



NILES COMMUNITY SCHOOLS

FINANCIAL REPORT

WITH SUPPLEMENTARY INFORMATION

JUNE 30, 2022



**NILES COMMUNITY SCHOOLS
Niles, Michigan
June 30, 2022**

BOARD OF EDUCATION

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**Niles Community Schools
Niles, Michigan
June 30, 2022**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Niles Community Schools
Niles, Michigan

Report on 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 Niles Community Schools (the "District"), as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprises the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

INDEPENDENT AUDITOR'S REPORT, CONTINUED

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

INDEPENDENT AUDITOR'S REPORT, CONTINUED

Required Supplementary Information

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

Supplementary Information

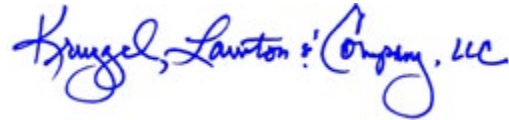
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Niles Community Schools' basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, including the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT, CONCLUDED

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in blue ink that reads "Kruegel, Lawton & Company, LLC". The signature is written in a cursive style.

Certified Public Accountants

St. Joseph, Michigan
October 26, 2022

As management of the Niles Community Schools (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the notes and financial statements, which follow this section.

As with other sections of this financial report, the information contained within this MD&A should be considered only a part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and the other Required Supplemental Information ("RSI") that is provided in addition to this MD&A.

Financial Highlights

The \$40,628,121 in deficit unrestricted net position of governmental activities represents the accumulated results of all past years' operations. Without the effects of GASB Statement No. 68 and 75, the District's total net position would be \$25,411,133. This amount enables the District to meet working capital and cash flow requirements as well as provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position (deficit) from year to year.

The results of this year's operations for the District as a whole are reported in the Statement of Activities as summarized on page 9 which shows the changes in net position for the fiscal years 2022 and 2021.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. The report also includes other supplementary information in addition to the basic financial statements themselves.

District-Wide Financial Statements

The District-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

1) The Statement of Net Position

This statement reports all assets and liabilities of the District as of June 30, 2022. The difference between total assets and total liabilities is reported as "net position." Increases in net position generally indicates an improvement in financial position while a decrease may indicate a deterioration of financial position.

2) The Statement of Activities

This statement serves the purpose of the traditional income statement. It provides consolidated reporting of the results of all activities of the District for the year ended June 30, 2022. Changes in net position are recorded in the period in which the underlying event takes place, which may differ from the period in which cash is received or disbursed. The Statement of Activities displays the expense of the District's various programs net of the related revenues, as well as a separate presentation of revenues available for general purposes.

Overview of Financial Statements, Concluded

Both of the District-wide financial statements distinguish functions of the District that are principally supported by intergovernmental revenues (pupil allowance), taxes and other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The major governmental activities of the District include major instructional and instructional support activities. Other relevant governmental funds include Capital Projects, Special Revenue and Debt Service Funds.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other Michigan schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual."

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental-fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Governmental funds include all activities of the District that are not business-type services. The governmental funds of the District include the General Fund as the District's only major governmental funds. The Capital Projects Fund, Special Revenue and Debt Service Fund comprise the non-major funds of the District.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information. The combining statements referred to earlier in connection with nonmajor funds and fiduciary funds are presented immediately after the basic financial statements. Also included are budget comparisons for the general fund.

Summary of Net Position (Deficit)

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

Assets:	2022	2021
Current assets	\$ 27,092,267	\$ 28,776,742
Noncurrent assets:		
Capital assets, net book value	48,267,569	48,617,589
Total Assets	\$ 75,359,836	\$ 77,394,331
Deferred Outflows of Resources:		
Deferred outflows of resources from pensions	\$ 9,651,462	\$ 11,462,463
Deferred outflows of resources from OPEB	3,771,057	5,193,357
Total Deferred Outflows of Resources	\$ 13,422,519	\$ 16,655,820
Liabilities:		
Current liabilities	\$ 12,937,567	\$ 17,004,020
Long-term liabilities	85,102,349	116,429,645
Total Liabilities	\$ 98,039,916	\$ 133,433,665
Deferred Inflows of Resources:		
Deferred inflows of resources from pensions	\$ 19,649,683	\$ 980,314
Deferred inflows of resources from OPEB	11,720,877	8,420,864
Total Deferred Inflows of Resources	\$ 31,370,560	\$ 9,401,178
Net Position (Deficit):		
Net investment in capital assets	\$ 11,367,569	\$ 10,848,589
Restricted for:		
Capital projects	997,853	1,164,987
Debt service	1,735,818	1,466,796
Unrestricted	(54,729,361)	(62,265,064)
Total Net Position (Deficit)	\$ (40,628,121)	\$ (48,784,692)

The financial analysis will focus on the net position (deficit) and changes in net position of the District’s governmental activities.

As noted earlier, net position (deficit) may serve over time as a useful indicator of a government’s financial position. At June 30, 2022, the District’s net position (deficit) was \$(40,628,121).

A portion of the District’s net position (deficit), \$2,733,671, represents resources subject to external restrictions on how they may be used.

Another portion of the District’s net position (deficit), \$11.4 million reflects its investment in capital assets less depreciation and any related debt used to acquire those assets that is still outstanding. The District uses capital assets to provide services which in turn leave these assets not available for future spending.

Analysis of Financial Position

During fiscal year ended June 30, 2022, the District’s net position (deficit) increased by \$8,156,571, a few of the significant factors affecting net position during the year are discussed below:

A. General Operations

The District’s total revenues decreased by \$1,466,577 for the fiscal year ended June 30, 2022. Total expenses decreased by \$6,780,979 for the fiscal year ended June 30, 2022. The decrease in revenue and expenditures are directly related to decreased federal grant funding for COVID and the decreased costs associated with the school district expenditures.

B. Debt Activity

The District made principal payments on bonds which reduced the amount of the District’s long-term liabilities. Principal payments made during the year ended June 30, 2022 totaled \$869,000 which reduced the 2011 Qualified Zone Academy Bonds and 2015 Building and Site Bonds. The 2015 bonds are to be used in all school buildings for technology improvements, safety and security enhancements, and bus purchasing.

C. Net Investment in Capital Assets

The District’s capital assets, net of accumulated depreciation decreased by \$350,020 during the year. The net activity for the year is summarized in the following table:

	Beginning Balance	Additions	Deletions and Adjustments and Reclassifications	Ending Balance
Capital Assets	\$ 66,886,780	\$ 871,949	\$ (143,495)	\$ 67,615,234
Less: accumulated depreciation	(18,269,191)	(1,159,313)	80,839	(19,347,665)
Net investment capital outlay	<u>\$ 48,617,589</u>	<u>\$ (287,364)</u>	<u>\$ (62,656)</u>	<u>\$ 48,267,569</u>

This year, the District's additions of \$871,949 included multiple building and land improvements in all of the schools.

Results of Operations

The District-Wide results of operations for the fiscal years ended June 30, is summarized in the table below:

	<u>2022</u>	<u>2021</u>
Revenues		
Program Revenue		
Charges for services	\$ 377,406	\$ 308,382
Operating grants and contributions	14,651,267	16,663,710
General Revenues		
Property taxes levied for general operations	4,332,264	3,880,843
Property taxes levied for debt service	2,355,067	2,221,059
Property taxes levied for capital project services	685,292	649,202
State of Michigan unrestricted foundation aid	24,415,743	24,469,857
Interest and investment earnings	24,978	49,096
Loss on disposal of assets	(5,017)	-
Other general revenues	542,882	604,310
Total revenues	<u>\$ 47,379,882</u>	<u>\$ 48,846,459</u>
Expenses:		
Instruction and instructional support	\$ 20,158,624	\$ 23,965,330
Support services	13,244,460	16,740,400
Community services	451,898	196,932
Food service	1,748,964	1,630,670
Student activities	373,440	297,263
Athletics	661,903	587,163
Interest on long-term debt	1,424,709	1,447,616
Depreciation (unallocated)	1,159,313	1,138,916
Total expenses	<u>\$ 39,223,311</u>	<u>\$ 46,004,290</u>
Change in Net Position	<u>\$ 8,156,571</u>	<u>\$ 2,842,169</u>
Beginning Net Position (Deficit)	<u>(48,784,692)</u>	<u>(51,626,861)</u>
Ending Net Position (Deficit)	<u><u>\$ (40,628,121)</u></u>	<u><u>\$ (48,784,692)</u></u>

State of Michigan Unrestricted Aid (Net State Foundation Grant)

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

1. State of Michigan State Aid Act per student foundation allowance,
2. Student Enrollment - Blended at 75 percent of the prior year blend and 25 percent of the current year blend (10 percent and 90 percent of the February 2021 and September 2021 student counts, respectively), and
3. The District’s non-homestead levy.

Per Student Foundation Allowance

Annually, the State of Michigan sets the per student foundation allowance. The Districts' foundation allowance, paid by the State of Michigan, for the fiscal year 2022 was \$8,700 per student.

The State of Michigan has announced the per pupil foundation at \$9,150 for fiscal year 2022-2023.

Student Enrollment

The District’s enrollment increased from the prior year’s student count. The following summarizes blended student enrollments in the past five years:

Fiscal Year	Student FTE	FTE Change from Prior Year
2021-2022	3,522	100
2020-2021	3,422	(157)
2019-2020	3,579	(75)
2018-2019	3,654	(28)
2017-2018	3,682	(48)

Subsequent to year end June 30, 2022, preliminary student enrollments for 2022-2023 indicate that enrollments have decreased by approximately 45 students.

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

The District levies property taxes for operations (General Fund) of 18 mills on Non-Personal Residence exemption properties and 6 mills on Commercial Personal Property. Under Michigan law, the taxable levy is based on the taxable valuation of the properties. Annually the taxable valuation increase in property values is capped at the rate of the prior year’s CPI increase or 5 percent, whichever is less. At the time of sale, a property’s taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of market value. The District's non-homestead property levy for the 2021-2022 fiscal year generated \$4,332,264. The funds received from the non-homestead tax levy increased by 11.63 percent from the prior year.

Property Taxes Levied for General Operations (General Fund Non-Homestead Taxes), Concluded

The following summarizes the District's non-homestead levy over the past five years:

<u>Fiscal Year</u>	<u>Non-Homestead Tax Levy</u>	<u>% Increase (decrease) from Prior Year</u>
2021-2022	\$ 4,332,264	11.63%
2020-2021	3,880,843	5.96%
2019-2020	3,662,648	4.77%
2018-2019	3,495,890	1.65%
2017-2018	3,439,248	2.93%

Debt Administration and Capital Projects Sinking Fund

The District’s debt and capital projects sinking fund levies are based on the taxable valuation of all properties: homestead and non-homestead. The debt fund levy is used to pay principal and interest on bond obligations and the capital projects sinking fund is for capital improvements in the District. The taxpayers have authorized debt levies that will fund the debt principal payments of \$40,721,917 through 2035.

For 2021-2022, the District's debt millage levy was 3.40 mills that generated a levy of \$2,355,067. The capital projects sinking fund levy was .9910 mills and generated a levy of \$685,292.

Governmental Activities

The District is heavily reliant on state aid, grants and property taxes to support operations. State aid provided 50%, grants 34% and taxes 14% of the school district’s total revenues. Also, charges for services represent 1% of governmental operating revenues. This means that the District relies on state taxpayers and federal revenues to cover 99% of governmental activities. For school districts, in general, self-generated revenue is a relatively small percentage of total revenues.

The District’s largest category of functional expenses is related to the direct instruction of regular education, special education and other students. Instructional expenditures comprised \$20.2 million or 51.4% of the total expenses. These costs include teacher salaries and benefits, textbooks and supplies used in instruction.

Financial Analysis of Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The purpose of the District’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District’s governmental funds reported a combined ending fund balance of \$14,388,618. Of this amount, \$8,196,816 (57%) is unassigned fund balance, which is available for spending at the District’s discretion. The unassigned fund balance will be used at the discretion of the School Board for revenue shortfalls, capital projects and any other unexpected expenditures.

The General Fund is the District's chief operating fund. At the end of the current fiscal year, the fund balance of the general fund was \$8,921,633, an increase of \$516,053.

Individual fund data for each of the nonmajor governmental funds is provided in the form of the combining statements in the Supplemental Information section.

General Fund and Budgetary Highlights

The District adopts an annual appropriated budget for its general fund. The final actual expenditures were less than the final budget expenditures by approximately \$6.1 million. The general fund budget is reviewed throughout the year and revised twice a year with the approval of the School Board. At the end of the fiscal year, the actual expenditures are projected and the budget is amended to prevent any budget overruns. The District tries to work within its original budget by increasing categories that will exceed the budget while decreasing other categories to cover these overruns. If this transferring will not cover these expenditures then the District must appropriate from its fund balance.

The actual revenues are approximately \$5.6 million under budget and actual expenditures are approximately \$6.1 million under budget. Of the \$6.1 million, close to \$5.9 million was grant funds not expended or received in revenue. The remaining majority of the variances in revenue and expenses is due to actual funds not received in full or expedited in full in the 21/22 school year. In all, the District's budget has been prepared on a conservative basis and has provided adequate resources to fund services provided. All schools have limited resources and, thus, limited numbers of programs and services can be provided. We are proud to say we have done well in terms of maintaining a solid, financially sound organization by spending within our means.

Economic Factors and Next Year's Budgets and Rates

The General Fund revenue is being budgeted at less than 2021-2022 amended budget without the MPSRS Rate Stabilization Funds. The State of Michigan revenues are essentially overstated in FY 2021-2022 due to an accounting change at the state level that requires over \$2.9 million of retirement system dollars that were previously paid directly by the State of Michigan to be allocated to local schools as a pass-through on their books. This results in both revenues and expenditures to be inflated by the same amount.

Local Revenue

Reduction in local revenues are due to one-time local grants. All revenues in this category are being budgeted at or near 2021-2022 levels.

State Revenue

The net revenues decrease from 2021-2022 is \$374,000 net of the MPSRS Rate Stabilization revenue. All state aid is based on current projections from the State. This includes a \$300 increase to the foundation allowance. This increases the total foundation to \$9,150. Per our Middle Cities and virtual student projections, we are budgeting a net decrease in students from 21/22 of 45. This equates to an increase in the State Aid by \$761,000. Due to uncertainty of state categorical, i.e., early literacy, cte pupil incentive, dual enrollment/skilled trades reimbursement, these amounts are not being budgeted. These total \$360,000.

Federal Revenue

The net revenue decrease from 2021-2022 is \$6 million. This decrease is due to budgeting Title One, Two, Three, and Four at the State's estimated funding levels and elimination of one-time Covid funding from the 21/22 levels. \$500,000 of Esser III funds is being budgeted. All other revenues in this category are being budgeted at or around 21/22 levels.

Transfers Revenue

Decrease in this category due to reduction of BRESA equity distribution, \$600,000. All others in this category are being budgeted at or around 2021-2022 levels.

Expenditures

The majority of the budget, 78 percent, is for employee compensation. In 21/22, we added 4.3 teaching positions for two years to keep class sizes low as well as add an interventionist. 22/23 will be the last year of Covid funds to cover these expenses. Teacher contracts are currently being negotiated. Estimate increases have not been included for 22/23. Custodial and Officer personnel salaries have been budgeted per their contracts. All other salaries have been budgeted at 21/22 levels. Health insurance increase of 3% is based on past increases. Transportation increase is based on the contract. Other expenditures are being budgeted at 21/22 costs or increased by normal yearly increases.

Requests for Financial Information

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

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 19,009,194
Accounts receivables	20,166
Due from other governmental units	7,269,096
Inventories	68,994
Prepaid expenditures	724,817
Capital assets, not being depreciated	541,833
Capital assets, net of accumulated depreciation	47,725,736
Total Assets	<u>\$ 75,359,836</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	\$ 9,651,462
Deferred outflows of resources related to OPEB	3,771,057
Total Deferred Outflows of Resources	<u>\$ 13,422,519</u>
Liabilities	
Accounts payable	\$ 554,353
Accrued payroll and other liabilities	3,183,180
State aid anticipation note	786,002
Due to other governments	7,675,457
Unearned revenue	504,657
Accrued interest payable	233,918
Noncurrent Liabilities:	
Bonds payable - due within one year	735,000
Compensated absences - due within one year	11,114
Bonds payable - due in more than one year	36,165,000
Compensated absences - due in more than one year	100,022
Net pension liability	45,251,088
Net OPEB liability	2,840,125
Total Liabilities	<u>\$ 98,039,916</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	\$ 19,649,683
Deferred inflows of resources related to OPEB	11,720,877
Total Deferred Inflows of Resources	<u>\$ 31,370,560</u>
Net Position (Deficit)	
Net investment in capital assets	\$ 11,367,569
Restricted for:	
Capital projects	997,853
Debt service	1,735,818
Unrestricted	(54,729,361)
Total Net Position (Deficit)	<u>\$ (40,628,121)</u>

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

NILES COMMUNITY SCHOOLS

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Functions/Programs	Program Revenues			Governmental
	Expenses	Charges for Services	Operating Grants/Contributions	Activities
				Net (Expense) Revenue and Changes in Net Position
Primary government -				
Governmental activities:				
Instruction	\$ 20,158,624	\$ 234,833	\$ 5,163,561	\$ (14,760,230)
Support services	13,244,460	22,676	7,115,548	(6,106,236)
Community services	451,898	-	-	(451,898)
Food services	1,748,964	45,792	2,372,158	668,986
Student activities	373,440	-	-	(373,440)
Athletics	661,903	74,105	-	(587,798)
Interest on long-term debt	1,424,709	-	-	(1,424,709)
Depreciation (unallocated)	1,159,313	-	-	(1,159,313)
	<u>\$ 39,223,311</u>	<u>\$ 377,406</u>	<u>\$ 14,651,267</u>	<u>\$ (24,194,638)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				\$ 4,332,264
Property taxes, levied for debt service				2,355,067
Property taxes, levied for capital project purposes				685,292
State aid not restricted to specific purposes				24,415,743
Interest and investment earnings				24,978
Loss on disposal of asset				(5,017)
Other				542,882
Total general revenues				<u>\$ 32,351,209</u>
Change in Net Position				\$ 8,156,571
Net Position (Deficit) - beginning of year				<u>(48,784,692)</u>
Net Position (Deficit) - end of year				<u>\$ (40,628,121)</u>

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

NILES COMMUNITY SCHOOLS

**BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2022**

	General Fund	Other Non-Major Governmental Funds	Total
Assets			
Cash and cash equivalents	\$ 13,735,883	\$ 5,273,311	\$ 19,009,194
Accounts receivable	20,166	-	20,166
Due from other governmental funds	-	200,000	200,000
Due from other governmental units	7,196,670	72,426	7,269,096
Inventory	-	68,994	68,994
Prepaid expenditures	724,817	-	724,817
Total Assets	\$ 21,677,536	\$ 5,614,731	\$ 27,292,267
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 406,607	\$ 147,746	\$ 554,353
Accrued payroll and related liabilities	3,183,180	-	3,183,180
Short-term borrowings	786,002	-	786,002
Unearned revenue	504,657	-	504,657
Due to other governmental funds	200,000	-	200,000
Due to other governments	7,675,457	-	7,675,457
Total Liabilities	\$ 12,755,903	\$ 147,746	\$ 12,903,649
Fund Balances			
Non-spendable - prepaid expenditures	\$ 724,817	\$ -	\$ 724,817
Non-spendable - inventory	-	68,994	68,994
Restricted for debt retirement	-	1,735,818	1,735,818
Restricted for capital projects	-	997,853	997,853
Restricted for food service	-	905,963	905,963
Committed for capital projects	-	1,249,932	1,249,932
Committed for student activities	-	508,425	508,425
Unassigned	8,196,816	-	8,196,816
Total Fund Balances	\$ 8,921,633	\$ 5,466,985	\$ 14,388,618
Total Liabilities and Fund Balances	\$ 21,677,536	\$ 5,614,731	\$ 27,292,267

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

NILES COMMUNITY SCHOOLS**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET POSITION (DEFICIT)
AS OF JUNE 30, 2022**

Total Fund Balances - Governmental Funds \$ 14,388,618

Amounts reported for governmental activities in the Statement of Net Position are different because:

Deferred outflows of resources related to:

Pensions	9,651,462
OPEB	3,771,057

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

Cost of the capital assets	67,615,234
Accumulated depreciation	(19,347,665)

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

Notes and bonds payable	(36,900,000)
Compensated absences	(111,136)

Net pension liability (45,251,088)

Net OPEB liability (2,840,125)

Deferred inflows of resources related to pension changes in assumptions and changes in differences actual earnings on plan investments

Pensions	(16,698,995)
OPEB	(11,720,877)

Deferred inflows from revenue in support of pension contributions made subsequent to the (2,950,688)

Accrued interest payable is not included as a liability in governmental funds (233,918)

Total Net Position (Deficit) - Governmental Activities \$ (40,628,121)

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

NILES COMMUNITY SCHOOLS

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

	General Fund	Other Non-Major Governmental Funds	Total
Revenues			
Local sources	\$ 4,672,738	\$ 3,495,822	\$ 8,168,560
State sources	32,440,231	128,022	32,568,253
Federal sources	3,074,119	2,244,136	5,318,255
Other	1,329,831	-	1,329,831
Total Revenues	\$ 41,516,919	\$ 5,867,980	\$ 47,384,899
Expenditures			
Instruction and instructional support services	\$ 23,119,381	\$ -	\$ 23,119,381
Supporting services	15,469,121	-	15,469,121
Food service	-	1,942,512	1,942,512
Student activities	-	373,440	373,440
Community services	451,898	-	451,898
Athletics	729,906	-	729,906
Capital outlay	-	622,954	622,954
Debt service:			
Principal on long-term debt	17,988	851,012	869,000
Interest on long-term debt	784	1,427,252	1,428,036
Total Expenditures	\$ 39,789,078	\$ 5,217,170	\$ 45,006,248
Excess of Revenues Over Expenditures	\$ 1,727,841	\$ 650,810	\$ 2,378,651
Other Financing Sources (Uses)			
Operating transfers in	\$ -	\$ 1,211,788	\$ 1,211,788
Operating transfers out	(1,211,788)	-	(1,211,788)
Total Other Financing Sources (Uses)	\$ (1,211,788)	\$ 1,211,788	\$ -
Net Change in Fund Balances	\$ 516,053	\$ 1,862,598	\$ 2,378,651
Fund Balances - Beginning of year	8,405,580	3,604,387	12,009,967
Fund Balances - End of year	\$ 8,921,633	\$ 5,466,985	\$ 14,388,618

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

NILES COMMUNITY SCHOOLS

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

Net Change in Fund Balances - Total Governmental Funds		\$ 2,378,651
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation		
Depreciation expense	\$ (1,159,313)	
Capitalized capital outlay	814,310	
Loss on disposal of fixed assets	<u>(5,017)</u>	
Total		(350,020)
Decrease in accrued interest		3,327
Decrease in the liability for compensated absences not reported in the governmental funds		24,594
Change in benefit expense related to pension plan		5,076,228
Change in benefit expense related to OPEB		3,105,479
Revenue in support of pension contributions made subsequent to the measurement date		(2,950,688)
Repayment of bond and note payable principal and bond refunding are expenditures in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		<u>869,000</u>
Change in Net Position of Governmental Activities		<u>\$ 8,156,571</u>

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (“GASB”) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the District’s reporting entity, and which organizations are legally separate, component units of the District. Based on the application of the criteria, the District does not contain any component units.

District-Wide and Fund Financial Statements

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

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

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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Statements – The District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

District-Wide Statements (concluded) – Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of inter-fund activity has been eliminated from the District-wide financial statements.

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

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

The District reports the following major governmental fund:

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

Additionally, the District reports the following fund types:

Special Revenue Funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). As of June 30, 2022, the non-major special revenue funds maintained by the District are the Food Service Fund and the Student Activity Fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capital Projects Funds are used to account for financial resources that are restricted for capital outlays, including the acquisition or construction of capital facilities and other capital assets. As of June 30, 2022, the non-major capital projects funds maintained by the District are the Capital Development Fund and the Building & Site Fund.

Debt Retirement Funds are used to account for financial resources that are restricted for principal and interest. As of June 30, 2022, the debt retirement fund maintained by the District is the non-major Bond Debt Service Fund.

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

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

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

Property taxes are recognized as revenue on a levy year basis. The 2021 levy amounts are recognized as current property tax revenue to the extent that they are collected during the year or within sixty days after year end. Collections of delinquent taxes in subsequent years are recognized as property tax revenues in the year collected. Property taxes are levied December 1 on the assessed value of the property located in the District as of the preceding December 31. Assessed values are established annually by the various governmental units within the District and are equalized by the State of Michigan (the “State”).

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Receivables and Payables (Concluded)

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

Inventories – Inventories are valued at cost on a first-in, first-out (“FIFO”) basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the District-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The District recognizes lease liabilities with an initial, individual value of \$25,000 or more. Right of use assets of the District are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized. Right of use assets of the district are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. The District does not have infrastructure type assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years
Land Improvements	10-20 years

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

Leases - As of June 30, 2022, the District had no right of use assets.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Compensated Absences – The liability for compensated absences reported in the District-wide financial statements consists of unpaid, accumulated sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for employees who currently are eligible to receive termination payments. The amount reported is salary related and includes fringe benefits.

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. Where applicable, premiums and discounts, are capitalized and amortized over the life of the bonds. Bond issuance costs except for prepaid insurance, is expensed.

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

Deferred Inflows of Resources – In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of sources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, for long-term receivables unavailable and recognized as an inflow of resources in the period that amounts become available. The District's two items that qualify for reporting in this category are the deferred inflows related to the pension plan and the deferred inflows related to OPEB.

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

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

Fund Equity – The District has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**Fund Equity - (Concluded)**

The following are the District's fund balance classifications:

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

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED

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

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

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

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

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

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. There were no encumbrances at year end.

Net Position Deficit – As of June 30, 2022, the Government-wide Statement of Net Position had a cumulative net position deficit of \$40,628,121.

NOTE 2. CASH AND CASH EQUIVALENTS

As of June 30, 2022, the District’s deposits and investments include the following:

	Governmental Activities
Cash and cash equivalents	\$ 19,009,194

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

Custodial Credit Risk-Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of June 30, 2022, \$19,219,102 of the District’s bank balance of \$19,469,102 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the District’s name.

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

Credit Risk: State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by Nationally Recognized Statistical Rating Organizations (“NRSRO’s”). As of June 30, 2022, the District’s investments were rated AAAM by Standard’s & Poors.

Concentration of Credit Risk: The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The majority of the District’s investments are held in multiple asset backed securities and U.S. Treasury/Agency securities.

NOTE 3. RECEIVABLES AND PAYABLES

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

	General Fund	Other Non-Major	Total
Receivables:			
Intergovernmental	\$ 7,196,670	\$ 72,426	\$ 7,269,096
Trade	20,166	-	20,166
	<u>\$ 7,216,836</u>	<u>\$ 72,426</u>	<u>\$ 7,289,262</u>

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

	General Fund	Other Non-Major	Total
Payables:			
Intergovernmental	\$ 7,675,457	\$ -	\$ 7,675,457
Trade	406,607	147,746	554,353
	<u>\$ 8,082,064</u>	<u>\$ 147,746</u>	<u>\$ 8,229,810</u>

NOTE 4. RISK MANAGEMENT

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

NOTE 5. CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	End Balance
Assets not being depreciated:				
Land	\$ 151,500	\$ -	\$ -	\$ 151,500
Construction in progress	57,639	390,333	57,639	390,333
Subtotal	\$ 209,139	\$ 390,333	\$ 57,639	\$ 541,833
Capital assets being depreciated:				
Land improvements	\$ 2,221,189	\$ -	\$ -	\$ 2,221,189
Buildings	62,127,189	103,250	-	62,230,439
Equipment	1,801,353	378,366	27,534	2,152,185
Vehicles	527,910	-	58,322	469,588
Subtotal	\$ 66,677,641	\$ 481,616	\$ 85,856	\$ 67,073,401
Accumulated depreciation:				
Land improvements	\$ 2,122,827	\$ 8,503	\$ -	\$ 2,131,330
Buildings	14,445,063	1,059,185	-	15,504,248
Equipment	1,215,142	80,113	22,517	1,272,738
Vehicles	486,159	11,512	58,322	439,349
Subtotal	\$ 18,269,191	\$ 1,159,313	\$ 80,839	\$ 19,347,665
Net capital assets being depreciated	\$ 48,408,450			\$ 47,725,736
Net capital assets	\$ 48,617,589			\$ 48,267,569

Depreciation expense of \$1,159,313 was not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical.

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of Interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Capital Development Fund	General Fund	\$ 200,000

The General Fund owes the Capital Development Fund for capital project expenditures.

During the year, the following transfers were made between funds:

Transfer In:	Transfer Out:	Amount
Food Service Fund	General Fund	\$ 11,668
Student Activity Fund	General Fund	120
Capital Development Fund	General Fund	1,200,000
	Total	\$ 1,211,788

The General Fund transferred \$11,668 to the Food Service Fund for expenditures.

The General Fund transferred \$120 to the Student Activity Fund for miscellaneous expenditures.

The General Fund transferred \$1,200,000 to the Capital Development Fund for capital project expenditures.

NOTE 7. LONG-TERM DEBT

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
General Obligation Bonds					
Bonds	\$ 37,769,000	\$ -	\$ (869,000)	\$ 36,900,000	\$ 735,000
Total Long-Term Debt Worth	\$ 37,769,000	\$ -	\$ (869,000)	\$ 36,900,000	\$ 735,000

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

	<i>Governmental Activities:</i>		
	Principal	Interest	Total
2023	\$ 735,000	\$ 1,403,506	\$ 2,138,506
2024	805,000	1,381,456	2,186,456
2025	875,000	1,357,306	2,232,306
2026	955,000	1,331,056	2,286,056
2027	1,040,000	1,302,406	2,342,406
2028-2032	6,390,000	5,961,834	12,351,834
2033-2037	8,195,000	4,595,800	12,790,800
2038-2042	10,410,000	2,787,800	13,197,800
2043-2045	7,495,000	607,400	8,102,400
	\$ 36,900,000	\$ 20,728,564	\$ 57,628,564

Interest expense of \$1,424,709 was not charged to activities, as the District considers its debt and related assets to impact multiple activities and allocation was not practical.

	Beginning Balance	Net Change	Ending Balance	Due Within One Year
Compensated absences which are payable upon termination of employment.	\$ 135,730	\$ (24,594)	\$ 111,136	\$ 11,114

Governmental Activities:

At June 30, 2022, long-term debt consisted of:

General Obligation Bonds

\$40,000,000 - 2015 School Building and Site bonds dated August 17, 2015 with annual principal payments ranging from \$665,000 to \$2,590,000, and final maturity May 1, 2045.

\$ 36,900,000
<u>\$ 36,900,000</u>

NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM

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

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

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

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

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

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

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

NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

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

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

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

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

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

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

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

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

NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

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

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

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

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

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

NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

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

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

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

Regular Retirement (no reduction factor for age) - Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan ("MIP") members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through their 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan ("PPP") members, age 60 with 10 years of credited service.

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

NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)

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

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

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

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

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

	Pension	Other Postemployment benefit
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

The District’s pension contributions for the year ended June 30, 2022 were equal to the required contribution total. Total pension contributions were approximately \$5,739,000.

The District’s OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. Total OPEB contributions were approximately \$1,381,000.

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

NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

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

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

<u>MPSERS (Plan) Non-university employers</u>	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Total pension liability	\$ 86,392,473,395	\$ 85,290,583,799
Plan fiduciary net position	62,717,060,920	50,939,496,006
Net pension liability	23,675,412,475	34,351,087,793
Proportionate share	0.19113%	0.19754%
Net pension liability for the District	\$ 45,251,088	\$ 67,856,998

For the year ended June 30, 2022, the District recognized pension expense of \$2,125,540.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 700,959	\$ 266,475
Changes of assumptions	2,852,467	-
Net difference between projected and actual earnings on pension plan investments	-	14,548,079
Changes in proportion and differences between School District contributions and proportionate share of contributions	239,517	1,884,441
School District contributions subsequent to the measurement date*	5,858,519	-
Revenues in support of contributions subsequent to the measurement date	-	2,950,688
Total	<u>\$ 9,651,462</u>	<u>\$ 19,649,683</u>

Deferred inflows of resources of \$2,950,688 resulting from the pension portion of the State Aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2022.

NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)

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

Year Ending	Amount:
2022	\$ (1,911,789)
2023	(2,948,799)
2024	(3,922,037)
2025	(4,123,427)
	<u>\$ (12,906,052)</u>

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

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

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

<u>MPSERS (Plan) Non-university employers</u>	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Total other postemployment benefits liability	\$ 12,046,393,511	\$ 13,206,903,534
Plan fiduciary net position	10,520,015,621	7,849,636,555
Net other postemployment benefits liability	1,526,377,890	5,357,266,979
Proportionate share	0.18607%	0.19913%
Net other postemployment benefit liability for the District	2,840,125	10,667,917

NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)

For the year ended June 30, 2022, the District recognized OPEB expense of \$3,105,479. At June 30, 2022, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 8,106,935
Changes of assumptions	2,374,204	355,270
Net difference between projected and actual earnings on pension plan investments	-	2,140,653
Changes in proportion and differences between the District contributions and proportionate share of contributions	228,667	1,118,019
District contributions subsequent to the measurement date*	1,168,186	-
Total	<u>\$ 3,771,057</u>	<u>\$ 11,720,877</u>

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

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

<u>Year Ending</u>	<u>Amount:</u>
2022	\$ (2,396,849)
2023	(2,148,122)
2024	(1,903,787)
2025	(1,833,217)
2026	(739,064)
Thereafter	(96,967)
	<u>\$ (9,118,006)</u>

Actuarial Assumptions

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

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

Salary Increases - The rate of pay increase used for individual members is 2.75% - 11.55%, including wage inflation at 2.75%.

Inflation - 3.0%.

NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**Mortality Assumptions:**

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

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

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

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

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

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

Healthcare Cost Trend Rate for Other Postemployment Benefit – Pre 65, 7.75% for year one and graded to 3.5% in year fifteen. Post 65, 5.25% for year one and graded to 3.5% in year fifteen.

Additional Assumptions for Other Postemployment Benefit Only - Applies to Individuals Hired Before September 4, 2012:

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

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

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

NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

The target asset allocation at September 30, 2021 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

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

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

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

NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM (CONCLUDED)

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

<u>1% Decrease</u>	<u>Current Single Discount Rate Assumption</u>	<u>1% Increase</u>
\$ 64,696,784	\$ 45,251,088	\$ 29,129,331

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

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 5,277,465	\$ 2,840,125	\$ 771,694

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

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
\$ 691,264	\$ 2,840,125	\$ 5,257,853

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

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

NOTE 9. TAX ABATEMENTS

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by various municipalities within the District. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties. There were \$13,983 of abatements which reduced the District’s revenues for the year ended June 30, 2022.

NOTE 10. OTHER BENEFITS

The District also provides 403(b) tax deferred annuity plans. All employees are eligible to participate in the plans and are fully vested immediately for all contributions.

The District is also able to offer a tax deferred “buy-in” program for years of service for all eligible employees in the state-provided pension plan. The percentage rate for the employee’s contribution was calculated based on the previous year’s salary and age.

NOTE 11. CAPITAL PROJECTS SINKING FUND

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

NOTE 12. UNEARNED REVENUE

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

	General Fund
United Way Grant	\$ 14,420
Reach for Reigns	6,123
CTE - Hunger Foundation - 2020-2021	80,000
Health Grant	1,929
Stem Grant	1,744
MS Career Camp	22,539
Staff Wellness	1,830
Coding	5,000
At Risk Carryover	371,072
Total	<u>\$ 504,657</u>

NOTE 13. CONTINGENT LIABILITIES

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

NOTE 14. REDUCTION OF 2016-17 PUPIL MEMBERSHIP:

In November, 2017, the District received a notice of preliminary determination from the Michigan Department of Education (“MDE”) for a field audit performed by the MDE related to the District’s Fall, 2016 pupil membership count. The purpose of the audit was to determine whether the Fall, 2016 membership claim was accurate and that the pupil accounting procedures and practices used by the District were adequate to ensure a proper count. The audit determination relates to the District’s interpretation of the criteria for counting certain nonpublic school pupils in its Fall, 2016 membership count.

MDE’s preliminary determination was that the District’s Fall, 2016 pupil membership count was overstated by 246.87 full time equivalent (“FTE”) students, and MDE has sought state aid reimbursement for the 246.87 FTE revenue received under the state aid formula. In August 2019, the District received an update from MDE. The Fall 2016 and Spring 2017 FTE was adjusted to 249.325. The District has appealed this determination, and is working with MDE and their representatives to resolve this matter.

Management of the District has estimated the revenue loss to be \$1,876,522 after all appeals have been heard. The District has reduced its revenues for the year ended June 30, 2018 by \$1,418,494 and an additional reduction of \$458,028 for June 30, 2019.

These amounts are on the District’s Balance Sheet and Statement of Net Position in the “due to other governments” category.

NOTE 15. RELATED ORGANIZATIONS

During the year, the District paid for services from YMCA of Greater Michiana. A member of the Board of Education is the chief executive officer of this organization. For the year ended June 30, 2022, the District paid \$45,415 to YMCA of Greater Michiana for their services. All transactions were conducted at arms-length in accordance within board policy.

During the year, the District paid for services from IBID County Electric. A member of the Board of Education is an employee of this company. For the year ended June 30, 2022, the District paid \$17,220 to IBID County Electric for services. All transactions were conducted at arms-length in accordance within board policy.

NOTE 16. UPCOMING PRONOUNCEMENTS

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

NOTE 17. CHANGE IN ACCOUNTING PRINCIPLE

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

Summary:

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

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

NOTE 18. SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 26, 2022, the date the financial statements were available to be issued. No events or transactions occurred during this period which requires recognition or disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY
INFORMATION**

NILES COMMUNITY SCHOOLS

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

	Original Budget	Final Amended Budget	Actual	Variance (Negative) Positive
Revenues				
Local sources	\$ 4,259,580	\$ 4,786,697	\$ 4,672,738	\$ (113,959)
State sources	27,244,297	32,391,910	32,440,231	48,321
Federal sources	2,208,585	8,588,981	3,074,119	(5,514,862)
Other	705,000	1,320,349	1,329,831	9,482
Total Revenues	\$ 34,417,462	\$ 47,087,937	\$ 41,516,919	\$ (5,571,018)
Expenditures				
Instruction:				
Basic programs	\$ 15,203,140	\$ 18,404,636	\$ 17,098,672	\$ 1,305,964
Added needs	5,335,695	6,124,521	5,967,933	156,588
Adult Education	91,482	101,952	52,776	49,176
Supporting services:				
Pupil	2,727,460	3,071,193	2,970,228	100,965
Instructional staff	2,087,345	2,855,845	2,392,747	463,098
General administration	407,515	454,003	449,652	4,351
School administration	2,528,670	2,618,650	2,643,556	(24,906)
Business services	426,069	459,414	405,011	54,403
Operations and maintenance	3,200,845	3,606,724	3,726,595	(119,871)
Transportation	2,304,666	2,120,122	2,094,110	26,012
Other Central Support	696,452	879,814	787,222	92,592
Community services	16,338	15,181	451,898	(436,717)
Athletics	630,134	676,675	729,906	(53,231)
Debt service				
Principal repayment	-	17,988	17,988	-
Interest	-	798	784	14
Total Expenditures	\$ 35,655,811	\$ 41,407,516	\$ 39,789,078	\$ 1,618,438
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (1,238,349)	\$ 5,680,421	\$ 1,727,841	\$ (3,952,580)
Other Financing Sources (Uses)				
Operating transfers in	\$ -	\$ -	\$ -	\$ -
Operating transfers out	(389,304)	(5,667,182)	(1,211,788)	4,455,394
Total Other Financing Sources (Uses)	\$ (389,304)	\$ (5,667,182)	\$ (1,211,788)	\$ 4,455,394
Net Change in Fund Balances	\$ (1,627,653)	\$ 13,239	\$ 516,053	\$ 502,814
Fund Balances - Beginning of year	8,405,580	8,405,580	8,405,580	
Fund Balances - End of year	\$ 6,777,927	\$ 8,418,819	\$ 8,921,633	

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

NILES COMMUNITY SCHOOLS

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

	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability	0.19113%	0.19754%	0.19598%	0.19777%	0.20393%	0.20467%	0.19771%	19.57300%
District's proportionate share of net pension liability	\$ 45,251,088	\$ 67,856,998	\$ 64,901,728	\$ 59,453,833	\$ 52,847,951	\$ 51,063,473	\$ 48,290,806	\$ 43,113,263
District's covered-employee payroll	\$ 16,957,053	\$ 17,777,476	\$ 17,509,196	\$ 16,602,416	\$ 16,997,480	\$ 17,698,458	\$ 17,024,519	\$ 17,261,788
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	267%	382%	371%	358%	311%	289%	284%	250%
Plan fiduciary net position as a percentage of total pension liability	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	62.92%	66.20%

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

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

NILES COMMUNITY SCHOOLS

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 5,738,946	\$ 5,680,545	\$ 4,947,184	\$ 5,244,069	\$ 5,347,019	\$ 4,353,649	\$ 4,430,577	\$ 4,300,641
Contributions in relation to statutorily required contributions	<u>5,738,946</u>	<u>5,680,545</u>	<u>4,947,184</u>	<u>5,244,069</u>	<u>5,347,019</u>	<u>4,353,649</u>	<u>4,430,577</u>	<u>4,300,641</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 17,060,473	\$ 17,777,476	\$ 17,826,813	\$ 17,286,417	\$ 16,604,803	\$ 17,004,492	\$ 17,371,112	\$ 17,098,335
Contributions as a percentage of covered-employee payroll	33.64%	31.95%	27.75%	30.34%	32.20%	25.60%	25.51%	25.15%

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

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

NILES COMMUNITY SCHOOLS

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of net OPEB liability	0.18607%	0.19913%	0.19928%	0.19434%	0.20481%
District's proportionate share of net OPEB liability	\$ 2,840,125	\$ 10,667,917	\$ 14,303,903	\$ 15,448,292	\$ 18,136,544
District's covered-employee payroll	\$ 16,957,053	\$ 17,777,476	\$ 17,509,196	\$ 16,602,416	\$ 16,997,480
District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	16.75%	60.01%	81.69%	93.05%	106.70%
Plan fiduciary net position as a percentage of total OPEB liability	87.33%	59.44%	48.46%	42.95%	36.39%

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

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

NILES COMMUNITY SCHOOLS

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 1,381,278	\$ 1,723,800	\$ 1,537,138	\$ 1,517,389	\$ 1,053,942
Contributions in relation to statutorily required contributions	<u>1,381,278</u>	<u>1,723,800</u>	<u>1,537,138</u>	<u>1,517,389</u>	<u>1,053,942</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 17,060,473	\$ 17,009,473	\$ 17,826,813	\$ 17,286,417	\$ 16,604,803
Contributions as a percentage of covered-employee payroll	8.10%	10.13%	8.62%	8.78%	6.35%

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

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

NOTE 1- PENSION INFORMATION

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

Changes of assumptions – there were no changes of assumptions in 2021.

NOTE 2 – OPEB INFORMATION

Benefit changes – there were no changes of benefit terms in 2021.

Changes of assumptions – the assumption changes for 2021 were:

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

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations in Budgeted Funds — See previous Budgetary Comparison Schedule for budget variances as they apply to the District.

**OTHER SUPPLEMENTARY
INFORMATION**

NILES COMMUNITY SCHOOLS

COMBINING BALANCE SHEET –
NON-MAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2022

	<u>Total Non- Major Special Revenue Funds</u>	<u>Total Non- Major Capital Projects Funds</u>	<u>Total Non- Major Debt Service Funds</u>	<u>Total Non-Major Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 1,457,934	\$ 2,079,559	\$ 1,735,818	\$ 5,273,311
Due from other governmental funds	-	200,000	-	200,000
Due from other governmental units	72,425	1	-	72,426
Inventory	68,994	-	-	68,994
Total Assets	<u>\$ 1,599,353</u>	<u>\$ 2,279,560</u>	<u>\$ 1,735,818</u>	<u>\$ 5,614,731</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 115,971	\$ 31,775	\$ -	\$ 147,746
Total Liabilities	<u>\$ 115,971</u>	<u>\$ 31,775</u>	<u>\$ -</u>	<u>\$ 147,746</u>
Fund Balances				
Non-spendable inventory	\$ 68,994	\$ -	\$ -	\$ 68,994
Restricted for debt retirement	-	-	1,735,818	1,735,818
Restricted for capital projects	-	997,853	-	997,853
Restricted for food service	905,963	-	-	905,963
Committed for capital projects	-	1,249,932	-	1,249,932
Committed for student activities	508,425	-	-	508,425
Total Fund Balances	<u>\$ 1,483,382</u>	<u>\$ 2,247,785</u>	<u>\$ 1,735,818</u>	<u>\$ 5,466,985</u>
Total Liabilities and Fund Balances	<u>\$ 1,599,353</u>	<u>\$ 2,279,560</u>	<u>\$ 1,735,818</u>	<u>\$ 5,614,731</u>

NILES COMMUNITY SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES— NON-MAJOR GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2022

	Total Non-Major Special Revenue Funds	Total Non-Major Capital Projects Funds	Nonmajor Bond Debt Service Fund	Total Non-Major Governmental Funds
Revenues				
Local sources:				
Property taxes	\$ -	\$ 685,292	\$ 2,355,067	\$ 3,040,359
Food sales	45,792	-	-	45,792
Interest	760	596	2,411	3,767
Other	396,232	9,672	-	405,904
State sources	128,022	-	-	128,022
Federal sources	2,244,136	-	-	2,244,136
Total Revenues	\$ 2,814,942	\$ 695,560	\$ 2,357,478	\$ 5,867,980
Expenditures				
Food service	\$ 1,942,512	\$ -	\$ -	\$ 1,942,512
Student activities	373,440	-	-	373,440
Capital outlay	-	622,954	-	622,954
Debt retirement:				
Principal on long-term debt	-	186,012	665,000	851,012
Interest on long-term debt	-	3,796	1,423,456	1,427,252
Total Expenditures	\$ 2,315,952	\$ 812,762	\$ 2,088,456	\$ 5,217,170
Excess (Deficiency) of Revenues over (under) Expenditures	\$ 498,990	\$ (117,202)	\$ 269,022	\$ 650,810
Other Financing Sources (Uses)				
Operating transfers in	\$ 11,788	\$ 1,200,000	\$ -	\$ 1,211,788
Total Other Financing Sources (Uses)	\$ 11,788	\$ 1,200,000	\$ -	\$ 1,211,788
Net Change in Fund Balances	\$ 510,778	\$ 1,082,798	\$ 269,022	\$ 1,862,598
Fund Balances - Beginning of year	972,604	1,164,987	1,466,796	3,604,387
Fund Balances - End of year	\$ 1,483,382	\$ 2,247,785	\$ 1,735,818	\$ 5,466,985

NILES COMMUNITY SCHOOLS

COMBINING BALANCE SHEET—
NON-MAJOR SPECIAL REVENUE FUNDS
AS OF JUNE 30, 2022

	<u>Food Service Fund</u>	<u>Student Activity Fund</u>	<u>Total Non-Major Special Revenue Funds</u>
Assets			
Cash and cash equivalents	\$ 929,249	\$ 528,685	\$ 1,457,934
Due from other governmental units	72,425	-	72,425
Inventory	68,994	-	68,994
Total Assets	<u>\$ 1,070,668</u>	<u>\$ 528,685</u>	<u>\$ 1,599,353</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 95,711	\$ 20,260	\$ 115,971
Total Liabilities	<u>\$ 95,711</u>	<u>\$ 20,260</u>	<u>\$ 115,971</u>
Fund Balances			
Non-spendable inventory	\$ 68,994	\$ -	\$ 68,994
Restricted for food service	905,963	-	905,963
Committed for student activities	-	508,425	508,425
Total Fund Balances	<u>\$ 974,957</u>	<u>\$ 508,425</u>	<u>\$ 1,483,382</u>
Total Liabilities and Fund Balances	<u>\$ 1,070,668</u>	<u>\$ 528,685</u>	<u>\$ 1,599,353</u>

NILES COMMUNITY SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES— NON-MAJOR SPECIAL REVENUE FUNDS YEAR ENDED JUNE 30, 2022

	<u>Food Service Fund</u>	<u>Student Activity Fund</u>	<u>Total Non-Major Special Revenue Funds</u>
Revenues			
Local sources:			
Food Sales	\$ 45,792	\$ -	\$ 45,792
Interest	760	-	760
Other	-	396,232	396,232
State sources	128,022	-	128,022
Federal sources	2,244,136	-	2,244,136
Total Revenues	<u>\$ 2,418,710</u>	<u>\$ 396,232</u>	<u>\$ 2,814,942</u>
Expenditures			
Food service	\$ 1,942,512	\$ -	\$ 1,942,512
Student activities	-	373,440	373,440
Total Expenditures	<u>\$ 1,942,512</u>	<u>\$ 373,440</u>	<u>\$ 2,315,952</u>
Excess of Revenues Over Expenditures	<u>\$ 476,198</u>	<u>\$ 22,792</u>	<u>\$ 498,990</u>
Other Financing Sources (Uses)			
Operating transfers in	\$ 11,668	\$ 120	\$ 11,788
Total Other Financing Sources (Uses)	<u>\$ 11,668</u>	<u>\$ 120</u>	<u>\$ 11,788</u>
Net Change in Fund Balances	<u>\$ 487,866</u>	<u>\$ 22,912</u>	<u>\$ 510,778</u>
Fund Balances - Beginning of year	<u>487,091</u>	<u>485,513</u>	<u>972,604</u>
Fund Balances - End of year	<u><u>\$ 974,957</u></u>	<u><u>\$ 508,425</u></u>	<u><u>\$ 1,483,382</u></u>

NILES COMMUNITY SCHOOLS

COMBINING BALANCE SHEET –
NON-MAJOR CAPITAL PROJECTS FUNDS
AS OF JUNE 30, 2022

	Capital Development Fund	Building & Site Fund	Total Non-Major Capital Projects Funds
Assets			
Cash and cash equivalents	\$ 1,080,207	\$ 999,352	\$ 2,079,559
Due from other governmental funds	200,000	-	200,000
Due from other governmental units	-	1	1
Total Assets	\$ 1,280,207	\$ 999,353	\$ 2,279,560
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 30,275	\$ 1,500	\$ 31,775
Total Liabilities	\$ 30,275	\$ 1,500	\$ 31,775
Fund Balances			
Restricted for capital projects	\$ -	\$ 997,853	\$ 997,853
Committed for capital projects	1,249,932	-	1,249,932
Total Fund Balances	\$ 1,249,932	\$ 997,853	\$ 2,247,785
Total Liabilities and Fund Balances	\$ 1,280,207	\$ 999,353	\$ 2,279,560

NILES COMMUNITY SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NON-MAJOR CAPITAL PROJECTS FUNDS YEAR ENDED JUNE 30, 2022

	<u>Capital Development Fund</u>	<u>Building & Site Fund</u>	<u>Total Non-Major Capital Projects Funds</u>
Revenues			
Local sources			
Property taxes	\$ -	\$ 685,292	\$ 685,292
Interest	595	1	596
Other	9,672	-	9,672
Total Revenues	<u>\$ 10,267</u>	<u>\$ 685,293</u>	<u>\$ 695,560</u>
Expenditures			
Capital outlay	\$ 311,280	\$ 311,674	\$ 622,954
Debt retirement:			
Principal on long-term debt	-	186,012	186,012
Interest on long-term debt	-	3,796	3,796
Total Expenditures	<u>\$ 311,280</u>	<u>\$ 501,482</u>	<u>\$ 812,762</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (301,013)</u>	<u>\$ 183,811</u>	<u>\$ (117,202)</u>
Other Financing Sources (Uses)			
Operating transfers in	\$ 1,200,000	\$ -	\$ 1,200,000
Total Other Financing Sources (Uses)	<u>\$ 1,200,000</u>	<u>\$ -</u>	<u>\$ 1,200,000</u>
Net Change in Fund Balances	\$ 898,987	\$ 183,811	\$ 1,082,798
Fund Balances - Beginning of year	350,945	814,042	1,164,987
Fund Balances - End of year	<u>\$ 1,249,932</u>	<u>\$ 997,853</u>	<u>\$ 2,247,785</u>

SINGLE AUDIT INFORMATION

NILES COMMUNITY SCHOOLS

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

Federal Grantor Pass Through Grantor Program Title Grant Number	Grant/ Project Number	Federal Assistance Listing Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2021	Federal Funds/ In-Kind Payments	Federal Expenditures	Accrued (Deferred) Revenue June 30, 2022	Adjustment Reference (See Notes)
U.S Department of Agriculture									
Passed through the Michigan Department of Education:									
Child Nutrition Cluster									
National School Lunch Program:									
Non-Cash Assistance (Donated Foods) - Entitlement Commodities - 2021/2022	N/A	10.555	\$ 52,550	\$ -	\$ -	\$ 52,550	\$ 52,550	\$ -	
Non-Cash Assistance (Donated Foods) - Bonus - 2021/2022	N/A	10.555	-	-	-	-	-	-	
Total Non-Cash Assistance - National School Lunch Program			\$ 52,550	\$ -	\$ -	\$ 52,550	\$ 52,550	\$ -	
Cash Assistance:									
COVID 19 - National School Lunch Program	211961	10.555	\$ 165,412	\$ -	\$ -	\$ 165,412	\$ 165,412	\$ -	
COVID 19 - National School Lunch Program	221961	10.555	1,239,877	-	-	1,184,434	1,239,877	55,443	
COVID 19 - National School Lunch Program	220910	10.555	64,132	-	-	64,132	64,132	-	
Total Cash Assistance - National School Lunch Program			\$ 1,469,421	\$ -	\$ -	\$ 1,413,978	\$ 1,469,421	\$ 55,443	
Total National Lunch Program			\$ 1,521,971	\$ -	\$ -	\$ 1,466,528	\$ 1,521,971	\$ 55,443	
COVID 19 - National School Lunch Program									
COVID 19 - National School Lunch Program	211971	10.553	\$ 55,308	\$ -	\$ -	\$ 55,308	\$ 55,308	\$ -	
COVID 19 - National School Lunch Program	221971	10.553	463,752	-	-	433,250	463,752	30,502	
Total School Breakfast Program			\$ 519,060	\$ -	\$ -	\$ 488,558	\$ 519,060	\$ 30,502	
Summer Food Service Program for Children:									
COVID-19 SFSP Operating	210904	10.559	\$ 1,453,064	\$ 1,257,146	\$ 128,683	\$ 324,599	\$ 195,916	\$ -	(a)
COVID-19 SFSP Operating	220900	10.559	7,188	-	-	-	7,188	7,188	
Total COVID -19 Summer Food Service Program for Children			\$ 1,460,252	\$ 1,257,146	\$ 128,683	\$ 324,599	\$ 203,104	\$ 7,188	
Total Cash Assistance			\$ 3,448,733	\$ 1,257,146	\$ 128,683	\$ 2,227,135	\$ 2,191,585	\$ 93,133	
Total Child Nutrition Cluster			\$ 3,501,283	\$ 1,257,146	\$ 128,683	\$ 2,279,685	\$ 2,244,135	\$ 93,133	
Pandemic EBT Local Level Costs									
COVID 19 - Pandemic EBT Local Level Costs	210980	10.649	\$ 3,063	\$ -	\$ -	\$ 3,063	\$ 3,063	\$ -	
Total Pandemic EBT Local Level Costs			\$ 3,063	\$ -	\$ -	\$ 3,063	\$ 3,063	\$ -	
Total U.S. Department of Agriculture			\$ 3,504,346	\$ 1,257,146	\$ 128,683	\$ 2,282,748	\$ 2,247,198	\$ 93,133	

See accompanying notes to Schedule of Expenditures of Federal Awards.

NILES COMMUNITY SCHOOLS

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

Federal Grantor Pass Through Grantor Program Title Grant Number	Grant/ Project Number	Federal Assistance Listing Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2021	Federal Funds/ In-Kind Payments	Federal Expenditures	Accrued (Deferred) Revenue June 30, 2022	Adjustment Reference (See Notes)
U.S. Department of Education									
Grants to Local Educational Agencies - Title I, Part A									
Passed through Michigan Department of Education									
Title I, Part A 2019-2020	201530	84.010	\$ 960,664	\$ 860,204	\$ -	\$ (16,873)	\$ (16,873)	\$ -	
Title I, Part A 2020-2021	211530	84.010	985,967	783,185	308,961	308,961	-	-	
Title I, Part A 2021-2022	221530	84.010	1,078,774	-	-	305,213	717,884	412,671	
Total Title I, Part A			\$ 3,025,405	\$ 1,643,389	\$ 308,961	\$ 597,301	\$ 701,011	\$ 412,671	
Total Title I, Part A Passed through Michigan Department of Education			\$ 3,025,405	\$ 1,643,389	\$ 308,961	\$ 597,301	\$ 701,011	\$ 412,671	
Passed through Berrien RESA									
Title I - Regional Assistance Grant									
Title I - Regional Assistance Grant - 2020-2021	N/A	84.010	\$ 62,037	\$ 62,037	\$ 38,926	\$ 38,926	\$ -	\$ -	
Title I - Regional Assistance Grant - 2021-2022	N/A	84.010	52,134	-	-	39,575	52,134	12,559	
Total Title I - Regional Assistance Grant			\$ 114,171	\$ 62,037	\$ 38,926	\$ 78,501	\$ 52,134	\$ 12,559	
Total Title I Passed through Berrien RESA			\$ 114,171	\$ 62,037	\$ 38,926	\$ 78,501	\$ 52,134	\$ 12,559	
Total Title I Grants			\$ 3,139,576	\$ 1,705,426	\$ 347,887	\$ 675,802	\$ 753,145	\$ 425,230	
Adult Education									
Passed through Michigan Department of Education									
Adult Education, 2020-2021	211130	84.002	\$ 70,000	\$ 32,398	\$ 32,398	\$ 32,398	\$ -	\$ -	
Adult Education, 2021-2022	221130	84.002	71,082	-	-	-	25,861	25,861	
Total Adult Education			\$ 141,082	\$ 32,398	\$ 32,398	\$ 32,398	\$ 25,861	\$ 25,861	
Improving Teacher Quality - Title II, Part A									
Passed through Michigan Department of Education									
Title II, Part A 2020-2021	210520	84.367	\$ 178,357	\$ 133,606	\$ 59,733	\$ 59,733	\$ -	\$ -	
Title II, Part A 2021-2022	220520	84.367	193,839	-	-	77,498	83,638	6,140	
Total Title II, Part A			\$ 372,196	\$ 133,606	\$ 59,733	\$ 137,231	\$ 83,638	\$ 6,140	
Student Support and Academic Enrichment Grant - Title IV, Part A									
Passed through Michigan Department of Education									
Title IV, Part A 2020-2021	210750	84.424	\$ 102,649	\$ 81,894	\$ 68,184	\$ 68,184	\$ -	\$ -	
Title IV, Part A 2021-2022	220750	84.424	85,221	-	-	-	68,610	68,610	
Total Title IV, Part A			\$ 187,870	\$ 81,894	\$ 68,184	\$ 68,184	\$ 68,610	\$ 68,610	

See accompanying notes to Schedule of Expenditures of Federal Awards.

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal Assistance Listing Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2021	Federal Funds/ In-Kind Payments	Federal Expenditures	Accrued (Deferred) Revenue June 30, 2022	Adjustment Reference (See Notes)
Education Stabilization Fund								
COVID -19 - Governor's Emergency Education Relief Fund								
Passed through Michigan Department of Education								
COVID -19 - Governor's Emergency Education Relief Fund (GEER II) 2021 - 2022								
211202	84.425C	\$ 37,500	\$ -	\$ -	\$ 37,500	\$ 37,500	\$ -	
Total COVID -19 - Governor's Emergency Education Relief Fund								
		\$ 37,500	\$ -	\$ -	\$ 37,500	\$ 37,500	\$ -	
COVID-19 - Elementary and Secondary School Emergency Relief								
Passed through Michigan Department of Education								
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER I) 2019-2020								
203710	84.425D	\$ 727,797	\$ 725,760	\$ 54,673	\$ 54,673	\$ -	\$ -	
Total COVID 19 - Elementary and Secondary School Emergency Relief Fund (ESSER I)								
		\$ 727,797	\$ 725,760	\$ 54,673	\$ 54,673	\$ -	\$ -	
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II)								
Passed through Michigan Department of Education								
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II) 2020-2021								
213712	84.425D	\$ 3,065,053	\$ 1,336,364	\$ -	\$ 230,403	\$ 321,141	\$ 90,738	
Total COVID 19 - Elementary and Secondary School Emergency Relief Fund (ESSER II) - Passed through Michigan Department of Education								
		\$ 3,065,053	\$ 1,336,364	\$ -	\$ 230,403	\$ 321,141	\$ 90,738	
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II) 2021-2022								
Passed through Michigan Department of Education								
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II) 2021-2022								
213722	84.425D	\$ 244,750	\$ 102,331	\$ 102,331	\$ 102,331	\$ 71,473	\$ 71,473	(b)
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II) 2021-2022								
213742	84.425D	68,750	14,859	14,859	14,859	5,996	5,996	(b)
Total COVID 19 - Elementary and Secondary School Emergency Relief Fund (ESSER II)								
		\$ 313,500	\$ 117,190	\$ 117,190	\$ 117,190	\$ 77,469	\$ 77,469	
Total COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II)								
		\$ 3,378,553	\$ 1,453,554	\$ 117,190	\$ 347,593	\$ 398,610	\$ 168,207	
COVID-19 - Elementary and Secondary School Emergency Relief Funds (ESSER III Formula Funds)								
Passed through Michigan Department of Education								
COVID-19 - Elementary and Secondary School Emergency Relief Funds (ESSER III Formula Funds) 201-2022								
213713	84.425C	\$ 6,408,569	\$ -	\$ -	\$ 354,935	\$ 408,139	\$ 53,204	
Total COVID-19 - Elementary and Secondary School Emergency Relief Funds (ESSER III Formula Funds)								
		\$ 6,408,569	\$ -	\$ -	\$ 354,935	\$ 408,139	\$ 53,204	
		\$ 9,824,622	\$ 1,453,554	\$ 117,190	\$ 740,028	\$ 844,249	\$ 221,411	

See accompanying notes to Schedule of Expenditures of Federal Awards.

NILES COMMUNITY SCHOOLS

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

Federal Grantor Pass Through Grantor Program Title Grant Number	Grant/Project Number	Federal Assistance Listing Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2021	Federal Funds/ In-Kind Payments	Federal Expenditures	Accrued (Deferred) Revenue June 30, 2022	Adjustment Reference (See Notes)
Title III - Limited English Proficient Students									
Passed through Eau Claire Public Schools									
Title III, Part A 2020-2021	210580	84.365	\$ 3,024	\$ 3,024	\$ 1,419	\$ 1,419	\$ -	\$ -	
Title III, Part A 2021-2022	220580	84.365	1,129	-	-	-	1,129	1,129	
Total Title III, Part A			\$ 4,153	\$ 3,024	\$ 1,419	\$ 1,419	\$ 1,129	\$ 1,129	
Total Passed through Eau Claire Public Schools			\$ 4,153	\$ 3,024	\$ 1,419	\$ 1,419	\$ 1,129	\$ 1,129	
Special Education Cluster:									
Special Education - Grants to States (IDEA, Part B)									
Passed through Berrien RESA									
Special Education (IDEA Part B) - 2020-2021	N/A	84.027	\$ 1,085,503	\$ 1,085,503	\$ 564,875	\$ 564,875	\$ -	\$ -	
Special Education (IDEA Part B) - 2021-2022	N/A	84.027	1,003,501	-	-	655,596	1,003,501	347,905	
Total Special Education (IDEA Part B)			\$ 2,089,004	\$ 1,085,503	\$ 564,875	\$ 1,220,471	\$ 1,003,501	\$ 347,905	
Special Education - Preschool Grants (IDEA Preschool)									
Passed through Berrien RESA									
Special Education - Preschool Grants (IDEA Preschool) - 2020	N/A	84.173	\$ 103,014	\$ 103,014	\$ 3,014	\$ 3,014	\$ -	\$ -	
Special Education - Preschool Grants (IDEA Preschool) - 2021	N/A	84.173	111,671	-	-	111,671	111,671	-	
Total Special Education - Preschool Grants (IDEA Preschool)			\$ 214,685	\$ 103,014	\$ 3,014	\$ 114,685	\$ 111,671	\$ -	
Total Special Education Cluster			\$ 2,303,689	\$ 1,188,517	\$ 567,889	\$ 1,335,156	\$ 1,115,172	\$ 347,905	
Perkins Grant									
Passed through Berrien RESA									
Perkins Reimbursement - 2020-2021	N/A	84.048	\$ 45,797	\$ 32,151	\$ 13,646	\$ 13,646	\$ -	\$ -	
Perkins Reimbursement - 2021-2022	N/A	84.048	61,597	-	-	61,597	61,597	-	
Total Perkins Grant			\$ 107,394	\$ 32,151	\$ 13,646	\$ 75,243	\$ 61,597	\$ -	
Total U.S. Department of Education Passed Through									
Michigan Department of Education			\$ 14,278,972	\$ 4,070,601	\$ 641,139	\$ 1,629,815	\$ 1,723,369	\$ 734,693	
Total U.S. Department of Education Passed Through Eau Claire Public Schools			\$ 4,153	\$ 3,024	\$ 1,419	\$ 1,419	\$ 1,129	\$ 1,129	
Total U.S. Department of Education Passed Through Berrien RESA			\$ 2,525,254	\$ 1,282,705	\$ 620,461	\$ 1,488,900	\$ 1,228,903	\$ 360,464	
Total U.S. Department of Education			\$ 16,808,379	\$ 5,356,330	\$ 1,263,019	\$ 3,120,134	\$ 2,953,401	\$ 1,096,286	
<u>U.S. Department of Education</u>									
<u>U.S. Department of Health and Human Services</u>									
Passed through the Berrien RESA									
Medicaid Cluster									
Medicaid Outreach - 2021-2022	N/A	93.778	\$ 20,952	\$ -	\$ -	\$ 20,952	\$ 20,952	\$ -	
Total Medicaid Cluster			\$ 20,952	\$ -	\$ -	\$ 20,952	\$ 20,952	\$ -	
Total U.S. Department of Health and Human Services			\$ 20,952	\$ -	\$ -	\$ 20,952	\$ 20,952	\$ -	
<u>U.S. Department of Treasury</u>									
Passed through Michigan Department of Education									
Coronavirus Relief Funds									
COVID-19 Coronavirus Relief Funds	11q	21.019	\$ 1,310,915	\$ 1,297,732	\$ (19,128)	\$ -	\$ 19,128	\$ -	(c)
Total Coronavirus Relief Funds			\$ 1,310,915	\$ 1,297,732	\$ (19,128)	\$ -	\$ 19,128	\$ -	
Total U.S. Department of Treasury			\$ 1,310,915	\$ 1,297,732	\$ (19,128)	\$ -	\$ 19,128	\$ -	
Total Federal Financial Assistance			\$ 21,644,592	\$ 7,911,208	\$ 1,372,574	\$ 5,423,834	\$ 5,240,679	\$ 1,189,419	

See accompanying notes to Schedule of Expenditures of Federal Awards.

SECTION I – SUMMARY OF AUDITORS RESULTS

Financial Statements

Type of auditors report issued based on financial statements prepared in accordance with generally accepted accounting principles: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes none reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes none reported

Type of auditors report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CRF 200.516 (a)? Yes No

Identification of major programs:

<u>Federal Assistance Listing</u>	
<u>Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027 & 84.173	Special Education Cluster
84.010	Title I, Part A
84.425C & 84.425D	Education Stabilization Fund

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

Auditee qualified as low-risk auditee? Yes No

SECTION II –STATUS OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

There were no prior year findings.

SECTION III – FINANCIAL STATEMENT FINDINGS

There are no financial statement findings.

SECTION IV – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings or questioned costs.

NILES COMMUNITY SCHOOLS

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

NOTE 1. BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Niles Community Schools (the “District”) 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* (the “Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

The District qualifies for low-risk auditee status. Management has utilized the NexSys, Cash Management System and the Grant Auditor Report in preparing the Schedule.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. FOOD DISTRIBUTION

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

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

The actual Federal source expenditures amounted to \$5,240,679 per the audit of the financial statements. The related expenditures are composed of the following:

	<u>Amount</u>
Actual cash expenditures	\$ 5,188,129
Entitlement commodities used	<u>52,550</u>
	<u>\$ 5,240,679</u>

NILES COMMUNITY SCHOOLS

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

NOTE 5. INDIRECT COSTS

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

NOTE 6. PASS-THROUGH SUBRECIPIENTS

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

NOTE 7. SCHEDULE RECLASSIFICATIONS/ADJUSTMENTS FROM 2021 SCHEDULE

- A) The previous year Schedule reported total expenditures for grant program COVID-19 SFSP Operating – Grant Project Number – 210904 - \$1,453,064 and grant receivable of \$128,683. The grant total expenditure number mistakenly included project number 210904 – 1121 - \$78,143 and project number 210904-1021 - \$117,774 that are 2022 District grant requests. This error resulted in a misallocation between the grant programs. The total expenditures in the previous year reported in the Child Nutrition Cluster is correct. This was a misallocation between the grants related within the Child Nutrition Cluster. The adjustment of (\$195,916) against the prior year reported expenditures of \$1,453,064 reflects the true allocation of total expenditures that should have been reflected in Grant Project Number – 210904 in the District’s previous year’s Schedule to \$1,257,148. This corrected number plus the project number 21094-1021 and project number – 210904-1121 that relates to the District’s current year will bring the total grant allocation to \$1,453,064, which is stated in the current year Schedule.
- B) The previous year Schedule reported total receivable for grant program COVID -19 ESSER II Summer Program of \$117,190. However, the receivable should have been broken out for Grant Project Number – 213722 - \$102,331 and Grant Project Number – 213742 - \$14,859. This allocation is correctly stated in this year’s Schedule. Both grant programs relate to Federal Assistance Number – 84.425D.
- C) The previous year Schedule did not report deferred revenues of \$19,128 for COVID-19 Coronavirus Relief Funds 11q. The current year schedule reflects the \$19,128 expenditures for this grant.

NILES COMMUNITY SCHOOLS

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

NOTE 8. RECONCILIATION OF FEDERAL REVENUE ON FINANCIAL STATEMENT AUDIT TO EXPENDITURES ON THE SCHEDULE

The following is a reconciliation of federal revenue that is reported on the District's financial statement audit to federal expenditures reported on the District's Schedule:

Federal Sources per Financial Statement Audit:	
General Fund	\$ 3,074,119
Food Service Fund	2,244,136
Total Federal Revenues on Financial Statement Audit	<u>\$ 5,318,255</u>
Less items that are from Federal Sources that are not under Uniform Guidance Requirements:	
Child Care Stabilization Grant	(77,576)
Total Federal Expenditures reported on the Schedule	<u><u>\$ 5,240,679</u></u>

**MANAGEMENT COMPLIANCE
LETTERS**



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

To the Board of Education of
Niles Community Schools
Niles, 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 Niles Community Schools (the “District”), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated October 26, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Respectfully submitted,

Certified Public Accountants

Niles, Michigan
October 26, 2022



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

To the Board of Education of
Niles Community Schools
Niles, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

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

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,



Certified Public Accountants

Niles, Michigan
October 26, 2022