416,686	-	416,686
Athletic activities	372,221	-	372,221
Capital outlay	81,800	236,983	318,783
Debt service			
Principal	-	1,155,000	1,155,000
Interest and other expenditures	-	927,810	927,810
Total expenditures	15,063,055	3,019,931	18,082,986
Excess (deficiency) of revenues over expenditures	1,055,412	31,112	1,086,524

See Accompanying Notes to the Financial Statements

Stockbridge Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)			
Transfers in	$ 25,000	$ -	$ 25,000
Transfers out	-	(25,000)	(25,000)
Total other financing sources (uses)	25,000	(25,000)	-
Net change in fund balances	1,080,412	6,112	1,086,524
Fund balances - beginning	4,231,756	1,595,547	5,827,303
Fund balances - ending	$ 5,312,168	$ 1,601,659	$ 6,913,827

Stockbridge Community Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2022

Net change in fund balances - Total governmental funds	$ 1,086,524
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation and amortization expense	(1,610,531)
Capital outlay	279,742
Expenses are recorded when incurred in the statement of activities.	
Interest	5,513
Compensated absences	(4,279)
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	7,650,228
Net change in deferrals of resources related to the net pension liability	(6,961,754)
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB liability	2,880,588
Net change in deferrals of resources related to the net OPEB liability	(1,568,153)
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Repayments of long-term debt	1,155,000
Amortization of premiums	158,081
Amortization of deferred amount on debt refunding	(20,952)
Change in net position of governmental activities	$ 3,050,007

See Accompanying Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Stockbridge Community Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

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

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district–wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental fund:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include the Food and Nutrition Fund and Student Activity Fund. Operating deficits generated by these activities are generally transferred from the General Fund.

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Capital Projects Fund – The Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

Assets, Liabilities and Net Position or Equity

Cash – Cash includes cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

The School District has restricted cash of $0 that is held by an agent for the future payoff of the State Aid Anticipation Notes.

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2022, the rates are as follows per $1,000 of assessed value.

General Fund	
Non-principal residence exemption	18.00000
Commercial personal property	6.00000
Debt Service Funds	3.90000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries.

Property taxes are levied as of December 1 and the actual due date is February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the counties of Ingham, Jackson, Livingston, and Washtenaw and remitted to the School District by May 15.

Investments – Investments are stated at fair value. Certificates of deposit are stated at cost which approximates fair value.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed, rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of $5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	10 - 50 years
Equipment and furniture	5 - 20 years
Vehicles	6 - 15 years

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

Compensated Absences – The School District has recorded all liabilities associated with sick and vacation days that are considered payable from future resources. These are recorded along with the related payroll taxes as a long-term liability in the district-wide financial statements.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

Pension – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (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.

Postemployment Benefits Other Than Pensions – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (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 Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Balance – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Education. The Board of Education has granted the budget or finance committee or a delegated municipality official the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications
In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards
Statement No. 87, *Leases* increases the usefulness of the District's 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 financing of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities.

Statement No. 99, *2022 Omnibus* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

Upcoming Accounting and Reporting Changes
Statement No. 96, *Subscription-Based Information Technology Arrangements,* is based on the standards established in Statement No. 87 *Leases.* This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. This statement is effective for the year ending June 30, 2023.

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections. This statement is effective for the year ending June 30, 2024.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending June 30, 2025.

The School District is evaluating the impact that the above GASBs will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information
Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year.

Excess of Expenditures over Appropriations
The School District did not have significant expenditure budget variances.

Compliance - Bond Proceeds
The Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For this capital project, management believes the School District has complied, in all material respects, with the applicable provisions of Section 1351a of the Revised School Code. The following is a summary of the revenue and expenditures in the 2020 Capital Project Funds from the inception of the funds through the current fiscal year:

	2020 Capital Projects
Revenues	$ 1,034,299
Expenditures	606,928

Note 3 - Deposits and Investments

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	$ 6,072,978
Investments in securities, mutual funds, and similar vehicles	497,761
Petty cash and cash on hand	705
Total	$ 6,571,444

As of year end, the School District had the following investments:

Investment	Carrying Value	Maturities	Rating	Rating Organization
External investment pools				
Michigan Liquid Asset Fund (MILAF)				
MILAF + Portfolio				
MAX Class	$ 456,131	6 months average	AAAm	Standard & Poor's
Cash Management Class	41,630	6 months average	AAAm	Standard & Poor's
	$ 497,761			

The valuation method for investments measured at net asset value (NAV) per share (or its equivalent) is discussed below.

As of June 30, 2022, the net asset value of the School District's investment in MILAF + Portfolio was $497,761. Participation in the investment pool has not resulted in any unfunded commitments. Shares are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made provided the District has sufficient shares to meet the redemption request. In the event of an emergency that would make the determination of net asset value not reasonably practical, the Trust's Board of Trustee's may suspend the right of withdrawal or postpone the date of payment. The net asset value ("NAV") per share of the MILAF+ Portfolio is calculated as of the close of business each business day by dividing the net position of that Portfolio by the number of its outstanding shares. It is the MILAF+ Portfolio's objective to maintain a NAV of $1.00 per share, however, there is no assurance that this objective will be achieved. The exact price for share transactions will be determined based on the NAV next calculated after receipt of a properly executed order. The number of shares purchased or redeemed will be determined by the NAV.

Interest rate risk – The School District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of credit risk – The School District has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year-end, $5,617,236 of the School District's bank balance of $6,117,236 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year end, none of the School District's investments were exposed to custodial credit risk.

Note 4 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 380,120	$ -	$ -	$ 380,120
Capital assets being depreciated				
Building and building improvements	38,905,562	8,237	-	38,913,799
Furniture and equipment	2,160,570	271,505	-	2,432,075
Buses and other vehicles	1,413,505	-	-	1,413,505
Total capital assets being depreciated	42,479,637	279,742	-	42,759,379
Less accumulated depreciation for				
Building and building improvements	13,443,761	1,233,034	-	14,676,795
Furniture and equipment	1,293,953	193,902	-	1,487,855
Buses and other vehicles	561,571	183,595	-	745,166
Total accumulated depreciation	15,299,285	1,610,531	-	16,909,816
Net capital assets being depreciated	27,180,352	(1,330,789)	-	25,849,563
Net capital assets	$ 27,560,472	$ (1,330,789)	$ -	$ 26,229,683

Depreciation expense was charged to activities of the School District as follows:

Governmental activities	
Instruction	$ 988,514
Supporting services	562,077
Food services	59,940
Total governmental activities	$ 1,610,531

Note 5 - Interfund Receivables, Payables, and Transfers

Individual interfund receivable and payable balances at year end were:

Receivable Fund	Payable Fund	Amount
Nonmajor Governmental Funds	General Fund	$ 322,358
General Fund	Nonmajor Governmental Funds	6,697
Nonmajor Governmental Funds	Nonmajor Governmental Funds	158
		$ 329,213

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers were made during the year to the General Fund from the Food and Nutrition Fund totaling $25,000. This transfer was made to cover indirect costs applicable to the Food and Nutrition Fund that were initially borne by the General Fund.

Note 6 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

Grant and categorical aid payments received prior to meeting all eligibility requirements	$ 452,196
Food service deposits	9,880
Other	1,505
Total	$ 463,581

Note 7 - State Aid Anticipation Note

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30^{th}.

The School District is required to pledge 100% of their state school aid, October through August, or until the note is repaid, whichever is longer. The State has discretion to accelerate repayment terms if they have cause for concern. If the note is in default status, there is a penalty interest rate that may apply.

Short-term debt activity for the year was as follows:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	$ 2,008,271	$ -	$ 2,008,271	$ -

Note 8 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
General obligation bonds	$ 20,900,000	$ -	$ 1,155,000	$ 19,745,000	$ 1,215,000
Compensated absences	153,353	45,375	41,096	157,632	41,000
Premium on bonds	2,085,144	-	158,081	1,927,063	-
Total	$ 23,138,497	$ 45,375	$ 1,354,177	$ 21,829,695	$ 1,256,000

For governmental activities, compensated absences are primarily liquidated by the General Fund.

General obligation bonds payable at year end, consist of the following:

$990,000 2020 Building and Site Bonds due in annual installments of $210,000 to $220,000 through May 1, 2026, interest at 1.80% to 1.90% payable semi-annually.	$ 650,000
$9,250,000 2015 Refunding Bonds due in annual installments of $820,000 to $895,000 through May 1, 2036, interest at 3.00% payable semi-annually.	3,535,000
$16,790,000 2016 Building and Site Bonds due in annual installments of $135,000 to $1,675,000 through May 1, 2026, interest at 4.00% to 5.00% payable semi-annually.	15,560,000
Total general obligation bonded debt	$ 19,745,000

Future principal and interest requirements for bonded debt are as follows:

	Principal	Interest	Total
Year Ending June 30,			
2023	$ 1,215,000	$ 892,030	$ 2,107,030
2024	1,250,000	856,750	2,106,750
2025	1,245,000	820,430	2,065,430
2026	1,310,000	784,150	2,094,150
2027	1,250,000	736,250	1,986,250
2028-2032	7,000,000	2,693,750	9,693,750
2033-2036	6,475,000	820,000	7,295,000
Total	$ 19,745,000	$ 7,603,360	$ 27,348,360

The general obligation bonds are payable from the Debt Service Funds. As of year end, those funds had a balance of $681,907 to pay this debt. Future debt and interest will be payable from future tax levies.

Compensated Absences

Accrued compensated absences at year end consist of $157,632 of vacation and sick days earned and vested. The amount anticipated to be paid out over the next year is included within the amounts listed as due within one year.

Note 9 - Risk Management

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for property, fleet, liability, in-land marine, equipment breakdown, builder's risk, employee dishonesty, crime, and errors and omissions. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self-insurance pool. In the event the pool's 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 District has not been informed of any special assessments being required.

The District also participates in a pool, the SEG Self-Insurer Workers' Disability Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's 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 District has not been informed of any special assessments being required.

Note 10 - Pension Plan

Plan Description
The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided
Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over a 18-year period beginning October 1, 2020 and ending September 30, 2038.

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

Pension Contribution Rates

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

Required contributions to the pension plan from the School District were $2,266,502 for the year ending September 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2022, the School District reported a liability of $17,871,170 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2021, the School District's proportion was 0.0755 percent, which was an increase of 0.0012 percent from its proportion measured as of September 30, 2020.

For the plan year ending September 30, 2021, the School District recognized pension expense of $1,712,046 for the measurement period. For the reporting period ending June 30, 2022, the School District recognized total pension contribution expense of $2,602,210.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	$ 276,832	$ (105,240)	$ 171,592
Changes in assumptions	1,126,535	-	1,126,535
Net difference between projected and actual earnings on pension plan investments	-	(5,745,524)	(5,745,524)
Changes in proportion and differences between district contributions and proportionate share of contributions	483,079	(405,359)	77,720
Total to be recognized in future	1,886,446	(6,256,123)	(4,369,677)
District contributions subsequent to the measurement date	2,453,108	(1,184,330)	1,268,778
	$ 4,339,554	$ (7,440,453)	$ (3,100,899)

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. The District will offset the contribution expense in the year ended June 30, 2023 with the 147c supplemental income received subsequent to the measurement date which is included in deferred inflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)		
2022	$	(635,343)
2023		(939,256)
2024		(1,276,136)
2025		(1,518,942)
	$	(4,369,677)

Actuarial Assumptions
Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2020
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
    - MIP and Basic Plans: 6.80% net of investment expenses
    - Pension Plus Plan: 6.80% net of investment expenses
    - Pension Plus 2 Plan: 6.00% net of investment expenses
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation at 2.75%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality:
    - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
    - Active: RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 4.4367 years.

Recognition period for assets is 5 years.

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

Long-Term Expected Return on Plan Assets
The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2021, are summarized in the following table:

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

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

Rate of Return
For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 27.3%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate
A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus Plan, 6.0% for the Pension Plus 2 Plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease*	Current Single Discount Rate Assumption*	1% Increase*
5.80% / 5.80% / 5.00%	6.80% / 6.80% / 6.00%	7.80% / 7.80% / 7.00%
$ 25,550,926	$ 17,871,170	$ 11,504,148

**Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.*

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System (MPSERS)
There were no significant payables to the pension plan that are not ordinary accruals to the School District.

Note 11 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description
The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided
Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision

coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

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

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over a 18-year period beginning October 1, 2020 and ending September 30, 2038.

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

OPEB Contribution Rates

Benefit Structure	Member	Employer
Premium Subsidy	3.00%	8.43%
Personal Healthcare Fund (PHF)	0.00%	7.57%

Required contributions to the OPEB plan from the School District were $562,089 for the year ended September 30, 2021.

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

At June 30, 2022, the School District reported a liability of $1,155,744 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2021, the School District's proportion was 0.0757 percent, which was an increase of 0.0004 percent from its proportion measured as of September 30, 2020.

For the plan year ending September 30, 2021, the School District recognized OPEB expense of ($725,940) during the measurement period. For the reporting period ending June 30, 2022, the School District recognized total OPEB contribution expense of $583,340.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	$ -	$ (3,298,990)	$ (3,298,990)
Changes in assumptions	966,145	(144,571)	821,574
Net difference between projected and actual earnings on OPEB plan investments	-	(871,105)	(871,105)
Changes in proportion and differences between district contributions and proportionate share of contributions	189,331	(232,198)	(42,867)
Total to be recognized in future	1,155,476	(4,546,864)	(3,391,388)
District contributions subsequent to the measurement date	517,006	-	517,006
	$ 1,672,482	$ (4,546,864)	$ (2,874,382)

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflow) and Deferred Outflow Resources by Year (To Be Recognized in Future OPEB Expenses)	
2022	$ (951,327)
2023	(838,320)
2024	(704,308)
2025	(636,304)
2026	(230,843)
Thereafter	(30,286)
	$ (3,391,388)

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2020
- Actuarial Cost Method: Entry Age, Normal

- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.95% net of investment expenses
- Projected Salary Increases: 2.75 – 12.3%, including wage inflation at 2.75%
- Healthcare Cost Trend Rate: Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
- Mortality:
    - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
    - Active: RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Other Assumptions:

- Opt Out 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 coverages continuing after the retiree's death.
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 6.1312 years.

Recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2020 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2021, are summarized in the following table:

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

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

Rate of Return
For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 27.14%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

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

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
$ 2,147,582	$ 1,155,744	$ 314,029

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate
The following presents the School District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the School District's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
$ 281,299	$ 1,155,744	$ 2,139,601

OPEB Plan Fiduciary Net Position
Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2021 MPSERS Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan
There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

Note 12 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment 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 costs which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2022.

Note 13 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by the various municipalities. 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.

For the fiscal year ended June 30, 2022, the School District's property tax revenues were reduced by $0 under these programs.

There are no significant abatements made by the School District.

REQUIRED SUPPLEMENTARY INFORMATION

Stockbridge Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Over (Under) Budget
Revenues				
Local sources	$ 5,386,874	$ 5,359,564	$ 5,529,131	$ 169,567
State sources	8,763,746	9,152,021	9,018,778	(133,243)
Federal sources	1,300,685	1,529,681	1,570,558	40,877
Total revenues	15,451,305	16,041,266	16,118,467	77,201
Expenditures				
Instruction				
Basic programs	7,431,797	7,961,325	7,802,675	(158,650)
Added needs	1,491,524	1,411,965	1,338,057	(73,908)
Supporting services				
Pupil	613,060	850,887	769,696	(81,191)
Instructional staff	1,054,439	825,582	704,732	(120,850)
General administration	446,790	424,935	388,642	(36,293)
School administration	861,613	921,413	917,777	(3,636)
Business	396,090	418,922	374,652	(44,270)
Operations and maintenance	1,263,794	1,275,257	1,212,934	(62,323)
Pupil transportation services	744,419	685,915	652,997	(32,918)
Central	38,496	37,422	30,186	(7,236)
Community services	477,995	496,441	416,686	(79,755)
Athletic activities	393,412	402,588	372,221	(30,367)
Capital outlay	21,325	136,687	81,800	(54,887)
Total expenditures	15,234,754	15,849,339	15,063,055	(786,284)
Excess (deficiency) of revenues over expenditures	216,551	191,927	1,055,412	863,485

Stockbridge Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts			Over
	Original	Final	Actual	(Under) Budget
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	$ 5,850	$ -	$ -	$ -
Transfers in	25,000	25,000	25,000	-
Transfers out	(22,934)	(12,500)	-	12,500
Total other financing sources (uses)	7,916	12,500	25,000	12,500
Net change in fund balance	224,467	204,427	1,080,412	875,985
Fund balance - beginning	4,231,756	4,231,756	4,231,756	-
Fund balance - ending	$ 4,456,223	$ 4,436,183	$ 5,312,168	$ 875,985

Stockbridge Community Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A. School District's proportion of net pension liability (%)	0.0755%	0.0743%	0.0729%	0.0760%	0.0795%	0.0815%	0.0821%	0.0824%		
B. School District's proportionate share of net pension liability	$17,871,170	$ 25,521,398	$ 24,156,799	$ 22,849,380	$ 20,602,451	$ 20,327,451	$ 20,054,100	$ 18,138,283		
C. School District's covered payroll	$ 6,809,901	$ 6,658,650	$ 6,319,148	$ 6,275,283	$ 6,609,468	$ 6,845,114	$ 6,395,384	$ 6,889,539		
D. School District's proportionate share of net pension liability as a percentage of its covered payroll	262.43%	383.28%	382.28%	364.12%	311.71%	296.96%	313.57%	263.27%		
E. Plan fiduciary net position as a percentage of total pension liability	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%		

Note Disclosures

Changes of benefits terms: There were no changes of benefit terms in plan fiscal year 2021.

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

Stockbridge Community Schools
Required Supplementary Information
Schedule of the School District's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A. Statutorily required contributions	$ 2,602,210	$ 2,264,907	$ 2,021,155	$ 1,910,122	$ 2,104,996	$ 1,247,336	$ 1,859,633	$ 1,505,295		
B. Contributions in relation to statutorily required contributions	2,602,210	2,264,907	2,021,155	1,910,122	2,401,996	1,247,336	1,859,633	1,505,295		
C. Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		
D. School District's covered payroll	$ 7,194,973	$ 6,709,649	$ 6,576,231	$ 6,268,605	$ 6,338,478	$ 6,655,674	$ 6,136,223	$ 6,889,539		
E. Contributions as a percentage of covered payroll	36.17%	33.76%	30.73%	30.47%	37.90%	18.74%	30.31%	21.85%		

Stockbridge Community Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A. School District's proportion of net OPEB liability (%)	0.0757%	0.0753%	0.0725%	0.0739%	0.0798%					
B. School District's proportionate share of net OPEB liability	$ 1,155,744	$ 4,036,332	$ 5,204,335	$ 5,873,144	$ 7,068,792					
C. School District's covered payroll	$ 6,809,901	$ 6,658,650	$ 6,319,148	$ 6,275,283	$ 6,609,468					
D. School District's proportionate share of net OPEB liability as a percentage of its covered payroll	16.97%	60.62%	82.36%	93.59%	106.95%					
E. Plan fiduciary net position as a percentage of total OPEB liability	87.33%	59.44%	48.46%	42.95%	36.39%					

Note Disclosures

Changes of benefits terms: There were no changes of benefit terms in plan fiscal year 2021.

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

Stockbridge Community Schools
Required Supplementary Information
Schedule of the School District's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A. Statutorily required contributions	$ 583,340	$ 559,251	$ 493,642	$ 501,809	$ 474,667					
B. Contributions in relation to statutorily required contributions	583,340	559,251	493,642	501,809	474,667					
C. Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -					
D. School District's covered payroll	$ 7,194,973	$ 6,709,649	$ 6,576,231	$ 6,268,605	$ 6,338,478					
E. Contributions as a percentage of covered payroll	8.11%	8.34%	7.51%	8.01%	7.49%					

OTHER SUPPLEMENTARY INFORMATION

Stockbridge Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2022

	Special Revenue Funds		Debt Service Funds				
	Food and Nutrition	Student Activity	2015 Debt	2016 Debt	2020 Debt	2020 Capital Projects	Total Nonmajor Governmental Funds
Assets							
Cash	$ 38,236	$ 145,134	$ 147,779	$ 495,127	$ 39,266	$ 427,371	$ 1,292,913
Due from other funds	322,358	-	158	-	-	-	322,516
Due from other governmental units	7,616	-	-	-	-	-	7,616
Inventory	16,838	-	-	-	-	-	16,838
Prepaid items	955	-	-	-	-	-	955
Total assets	$ 386,003	$ 145,134	$ 147,937	$ 495,127	$ 39,266	$ 427,371	$ 1,640,838
Liabilities							
Accounts payable	$ 760	$ 5,926	$ 122	$ 143	$ -	$ -	$ 6,951
Due to other funds	-	6,697	-	158	-	-	6,855
Accrued expenditures	7,043	-	-	-	-	-	7,043
Accrued salaries payable	8,450	-	-	-	-	-	8,450
Unearned revenue	9,880	-	-	-	-	-	9,880
Total liabilities	26,133	12,623	122	301	-	-	39,179

Stockbridge Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2022

	Special Revenue Funds		Debt Service Funds				
	Food and Nutrition	Student Activity	2015 Debt	2016 Debt	2020 Debt	2020 Capital Projects	Total Nonmajor Governmental Funds
Fund Balances							
Non-spendable							
Inventory	$ 16,838	$ -	$ -	$ -	$ -	$ -	$ 16,838
Prepaid items	955	-	-	-	-	-	955
Restricted for							
Food service	342,077	-	-	-	-	-	342,077
Debt service	-	-	147,815	494,826	39,266	-	681,907
Capital projects	-	-	-	-	-	427,371	427,371
Committed	-	132,511	-	-	-	-	132,511
Total fund balances	359,870	132,511	147,815	494,826	39,266	427,371	1,601,659
Total liabilities and fund balances	$ 386,003	$ 145,134	$ 147,937	$ 495,127	$ 39,266	$ 427,371	$ 1,640,838

Stockbridge Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022

	Special Revenue Funds		Debt Service Funds				
	Food and Nutrition	Student Activity	2015 Debt	2016 Debt	2020 Debt	2020 Capital Projects	Total Nonmajor Governmental Funds
Revenues							
Local sources	$ 22,401	$ 150,343	$ 956,543	$ 917,463	$ 198,585	$ 867	$ 2,246,202
State sources	68,352	-	5,695	5,379	-	-	79,426
Federal sources	725,415	-	-	-	-	-	725,415
Total revenues	816,168	150,343	962,238	922,842	198,585	867	3,051,043
Expenditures							
Current							
Education							
Supporting services	-	145,873	-	-	-	-	145,873
Food services	554,265	-	-	-	-	-	554,265
Capital outlay	36,831	-	-	-	-	200,152	236,983
Debt service							
Principal	-	-	845,000	135,000	175,000	-	1,155,000
Interest and other expenditures	-	-	131,812	780,290	15,708	-	927,810
Total expenditures	591,096	145,873	976,812	915,290	190,708	200,152	3,019,931
Excess (deficiency) of revenues over expenditures	225,072	4,470	(14,574)	7,552	7,877	(199,285)	31,112
Other Financing Sources (Uses)							
Transfers out	(25,000)	-	-	-	-	-	(25,000)
Net change in fund balance	200,072	4,470	(14,574)	7,552	7,877	(199,285)	6,112
Fund balances - beginning	159,798	128,041	162,389	487,274	31,389	626,656	1,595,547
Fund balances - ending	$ 359,870	$ 132,511	$ 147,815	$ 494,826	$ 39,266	$ 427,371	$ 1,601,659

Stockbridge Community Schools

Single Audit Report

June 30, 2022

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

Members of the Board of Education
Stockbridge Community Schools
Stockbridge, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stockbridge Community Schools, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Stockbridge Community Schools' basic financial statements, and have issued our report thereon dated September 27, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stockbridge 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.*

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.

Yeo & Yeo, P.C.

Lansing, Michigan
September 27, 2022

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Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditors' Report

Members of the Board of Education
Stockbridge Community Schools
Stockbridge, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Stockbridge 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 Stockbridge Community Schools' major federal programs for the year ended June 30, 2022. Stockbridge Community Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Stockbridge 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 (GAAS); 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Stockbridge 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 Stockbridge 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 agreements applicable to Stockbridge Community Schools' federal programs.

Auditors' 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 Stockbridge 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 GAAS, *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 Stockbridge Community Schools' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Stockbridge 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 Stockbridge 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 Stockbridge 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 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 Auditors' 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 may exist that have not been 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stockbridge Community Schools, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Stockbridge Community Schools' basic financial statements. We issued our report thereon dated September 27, 2022, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Lansing, Michigan
September 27, 2022

Stockbridge Community Schools
Schedule of Expenditures of Federal Awards
For the Year Ended For the Year Ended June 30, 2022

Program Title/Project Number/Subrecipient Name	Grant/Project Number	Assistance Listing Number	Approved Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue July 1, 2021	Federal Funds/ Payments In-kind	Expenditures	Adjustments	Accrued (Unearned) Revenue June 30, 2022	Awards Provided to Subrecipients
U.S. Department of Agriculture										
Passed through Michigan Department of Education										
Child Nutrition Cluster										
Non-cash assistance (commodities)										
Entitlement	33200	10.555	$ 41,494	$ -	$ -	$ 41,494	$ 41,494	$ -	$ -	$ -
Cash assistance										
COVID-19 Seamless Summer Option (SSO) - Breakfast	211971	10.553	19,412	-	-	19,412	19,412	-	-	-
School Breakfast Program	221970		1,037	-	-	1,037	1,037	-	-	-
COVID-19 Seamless Summer Option (SSO) - Breakfast	221971		117,484	-	-	117,484	117,484	-	-	-
					-	137,933	137,933	-	-	-
COVID-19 Seamless Summer Option (SSO) - Lunch	211961	10.555	72,892	-	-	72,892	72,892	-	-	-
COVID-19 Seamless Summer Option (SSO) - Lunch	220910		27,162	-	-	27,162	27,162	-	-	-
National School Lunch Program	221960		2,095	-	-	2,095	2,095	-	-	-
COVID-19 Seamless Summer Option (SSO) - Lunch	221961		431,676	-	-	431,676	431,676	-	-	-
					-	533,825	533,825	-	-	-
SFSP Operating	210904	10.559	433,594	428,621	-	4,973	4,973	-	-	-
SFSP Operating	220904		6,576	-	-	-	6,576	-	6,576	-
					-	4,973	11,549	-	6,576	-
Total Nutrition Cluster					-	718,225	724,801	-	6,576	-
COVID-19 Pandemic EBT Administrative Costs	201980	10.649	614	-	-	614	614	-	-	-
Total Department of Agriculture					-	718,839	725,415	-	6,576	-
Federal Communications Commission										
Passed through the Universal Service Administrative Company										
Emergency Connectivity Funds	ECF202108988	32.009	105,600	-	-	105,600	105,600	-	-	-
U.S. Department of Education										
Passed through Michigan Department of Education										
Title I Grants to Local Educational Agencies	211530	84.010	258,032	233,445	50,429	36,475	-	(13,954)	-	-
Title I Grants to Local Educational Agencies	221530		229,364	-	-	-	224,681	-	224,681	-
					50,429	36,475	224,681	(13,954)	224,681	-
Improving Teacher Quality State Grants	210520	84.367	65,922	49,127	9,695	14,960	5,265	-	-	-
Improving Teacher Quality State Grants	220520		52,159	-	-	-	34,673	-	34,673	-
					9,695	14,960	39,938	-	34,673	-
Student Support and Academic Enrichment	210750	84.424A	17,329	16,756	3,367	3,385	18	-	-	-
Student Support and Academic Enrichment	220750		16,095	-	-	-	15,083	-	15,083	-
					3,367	3,385	15,101	-	15,083	-

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Stockbridge Community Schools
Schedule of Expenditures of Federal Awards
For the Year Ended For the Year Ended June 30, 2022

Program Title/Project Number/Subrecipient Name	Grant/Project Number	Assistance Listing Number	Approved Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue July 1, 2021	Federal Funds/ Payments In-kind	Expenditures	Adjustments	Accrued (Unearned) Revenue June 30, 2022	Awards Provided to Subrecipients
Education Stabilization Fund										
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Formula)	213712	84.425D	$ 671,645	$ -	$ -	$ 224,330	$ 644,979	$ -	$ 420,649	$ -
COVID-19 ESSER II Discretionary - 23b(2a) Summer School	213722	84.425D	67,650	-	-	-	48,582	-	48,582	-
COVID-19 ESSER II Discretionary - 23b(2b) Credit Recovery	213742	84.425D	17,050	-	-	-	7,490	-	7,490	-
COVID-19 ESSER II Discretionary - 23b(2c) Before and After School	213752	84.425D	25,000	-	-	-	13,899	-	13,899	-
COVID-19 Governor's Emergency Educational Relief Funds (GEER II)	211202	84.425C	23,000	-	-	-	23,000	-	23,000	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III Formula)	213713	84.425U	1,509,491	-	-	-	160,990	-	160,990	-
					-	224,330	898,940	-	674,610	-
Total Department of Education					63,491	279,150	1,178,660	(13,954)	949,047	-
U.S. Department of Health and Human Services										
Direct Program										
Drug-Free Communities Support Program Grants	5NH28CE002843-08	93.276	625,000	177,227	26,402	81,958	55,556	-	-	55,556
Passed through the Michigan Department of Human Services and Ingham Intermediate School District										
Medicaid Cluster										
Medical Assistance Program	33200	93.778	16,285	-	-	13,736	13,736	-	-	-
Epidemiology and Laboratory Capacity for Infectious Diseases	EI222810-HRA2022	93.323	28,515	-	-	28,515	28,515	-	-	-
Total Department of Health and Human Services					26,402	124,209	97,807	-	-	55,556
Total Federal Programs					$ 89,893	$ 1,227,798	$ 2,107,482	$ (13,954)	$ 955,623	$ 55,556

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Stockbridge Community Schools
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2022

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Stockbridge 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 Stockbridge Community Schools, it is not intended to and does not present the financial position or change in financial position of Stockbridge Community Schools.

Note 2 - Summary of Significant Accounting Policies

Expenditures
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 where certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate
Stockbridge Community Schools has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Reconciliation to the Financial Statements

The following reconciles the federal revenue reported in the June 30, 2022 financial statements to the expenditures on Stockbridge Community Schools administered federal programs reported on the schedule of expenditures of federal awards:

Federal expenditures per the schedule of expenditures of federal awards	$ 2,107,482
Child Care Relief Fund Grants received as a beneficiary	202,445
Title I Adjustment	(13,954)
Federal revenue per the financial statements	$ 2,295,973

Note 4 - Subrecipients

Grant funds from the Drug Free Communities Support Program Grants Assistance Listing #93.276 were passed through to the subrecipient SRSLY Coalition for the year ended June 30, 2022. Current year federal expenditures reported by and passed to the subrecipient were $55,556.

Note 5 - Michigan Department of Education Disclosures

The federal amounts reported on the grant auditor report are in agreement with the schedule of expenditures of federal awards except for the following variances due to timing of when payments were initiated by MDE and received by the School District.

	Grant / Project Number	Federal AL Number	Reported on Grant Auditor Report	Reported on Schedule of Expenditures of Federal Awards	Variance
COVID-19 ESSER II Discretionary - 23b(2a) Summer School	213722	84.425D	$ 48,582	$ -	$ 48,582
COVID-19 ESSER II Discretionary - 23b(2b) Credit Recovery	213742	84.425D	7,490	-	7,490
COVID-19 ESSER II Discretionary - 23b(2c) Before and After School	213752	84.425D	13,899	-	13,899
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III Formula)	213713	84.425U	96,133	-	96,133
Title I Grants to Local Educational Agencies	221530	84.010	210,546	-	210,546
Improving Teacher Quality State Grants	220520	84.367	24,514	-	24,514
Student Support and Academic Enrichment	220750	84.424	13,510	-	13,510
COVID-19 Governor's Emergency Educational Relief Funds (GEER II)	211202	84.425C	23,000	-	23,000

The amounts reported on the recipient entitlement balance report agree with the schedule of expenditures of federal awards for U.S.D.A. donated food commodities.

Note 6 – Adjustments to Federal Awards

The Schedule of Expenditures of Federal Awards includes an adjustment of ($13,954) related to the Title I Grants to Local Educational Agencies (AL #84.010). Expenditures recorded as Title I in the prior year as a receivable were removed in the current year and not requested.

Note 7 – Prior Year Expenditures

Certain grants that were awarded as a result of COVID-19, allowed recipients to reimburse eligible costs incurred during the prior year ended June 30, 2021. Therefore, $4,184 of prior year expenditures related to 84.425D COVID-19 ESSER II Discretionary – 23b(2b) Credit Recovery are included in the June 30, 2022 schedule of expenditures of federal awards.

Stockbridge Community Schools
Schedule of Findings and Questioned Costs
June 30, 2022

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	_____ yes __X__ no
• Significant deficiency(s) identified that are not considered to be material weaknesses?	_____ yes __X__ none reported
Noncompliance material to financial statements noted?	_____ yes __X__ no

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	_____ yes __X__ no
• Significant deficiency(s) identified that are not considered to be material weaknesses?	_____ yes __X__ none reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with §200.516(a)?	_____ yes __X__ no

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	__X__ yes _____ no

SECTION II - GOVERNMENT AUDITING STANDARDS FINDINGS

There were no findings under *Government Auditing Standards* for the year ended June 30, 2022.

SECTION III - FEDERAL AWARD FINDINGS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2022.

SECTION IV - PRIOR AUDIT FINDINGS

GOVERNMENT AUDITING STANDARDS FINDINGS

There were no findings under *Government Auditing Standards* for the year ended June 30, 2021.

FEDERAL AWARD FINDINGS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2021.

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September 27, 2022

Management and the Board of Education
Stockbridge Community Schools
Stockbridge, Michigan

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Stockbridge Community Schools (the School District) as of and for the year ended June 30, 2022. We are required to communicate certain matters to you in accordance with generally accepted auditing standards that are related to internal control and the audit.

Our communication includes the following appendices:

I. Auditors' Communication of Significant Matters with Those Charged with Governance

II. Matters for Management's Consideration

Matters for management's consideration are not required to be communicated but we believe are valuable for management.

We discussed these matters with various personnel in the School District during the audit including management. We would also be pleased to meet with you to discuss these matters at your convenience.

This information is intended solely for the information and use of management, the Board of Education, and others within the School District, and is not intended to be, and should not be, used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Lansing, Michigan

Appendix I
Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 6, 2022. 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. The significant accounting policies used by the School District are described in the footnotes of the financial statements. The School District has adopted the following Governmental Accounting Standards Board Statements effective July 1, 2021:

- Statement No. 87, *Leases* increases the usefulness of the 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 an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

- Statement No. 99, *2022 Omnibus* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

We noted no transactions entered into by the School District during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 School District's financial statements were:

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.

- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

- Net other postemployment (OPEB) liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

We have evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Disclosures in the financial statements are neutral, consistent and clear.

A significant risk is an identified and assessed risk of material misstatement that, in the auditors' professional judgment, requires special audit consideration. Within our audit, we focused on the following areas.

- Management override of controls
- Improper revenue recognition
- Implementation of new lease accounting standard

Additional Information

Cybersecurity Posture

Cybersecurity posture, an overall measure of cybersecurity strength, is more prevalent than ever as organizations continue to face cybersecurity risks. Billions of emails are sent every day, some of which contain attachments with malicious files or malicious embedded links aimed at negatively impacting unsuspecting organizations. Not only can a successful attack cost thousands of dollars and put a strain on IT resources while remediation efforts are underway, but sensitive information may be breached. Additionally, cyber insurance coverage may be difficult or costly to obtain without adequate safeguards in place within your organization.

Risk assessment is a first step in mitigating cybersecurity risks and improving your organization's overall cybersecurity posture. The National Institute of Standards and Technology published *Framework for Improving Critical Infrastructure Cybersecurity*, which "enables organizations, regardless of size, degree of cybersecurity risk, or cybersecurity sophistication, to apply the principles and best practices of risk management to improving the security and resilience of critical infrastructure." The framework is designed to cover five areas including identification, protection, detection, responsiveness and recovery. The publication can be found at www.nist.gov.

Once you have performed a risk assessment, it's time to take action. A few simple solutions that are recommended to prevent cyber-attacks include:

- **Document your program** – Identify specific roles and responsibilities as well as adopting security policies and procedures for your organization to follow, is generally a good practice to have guidelines to follow in the event of an attack. Annually, risks should be reassessed, and the program should be modified to address any identified risks.
- **Offsite back up location** – Frequent data backups are a good safeguard; but if your entire network is compromised, restoring a backup saved to the network, becomes problematic. Routinely backing up data and storing offsite, allows for your organization to get back up and running as quickly as possible, if your network is attacked.
- **Require routine password changes –** Frequently, people have a bad habit of using the same password for multiple applications. Inevitably, at some point that password will likely be compromised in one of those applications. Requiring users to change their password routinely, reduces the risk of your system being accessed with a compromised password. Requiring a complex password to be of a certain length and contain a mixture of character types, reduces your risk even further.
- **Utilizing multifactor authentication (MFA)** – knowing that people may use the same password to access multiple applications, this extra security layer makes it more difficult for attackers to gain access to your system. Microsoft claims that MFA can block over 99.9 percent of account compromise attacks.
- **Provide cybersecurity training –** Security awareness training provides a human firewall to protect your system. Training sessions and automated simulated attacks are utilized to help train people on how to spot phishing email attacks. Yeo & Yeo is able to provide security training to your employees.

Placing significant emphasis on evaluating your organization's cybersecurity posture, and channeling sufficient resources towards proper risk assessment, implementation, and education will reduce the likelihood of a cybersecurity threat and help lessen the impact of a breach.

Accounting Standards

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in the footnotes of the financial statements.

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 known and likely misstatements identified during the audit, other than those that are clearly trivial. The adjustments identified during the audit have been communicated to management and management has posted all but an adjustment related to a copier lease liability in accordance with new lease standards. This resulted in assets being understated by $60,587, liabilities being understated by $60,913, net position and the change in net position being overstated by $326, and expenditures being understated by $326 in the district-wide statements.

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.

Management has determined that the effects of the uncorrected misstatements summarized above are immaterial both individually and, in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

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 auditors' 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 as of the date of the audit report.

Management's Consultations with Other 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 School District's financial statements or a determination of the type of auditors' 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 School 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 Reports

Other information that is required to be reported to you is included in the: Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

Report on Required Supplementary Information

We applied certain limited procedures to management's discussion and analysis and the remaining required supplementary information (RSI) as described in the table of contents of the financial statements that supplements 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.

Report on Other Supplementary Information

We were engaged to report on other supplementary information as described in the table of contents of the financial statements, which accompany the financial statements but are not RSI. With respect to this 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 supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Appendix II
Matters for Management's Consideration

In planning and performing our audit of the financial statements of Stockbridge Community Schools as of and for the year ended June 30, 2022, we considered the School District's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

However, during our audit we became aware of the following matters for management's consideration that are opportunities for strengthening internal controls. This letter does not affect our report dated September 27, 2022, on the financial statements of Stockbridge Community Schools.

Athletic Ticket Reconciliations
During testing of athletics decentralized cash collections, we noted for the game selected that the ticket reconciliation form did not include beginning or ending ticket numbers. Therefore, cash collected could not be reconciled against tickets sold. However, we did note that the ticket reconciliation and cash count were signed off by two individuals indicating proper oversight.

Reconciling beginning and ending ticket numbers is a key control in ensuring all cash collected for ticket sales is deposited by the School District. We recommend beginning and ending ticket numbers are included on count sheets to reaffirm the amount of ticket sales.

Net Cash Resources
As a result of the COVID-19 pandemic and flexibilities awarded related to edibility and food distribution, net cash resources were in excess of the three-month average expenditure requirement included in the federal regulations. Neither MDE nor USDA issued a waiver for this compliance requirement. The noncompliance has not been determined to be material to the federal program or the financial statements, as it has not resulted in questioned costs, or negatively impacted the program; as the School District is actively working on using the funds to enhance the program.

The School District must continue to take action to return to compliance. The School District may reduce lunch prices in a manner that is consistent with the paid lunch equity provisions, improve food quality, or take other action designed to improve the program. We recommend the School District look at possible enhancements to the program in order to develop a spend down plan to return to compliance with this requirement.