

Bullock Creek School District
Midland, Michigan

Financial Statements
(with required and additional
supplementary information)
June 30, 2022



RPC
Roslund Prestage & Company
CERTIFIED PUBLIC ACCOUNTANTS

Bullock Creek School District
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June 30, 2022

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To the Board of Education
Bullock Creek School District
Midland, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bullock Creek School District (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 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.

Change in Accounting Principle

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 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 District's internal control over financial reporting and compliance.

Sincerely,

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

September 30, 2022

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**



Bullock Creek School District Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2022

The following discussion and analysis of the Bullock Creek School District's financial performance provides an overall review of the District's financial activities and position for the fiscal year ended June 30, 2022. Readers should also review the financial statements, the notes to the financial statements and the supplementary information to enhance their understanding of the District's financial performance.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. The basic financial statements include two kinds of statements that present different views of the District: the district-wide financial statements and the fund financial statements.

District-wide Financial Statements

The District-wide statements provide a perspective of the District as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two District-wide statements: The Statement of Net Position and the Statement of Activities.

The Statement of Net Position combines and consolidates the governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations, regardless of whether they are currently available or not.

Consistent with the full accrual basis method of accounting, the Statement of Activities accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various district services.

When analyzed together, the two statements help the reader determine whether the District is financially stronger or weaker as a result of the year's activities.

Fund Financial Statements

The fund financial statements focus on individual parts of the district, reporting the District's operation in more detail than the district-wide statements. The fund level statements are reported on a *modified accrual basis*. Only those assets that are "*measurable*" and "*currently available*" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's *Public School Accounting Manual*. In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds. The funds used by Bullock Creek School District include Capital Project Funds, Fiduciary Funds, Debt Service Funds and a Special Revenue Fund for Food Service.

Bullock Creek School District is the trustee, or fiduciary, for its student activity funds established for the benefit of our students. These fiduciary activities are reported in a separate statement of fiduciary

**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022**

assets and liabilities. They are excluded from the other financial statements because the District may not use the assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Financial Analysis of the District as a Whole

Summary of the Statement of Net Position

	Governmental Activities		
	June 30, 2022	June 30, 2021	Change
Assets			
Current assets	\$ 8,552,279	\$ 9,308,692	\$ (756,413)
Capital assets	44,685,691	44,384,151	301,540
Less accumulated depreciat	<u>(20,431,053)</u>	<u>(19,033,173)</u>	<u>(1,397,880)</u>
Capital assets			
net book value	<u>24,254,638</u>	<u>25,350,978</u>	<u>(1,096,340)</u>
Deferred outflows of resourc	<u>8,564,283</u>	<u>12,326,804</u>	<u>(3,762,521)</u>
Total assets	<u>41,371,200</u>	<u>46,986,474</u>	<u>(5,615,274)</u>
Liabilities			
Current liabilities	6,408,820	6,649,566	(240,746)
Noncurrent liabilities	<u>39,769,342</u>	<u>58,893,569</u>	<u>(19,124,227)</u>
Total liabilities	<u>46,178,162</u>	<u>65,543,135</u>	<u>(19,364,973)</u>
Deferred inflows of resource	<u>17,789,497</u>	<u>6,350,835</u>	<u>11,438,662</u>
Net Position			
Net investment in			
capital assets	12,914,235	12,837,694	76,541
Restricted	996,991	559,201	437,790
Unrestricted	<u>(36,507,685)</u>	<u>(38,304,391)</u>	<u>1,796,706</u>
Total net position	<u>\$ (22,596,459)</u>	<u>\$ (24,907,496)</u>	<u>\$ 2,311,037</u>

Unrestricted net position is similar but not identical to fund balance. Reserves for grants, deferred gifts and debt service within the fund balance are treated as restricted assets since they are not available for general operations. A reconciliation of the difference between the change net position and change in fund balance is on page 4.

Effective for the year ended June 30, 2015, the District adopted new accounting guidance, GASB Statement No. 68 *Accounting and Financial Reporting for Pensions, and Statements No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date*. This change impacted every public school district participating in MPSERS, and will continue to significantly affect the District's financial statements for years to come. Please refer to Note 11 of the Financial Statements for further details.

The net position for the District increased by \$2,311,037 during the 2021-22 year. The *Summary of the Statement of Activities* (above) shows the details of this change.

The *Summary of the Statement of Activities* shows the change from another perspective. As shown in the *Summary of the Statement of Net Position*, the Revenues were similar to the prior year, as we received another round of Covid funds. The net change in total liabilities is an decrease, which is

**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022**

related to the decrease in tuition cost for remote learning, which was offered during the 2020-2021 school year.

Summary of the Statement of Activities

	Governmental Activities		
	Year ended 2022	Year ended 2021	Difference
Revenues			
Program Revenues			
Charges for Services	\$ 401,831	\$ 203,225	\$ 198,606
Operating Grants/Contributi	2,406,868	2,265,729	141,139
Capital Grants/Contributions	-	-	-
General Revenues			
Property Taxes	3,157,579	3,117,890	39,689
State Foundation Allowance	17,963,358	17,987,549	(24,191)
Other	1,397,816	2,122,653	(724,837)
Total Revenues	<u>25,327,452</u>	<u>25,697,046</u>	<u>(369,594)</u>
Expenses			
Instruction	12,966,486	15,743,031	(2,776,545)
Support Services	8,085,693	8,417,082	(331,389)
Food Services	1,128,338	906,673	221,665
Other Transactions	722,370	563,613	158,757
Total Expenses	<u>22,902,887</u>	<u>25,630,399</u>	<u>(2,727,512)</u>
Change in Net Position	<u>\$ 2,424,565</u>	<u>\$ 66,647</u>	<u>\$ 2,357,918</u>

Approximately 82% of the District's revenues are received from State sources. The Net State Foundation Grant is based on three variables:

1. The State of Michigan State Aid Act per student foundation allowance.
2. Student count returned to the normal calculation which is figured by 90% of the October count is added to 10% of the previous year's February count. The pandemic has forced changes in the prior year. For 2020-2021 the blend was 75% of the prior year's count and 25% of the prior year's, for both October and February.
3. The amount raised by the District's non principal residence exemption tax levy of 18 mills.

The School District's Funds

At June 30, 2022, the District's governmental funds reported a combined fund balance of \$3,955,600, which is a decrease of \$461,292 from last year. The primary reasons for the decreases are:

- In the General Fund, our principal operating fund, the fund balance decreased by \$324,066. The district experienced higher operational costs due material shortages and increased cost of goods, more support services required to help with mental health.
- In the Special Revenue Funds, the Food Service fund balance increased by \$38,407. This was due to the Federal Government using a larger than normal reimbursement rate.

**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022**

- The Student Activity accounts are no longer presented as fiduciary funds, but are now considered a Special Revenue Fund. The total fund balance at year end for these funds is \$289,223.

Per Student Foundation Allowance

Annually, the State of Michigan establishes the per student foundation allowance. In 2021-22 the State was able to fully fund the Bullock Creek School District foundation allowance of \$8,700 per pupil.

Student Enrollment

The District's student enrollment for the fall count of 2020-2022 was 1,721 students. This is a decrease of 120 students from the previous September. While the District has seen an overall decrease in students in previous years, it continues to have a strong school of choice population. This is due, in part, to the District offering some unique programs that other area schools do not offer such as Nature K-2 and a Young Fives program. The following summarizes fall student enrollments in the past five years:

Year	Student FTE	FTE Change from Prior Year
2021-2022	1721	(120)
2020-2021	1841	(20)
2019-2020	1861	34
2018-2019	1827	11
2017-2018	1816	(48)

Preliminary student enrollment projections for 2022-2023 indicate that enrollments are likely to decrease compared to 2021-2022. The District uses county birthrates, current enrollment, and community factors as part of this forecast. The projection of student enrollment for 2022-23 is also impacted by the COVID-19 pandemic. Both sets of numbers will have to be reviewed at each semester.

Property Taxes Levied for General Operations

The District levies 18.0 mills of property taxes on non principal residence exemption properties and 6.0 mills on Commercial personal property for operations (General Fund). Under Michigan law, the tax levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at lesser of the rate of the prior year's Consumer Price Index increase or 5 percent. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, theoretically 50 percent of the market value. The following summarizes the local tax revenues as a percent of all general fund revenues for the past five years:

**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022**

Local Property Tax History

Year	Local Property Tax Revenue	% of General Fund Revenue
2021-2022	\$ 1,005,683	4.6%
2020-2021	\$ 1,059,221	4.8%
2019-2020	\$ 1,028,636	5.1%
2018-2019	\$ 1,002,451	5.1%
2017-2018	\$ 866,538	4.6%
2016-2017	\$ 846,428	4.5%
2015-2016	\$ 868,740	4.8%

Capital Assets

At June 30, 2022, the District had \$24,254,638 invested in capital assets including land, construction in progress, buildings, furniture, and equipment.

Assets	Governmental Activities	
	2022	2021
Land and construction in progress	\$ 278,944	\$ 329,898
Buildings and additions	40,469,633	40,230,962
Equipment and furniture	1,417,972	1,593,490
Buses and other vehicles	2,519,142	2,229,802
Subtotal	44,685,691	44,384,152
Less accumulated depreciation	(20,431,053)	(19,033,173)
Total	\$ 24,254,638	\$ 25,350,979

Debt Administration

At June 30, 2022, the District had \$13,305,000 in general obligation bonds outstanding for capital projects. During the 2020-2021 fiscal year, the District levied a debt millage of 7.0 mills that generated revenue of \$2,057,535 and was based on the taxable value of all properties within the District. The revenue raised by the debt levy is used to pay maturities on the general obligation bonds.

The School District's general obligation bond rating continues to be equivalent to the State's credit rating.

For more detailed information on debt, please see the accompanying Notes to the Financial Statements.

**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022**

Original versus Revised Budget

The Uniform Budget Act of the State of Michigan requires that a local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The budget for 2021-2022 was approved on June 28, 2021 and amended in April and June of 2022.

General Fund Revenues

Total Revenues Revised Budget	\$21,670,760
Total Revenues Original Budget	<u>\$21,526,971</u>
Change	<u>\$143,789</u>

The District's actual general fund revenues were higher than the revised budget by \$143,789 a variance of 0.6%, due to additional Federal COVID.

General Fund Expenditures

Total Expenditures Revised Budget	\$22,175,794
Total Expenditures Original Budget	<u>\$20,801,099</u>
Change	<u>\$1,374,695</u>

The District's actual general fund expenditures were more than the revised budget by \$1,374,695, a variance of 6.2%.

General Fund expenditures were more than anticipated because the District had more transportation and operation expenses, more students return to face to face instruction that required additional special services due to COVID-19.

Economic Factors and Next Year's Budget and Rates

Since most of the District's revenue is derived from the per pupil foundation allowance, student enrollment as reported in the *blended count* is one of the key factors in forecasting revenue. The other key factor in determining revenue is the actual per pupil foundation allowance established in the State Aid Act. The Board of Education was required by law to approve the 2021-2022 budget by July 1, 2021. The District's initial budget was based on a per pupil foundation allowance of \$8,261 and a count of 1750 students.

Requests for Information

This financial report is designed to give our citizens, taxpayers, parents, students, investors and creditors a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning this report or requests for additional information should be addressed to: Director of Business Services, Bullock Creek School District, 1420 South Badour Road, Midland, MI 48640; telephone number 989-631-9022.

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**



Bullock Creek School District
Statement of Net Position
June 30, 2022

Assets

Cash and cash equivalents	\$	3,492,338
Investments		415,655
Due from other governmental units		4,284,755
Asset held for sale		346,187
Other current assets		13,344
Noncurrent assets		
Capital assets not being depreciated		278,944
Capital assets being depreciated, net		23,975,694
Total assets		32,806,917

Deferred outflows of resources

Related to debt refunding		65,717
Related to pension		6,077,134
Related to other post-employment benefits		2,421,432
Total deferred outflows of resources		8,564,283

Liabilities

Accounts payable		416,972
State aid loan payable		2,009,801
Due to other governmental units		3,904
Accrued expenses		2,008,465
Unearned revenue		157,537
Accrued interest		52,907
Compensated absences due within one year		55,038
General obligations due within one year		1,670,000
Direct borrowing and direct placement due within one year		34,196
Noncurrent liabilities		
Compensated absences due beyond one year		311,879
General obligations due beyond one year		9,920,000
Direct borrowing and direct placement due beyond one year		382,041
Premium on general obligations		506,996
Net pension liability		26,949,064
Net other post-employment benefit liability		1,699,362
Total liabilities		46,178,162

Deferred inflows of resources

Related to pension		9,343,319
Related to other post-employment benefits		6,695,176
Related to 147c allocation		1,751,002
Total deferred inflows of resources		17,789,497

Net position

Net investment in capital assets		13,091,540
Restricted for Debt Service		249,357
Unrestricted		(35,937,356)
Total net position		\$ (22,596,459)

Bullock Creek School District
Statement of Activities
For the Year Ended June 30, 2022

Functions / Programs	Expenses	Program Revenues		Change in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 12,966,486	\$ -	\$ 1,200,455	\$ (11,766,031)
Support services	8,085,693	101,679	-	(7,984,014)
Food service	1,128,338	52,541	1,206,413	130,616
Student activities	205,414	247,611	-	42,197
Building improvement services	126,347	-	-	(126,347)
Interest and fees	390,609	-	-	(390,609)
Total governmental activities	<u>\$ 22,902,887</u>	<u>\$ 401,831</u>	<u>\$ 2,406,868</u>	(20,094,188)
General revenues:				
Property taxes				3,157,579
State aid not restricted to specific purposes				17,963,358
Intermediate sources				1,122,067
Interest and investment earnings				1,975
Other revenues				<u>273,774</u>
Total general revenues				<u>22,518,753</u>
Change in net position				2,424,565
Net position - beginning, as restated				<u>(25,021,024)</u>
Net position - ending				<u>\$ (22,596,459)</u>

FUND FINANCIAL STATEMENTS



Bullock Creek School District
Balance Sheet - Governmental Funds
June 30, 2022

	General	Total Nonmajor Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 2,443,345	\$ 1,048,993	\$ 3,492,338
Investments	-	415,655	415,655
Due from other funds	124,343	337,961	462,304
Due from other governmental units	4,284,755	-	4,284,755
Asset held for sale	346,187	-	346,187
Other current assets	13,344	-	13,344
Total assets	<u>\$ 7,211,974</u>	<u>\$ 1,802,609</u>	<u>\$ 9,014,583</u>
Liabilities			
Accounts payable	\$ 377,671	\$ 39,301	\$ 416,972
State aid loan payable	2,009,801	-	2,009,801
Due to other governmental units	-	3,904	3,904
Due to other funds	335,431	126,873	462,304
Accrued expenditures	2,007,840	625	2,008,465
Unearned revenue	153,839	3,698	157,537
Total liabilities	<u>4,884,582</u>	<u>174,401</u>	<u>5,058,983</u>
Fund balance			
Nonspendable	359,531	-	359,531
Restricted	-	996,991	996,991
Committed	85,000	-	85,000
Assigned	-	631,217	631,217
Unassigned	1,882,861	-	1,882,861
Total fund balances	<u>2,327,392</u>	<u>1,628,208</u>	<u>3,955,600</u>
Total liabilities and fund balances	<u>\$ 7,211,974</u>	<u>\$ 1,802,609</u>	<u>\$ 9,014,583</u>

Bullock Creek School District
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to the Net Position of Governmental Activities on the Statement of Net Position
June 30, 2022

Total fund balance - governmental funds		\$ 3,955,600
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Add: Cost of capital assets		44,685,691
Deduct: Accumulated depreciation		(20,431,053)
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>		
Deduct: 2015 Refunding Bonds		(1,780,000)
Deduct: 2016 Bonds		(4,105,000)
Deduct: 2019 Bonds		(5,705,000)
Deduct: School loan revolving fund		(268,975)
Deduct: Lease liability - 2021 copiers		(147,262)
Deduct: Premium on 2019 bonds		(506,996)
<p>Other amounts reported in the statement of activities that do not require current financial resources consist of:</p>		
Add: Deferred outflow - related to 2015 refunding bonds		65,717
Add: Deferred outflow - related to pension		6,077,134
Add: Deferred outflow - related to other post-employment benefits		2,421,432
Deduct: Net pension liability		(26,949,064)
Deduct: Net other post-employment benefit liability		(1,699,362)
Deduct: Deferred inflow - related to pension		(9,343,319)
Deduct: Deferred inflow - related to other post-employment benefits		(6,695,176)
Deduct: Deferred inflow - 147c allocation		(1,751,002)
Deduct: Compensated absences payable		(366,917)
Deduct: Accrued interest on long-term liabilities		(52,907)
Total net position - governmental activities		\$ (22,596,459)

Bullock Creek School District
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2022

	General	Total Nonmajor Funds	Total
Revenues			
Local sources	\$ 1,356,362	\$ 2,372,329	\$ 3,728,691
State sources	17,935,606	119,669	18,055,275
Federal sources	1,433,900	1,206,413	2,640,313
Other sources	1,122,067	14,552	1,136,619
Total revenues	<u>21,847,935</u>	<u>3,712,963</u>	<u>25,560,898</u>
Expenditures			
Instruction			
Basic programs	10,500,796	-	10,500,796
Added needs	3,166,343	-	3,166,343
Continuing education	202,810	-	202,810
Total instruction	<u>13,869,949</u>	<u>-</u>	<u>13,869,949</u>
Support services			
Pupil services	1,538,436	-	1,538,436
Instructional staff	902,534	-	902,534
General administration	302,793	-	302,793
School administration	1,298,415	-	1,298,415
Business services	376,651	2,324	378,975
Operation and maintenance	1,973,530	-	1,973,530
Pupil transportation	1,229,611	102,154	1,331,765
Central	213,899	-	213,899
Other	366,916	-	366,916
Total support services	<u>8,202,785</u>	<u>104,478</u>	<u>8,307,263</u>
Food service	-	1,151,896	1,151,896
Student activities	-	205,414	205,414
Capital outlay	-	407,868	407,868
Debt service			
Principal	39,925	1,715,000	1,754,925
Interest, fees and other	3,342	373,496	376,838
Total expenditures	<u>22,116,001</u>	<u>3,958,152</u>	<u>26,074,153</u>
Revenues over (under) expenditures	(268,066)	(245,189)	(513,255)
Other financing sources (uses)			
Proceeds from SLRF	-	51,963	51,963
Transfers in	-	56,000	56,000
Transfers out	(56,000)	-	(56,000)
Net change in fund balances	(324,066)	(137,226)	(461,292)
Fund balances - beginning	<u>2,651,458</u>	<u>1,765,434</u>	<u>4,416,892</u>
Fund balances - ending	<u>\$ 2,327,392</u>	<u>\$ 1,628,208</u>	<u>\$ 3,955,600</u>

Bullock Creek School District
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2022

Net change in fund balances - total governmental funds \$ (461,292)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Add:	Capital outlay	314,051
Deduct:	Depreciation expense	(1,404,537)

Long-term debt proceeds are reported as other financing sources in the governmental funds, thereby increasing fund balances. In the statement of net position, however, issuing long-term debt increases liabilities and has no effect on net position. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Add:	Payment of 2014 Refunding Bonds	490,000
Add:	Payment of 2015 Bonds	490,000
Add:	Payment of 2015 Refunding Bonds	50,000
Add:	Payment of 2016 Bonds	535,000
Add:	Payment of 2019 Bonds	150,000
Deduct:	Proceeds from School loan revolving fund	(51,963)
Add:	Payment of lease liability - 2021 copiers	39,925
Add:	Amortization of 2019 Bond premium	42,250

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct:	Change in deferred outflow - related to 2014 refunding bonds	(46,869)
Deduct:	Change in deferred outflow - related to 2015 refunding bonds	(16,428)
Deduct:	Change in deferred outflow - related to pension	(2,944,198)
Deduct:	Change in deferred outflow - related to other post-employment benefits	(755,026)
Add:	Change in net pension liability	12,877,051
Add:	Change in net other post-employment benefit liability	4,558,835
Deduct:	Change in deferred inflow - related to pension	(9,180,135)
Deduct:	Change in deferred inflow - related to other post-employment benefits	(2,025,082)
Deduct:	Change in accrual for compensated absences	(10,848)
Add:	Change in accrued interest on long-term liabilities	7,276

Revenue in support of pension contribution made subsequent to the measurement date.

Deduct:	Change in deferred inflow - 147c allocation	(233,445)
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Net change in net position - governmental activities \$ 2,424,565

NOTES TO THE FINANCIAL STATEMENTS



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Bullock Creek School District (the District) conform to generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the District. All amounts shown are in dollars.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities, if any, are reported only in the fund financial statements. Governmental activities normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

Reporting Entity

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

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation - Fund Financial Statements

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

The District reports the following major governmental funds:

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

The District reports the following non-major governmental funds:

- The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and student activities in the special revenue funds.
- The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The District accounts for the debt service activity in the Debt Service Fund.
- The *capital projects funds* account for the receipt of bond proceeds, transfers from the general fund (as applicable), and the acquisition of fixed assets or construction of capital projects. The District accounts for the 2019 Capital Projects and Capital Projects activity in the capital projects funds.

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. Other funds do not have appropriated budgets.

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

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

- The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
- Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- The budget was amended during the year with supplemental appropriations, the last one approved prior to year ended June 30. Although the district does consider these amendments to be significant, they were deemed necessary due to considerable uncertainty at the time the original budget was adopted.

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

Cash and Cash Equivalents

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

Investments

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

- Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services, and which matures not more than 270 days after the date of purchase.
- The United States government or federal agency obligations repurchase agreements.
- Bankers' acceptances of United States banks.
- Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

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

Prepaid expenses

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

Asset held for sale

Students participating in the home building course annually build a residential home for the community which is eventually sold. The direct costs to the School District for the build are reflected in total as an asset held for sale.

Capital Assets

Capital assets, as detailed in the table below, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

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

Bullock Creek School District
Notes to the Financial Statements
June 30, 2022

of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land	Not Depreciated
Construction in process	Not Depreciated
Buildings and improvements	7 - 50
Capital lease	5
Furniture and equipment	5 - 20
Vehicles	6
Right to Use – Leased Equipment	5

The District reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. If it is determined that an impairment loss has occurred, the asset is written down to its net realizable value and a related expense is recognized in the current year.

Defined Benefit Plans

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

Deferred Outflows

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

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and other postemployment benefit related changes. These amounts are recognized in the plan year in which they apply.

Compensated Absences

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

Bullock Creek School District
Notes to the Financial Statements
June 30, 2022

Unearned Revenue

Unearned revenues arise when resources are received by the District before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the fund financial statements and Government-wide financial statements, and revenue is recognized.

Long-term Obligations

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

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

Leases

Lessee: The District is a lessee for a noncancelable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

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

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

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

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

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

Net Position

For government-wide reporting, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- *Net investment in capital assets* consist of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Bullock Creek School District
Notes to the Financial Statements
June 30, 2022

- *Restricted* net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- *Unrestricted* net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted and unrestricted net position in the government-wide 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.

Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." The District's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes:

- *Nonspendable* fund balance represents amounts that are either not in spendable form or are either legally or contractually required to be maintained intact.
- *Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation.
- *Committed* fund balance represents amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Board of Education prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Board of Education adopts another ordinance to remove or revise the limitation.
- *Assigned* fund balance represents amounts that are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education has by resolution authorized the finance director to assign fund balance. The Board of Education may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- *Unassigned* fund balance represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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

Revenues

Program Revenues

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

Property Tax Revenue

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

The District levied the following amounts per \$1,000 of assessed valuation. The District levied 18.00 mills for school general operations on the non-homestead taxable value. The District also levied an additional 7.00 mills on all property in the District for the purpose of debt service.

State Aid Revenue

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

The state portion of the Foundation is provided primarily by a state education property tax millage of 6.00 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the Foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18.00 mills as well as 6.00 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

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

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

It is the policy of the District to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District, and conforming to all state and local statutes governing the investment of public funds, using the “prudent person” standard for managing the overall portfolio. The primary objective of the policy is safety (preservation of capital), liquidity, and yield.

As of year-end, the District had deposits and investments subject to the following risks:

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of year-end, \$3,482,834 of the District’s bank balance of \$3,732,834 was exposed to custodial credit risk because it was uninsured and uncollateralized. The above amounts include interest bearing accounts.

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

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

Bullock Creek School District
Notes to the Financial Statements
June 30, 2022

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

Investment Type	Fair Value	Weighted Average Maturity
Michigan Class Cooperative Liquid Asset	415,655	N/A
One day maturity equals 0.0027, one year equals 1		

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. Obligations of the U.S government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Investment Type	Fair Value	Standard & Poor's Rating	Rating Agency
Michigan Class Cooperative Liquid Asset	415,655	AAAm	Standard & Poor's

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

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

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX class) fund requires notification of redemption prior to 14 days to avoid penalties. These funds are not subject to fair value disclosures.

Investment Type	Amortized Cost
Michigan Class Cooperative Liquid Asset	415,655

Bullock Creek School District
Notes to the Financial Statements
June 30, 2022

The following summarizes the categorization of these amounts as of year-end:

Description	Amount
Cash and cash equivalents	3,492,338
Investments	415,655
Total	3,907,993

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivable and payable shown on the fund financial statements as of June 30th, are as follows:

Description	Due from Other Funds	Due to Other Funds
General Fund	124,343	335,431
Food Service	287,961	76,690
Student Activities	-	31,283
Capital Projects	50,000	18,900
Total	462,304	462,304

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

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS

As of June 30th, due from other governmental units is comprised of the following amounts:

Description	Amount
State aid	3,126,507
Federal grants and other pass-through agencies	1,158,248
Total	4,284,755

No allowance for doubtful accounts is considered necessary based on previous experience.

Bullock Creek School District
Notes to the Financial Statements
June 30, 2022

NOTE 5 - CAPITAL ASSETS

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

	As Restated Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated					
Land	278,944	-	-	-	278,944
Construction in process	50,954	-	-	(50,954)	-
Total capital assets not being depr.	329,898	-	-	(50,954)	278,944
Capital assets being depreciated					
Buildings and improvements	40,230,962	187,717	-	50,954	40,469,633
Furniture and equipment	1,393,792	24,180	-	-	1,417,972
Vehicles	2,229,802	102,153	-	-	2,331,955
Right to use – leased equipment	187,187	-	-	-	187,187
Total capital assets being depr.	44,041,743	314,051	-	50,954	44,406,747
Accumulated depreciation					
Buildings and improvements	(16,850,666)	(1,004,578)	-	-	(17,855,244)
Furniture and equipment	(620,637)	(120,924)	-	-	(741,561)
Vehicles	(1,555,214)	(240,962)	-	-	(1,796,176)
Right to use – leased equipment	-	(38,072)	-	-	(38,072)
Total accumulated depreciation	(19,026,517)	(1,404,537)	-	-	(20,431,053)
Net capital assets being depreciated	25,015,226	(1,090,486)	-	50,954	23,975,694
Net capital assets	25,345,124	(1,090,486)	-	-	24,254,638

Depreciation/amortization expense for the year ended June 30th was charged to the functions of the District's activities as follows:

Governmental Activities	Amount
Instruction	801,124
Support services	583,936
Food services	19,477
Total depreciation	1,404,537

NOTE 6 - ACCRUED EXPENSES

Accrued expenses as of year-end include amounts due for accrued wages, retirement, FICA, employee benefit insurances, and termination benefits (if any). Accrued wages represent the remaining balance on teacher contracts to be paid during the summer and other salaries and wages earned as of June 30th.

Bullock Creek School District
Notes to the Financial Statements
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NOTE 7 - DEBT

Short-term debt

On August 20, 2021, the District borrowed \$3,580,000 from the Michigan Finance Authority in the form of a State Aid Anticipation note for the purpose of providing funds for school operations. The interest rate is stated at 0.75% and is payable on August 22, 2022. In an event of a default on the note, the state may impose a penalty interest rate and at the state's discretion, accelerate the repayment terms. The amounts shown below include accrued interest on short-term debt.

	Beginning Balance	Additions	(Deletions)	Ending Balance
Short-term debt	2,045,716	3,509,801	(3,545,716)	2,009,801

Premiums and Discounts

Debt may be issued at par value, with a premium (applicable to debt issued in excess of par value) or at a discount (applicable to debt issued at amounts less than the par value). Premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

The changes in premium and discounts during the fiscal year are as follows:

	Beginning Balance	Additions	(Deletions)	Ending Balance
Premium on 2019 bond	549,246	-	(42,249)	506,996

Deferred charge on refunding

The District issued bonds in 2014 to advance refund and retire previously issued bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$374,938. This amount, less accumulated amortization, is reported in the accompanying statement of net position as a deferred inflow of resources and is being charged to activities through fiscal year 2022.

The District issued bonds in 2015 to advance refund and retire previously issued bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$180,713. This amount, less accumulated amortization, is reported in the accompanying statement of net position as a deferred inflow of resources and is being charged to activities through fiscal year 2026.

The following summarizes the activity of the deferred amount on refunding:

Deferred outflow related to refunding	Beginning Balance	Additions	(Deletions)	Ending Balance
Related to 2014 refunding bonds	46,869	-	(46,869)	-
Related to 2015 refunding bonds	82,145	-	(16,428)	65,717
Total	129,014	-	(63,297)	65,717

Bullock Creek School District
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Long-term debt

	Amount
General obligation bonds:	
2015 refunding bonds due in annual installments of \$50,000 to \$460,000 through May 1, 2026 with an interest rate from 1.45% to 3.05%	1,780,000
2016 building and site bonds due in annual installments of \$140,000 to \$905,000 through May 1, 2027 with an interest rate from 1.25% to 2.15%	4,105,000
2019 building and site bonds due in annual installments of \$150,000 to \$680,000 through May 1, 2034 with an interest rate from 2.00% to 5.00%	5,705,000
Total general obligation bonds:	11,590,000
Direct borrowings and direct placements:	
Lease liability due in monthly installments of \$3,328 through May 2026 with an interest rate of 2.00%	147,262
School Loan Revolving Fund – repayment terms and current interest rate discussed in related note below. Balance due includes principal balance of \$260,824 and accrued interest of \$8,151.	268,975
Total direct borrowings and direct placements:	416,237

The District's outstanding notes from direct borrowings and direct placements related to governmental activities contain provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

Direct borrowings and direct placements

School Bond Loan Fund/School Loan Revolving Fund

Borrowing from the State of Michigan - The School Loan Revolving Fund payable represents notes payable to the State of Michigan for loans made to the District, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. The interest rate at June 30th was 1.19%.

Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 7.0 mills. The school district is required to levy 7.0 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. Currently the District levies 7.0 mills. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the amortization schedule. The state may apply a default late charge on the note if the District does not make the repayments, or apply the default late charge if the District fails to levy the appropriate debt mills. The state may also withhold state aid payments if the District is in default.

Summary of Long-Term Debt

The changes in long-term debt during the fiscal year are as follows:

	As Restated Beginning Balance	Additions	(Deletions)	Ending Balance	Due within one year
Long-term debt					
Compensated absences	356,069	64,258	(53,410)	366,917	55,038
General obligation bonds	13,305,000	-	(1,715,000)	11,590,000	1,670,000
Direct borrowings and direct placements	404,199	51,963	(39,925)	416,237	34,196
Total long-term debt	14,065,268	116,221	(1,808,335)	12,373,154	1,759,234

Bullock Creek School District
Notes to the Financial Statements
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The requirements to pay principal and interest on the long-term debt outstanding at June 30th, are shown below:

Year Ended June 30	General Obligation Bonds		Direct Borrowings and Direct Placements		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	1,670,000	324,001	34,196	2,666	1,704,196	326,668
2024	1,710,000	277,941	38,026	1,914	1,748,026	279,855
2025	1,710,000	228,391	38,793	1,147	1,748,793	229,538
2026	1,200,000	177,351	36,247	363	1,236,247	177,715
2027	905,000	149,151	-	-	905,000	149,151
2028-2032	3,040,000	401,469	-	-	3,040,000	401,469
2033-2037	1,355,000	43,244	-	-	1,355,000	43,244
Total long-term debt	11,590,000	1,601,548	147,262	6,090	11,737,262	1,607,640

School Bond Loan Fund & School Loan Revolving Fund (included in direct borrowing and direct placement on the summary of long-term debt) are not subject to annual principal and interest payments and therefore are not included in the schedule above.

NOTE 8 - RETIREMENT BENEFITS

Plan Description

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

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

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System. The System's financial statements are available on the ORS website at Michigan.gov/ORSSchools.

Benefits Provided

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

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

Contributions

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

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

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

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

Required contributions to the pension plan from the District were \$3,417,801 for the year ended Sept. 30, 2021.

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

At September 30, 2021, the District reported a liability of \$26,949,064 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of Sept. 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At Sept. 30, 2021, the District's proportion was 0.11382722%, which was a decrease of -0.00211122% from its proportion measured as of Sept. 30, 2020.

For the plan year ending September 30, 2021, the District recognized pension expense of \$3,010,821. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	1,698,773	-
Net difference between projected and actual earnings on pension plan investments	-	8,664,037
Differences between actual and expected experience	417,453	158,698
Changes in proportion and differences between Employer contributions and proportionate share of contributions	473,096	520,584
Employer contributions subsequent to the measurement date	3,487,812	-
Total	6,077,134	9,343,319

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

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2022	(689,750)
2023	(1,482,562)
2024	(2,176,663)
2025	(2,405,022)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

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

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4367
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2021 MPSEERS Comprehensive Annual Financial Report found on the ORS website at Michigan.gov/ORSSchools.

Bullock Creek School District
Notes to the Financial Statements
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Long-Term Expected Return on Plan Assets

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

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

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

Rate of Return

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

Discount Rate

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 5.80% / 5.80% / 5.00%	Current Single Discount Rate Assumption 6.80% / 6.80% / 6.00%	1% Increase 7.80% / 7.80% / 7.00%
38,529,853	26,949,064	17,347,830

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

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at Michigan.gov/ORSSchools.

Payables to the Michigan Public School Employees' Retirement System (MPSERS)

The District reported payables to the defined benefit pension plan in the amount of \$605,963 as of June 30, 2022.

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (RETIREE HEALTH CARE)

Plan Description

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

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

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

The System's financial statements are available on the ORS website at Michigan.gov/ORSschools.

Benefits Provided

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

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

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

Contributions

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

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

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

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

Required contributions to the OPEB plan from the District were [Table 6, Column C] for the year ended September 30, 2021.

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

At September 30, 2021, the District reported a liability of \$1,699,362 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of Sept. 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At Sept. 30, 2021, the District's proportion was 0.11133296%, which was a decrease of -0.00548402% from its proportion measured as of Oct. 1, 2020.

For the plan year ending September 30, 2021, the District recognized OPEB expense of [Table 6, Column W]. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	1,420,582	212,572
Net difference between projected and actual earnings on OPEB plan investments	-	1,280,839
Differences between actual and expected experience	-	4,850,707
Changes in proportion and differences between employer contributions and proportionate share of contributions	220,695	351,058
Employer contributions subsequent to the measurement date	780,155	-
Total	2,421,432	6,695,176

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

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2022	(1,282,222)
2023	(1,177,725)
2024	(1,092,047)
2025	(1,034,415)
2026	(413,268)
Thereafter	(54,222)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	Sept. 30, 2020
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.95% net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality (Retirees):	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Mortality (Active):	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions (Opt-Out Assumption):	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Other Assumptions (Survivor Coverage):	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Other Assumptions (Coverage Election at Retirement):	75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents.

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual valuations beginning with the Sept. 30, 2018 valuation. The total OPEB liability as of Sept. 30, 2021, is based on the results of an actuarial valuation date of Sept. 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.1312
- Recognition period for assets in years: 5.0000

Bullock Creek School District
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- Full actuarial assumptions are available in the 2021 MPERS Comprehensive Annual Financial Report found on the ORS website at Michigan.gov/ORSSchools.

Long-term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of Sept. 30, 2021, are summarized in the following table:

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

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

Rate of Return

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

Discount Rate

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

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
3,157,721	1,699,362	461,736

Sensitivity of the District's proportionate share of the net OPEB liability to Healthcare Cost Trend Rate

The following presents the District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the District's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

Bullock Creek School District
Notes to the Financial Statements
June 30, 2022

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
413,611	1,699,362	3,145,986

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2021 MPSERS CAFR, available on the ORS website at Michigan.gov/ORSSchools.

Payables to the OPEB Plan

The District reported payables to the defined benefit OPEB plan in the amount of \$105,349 as of June 30, 2022.

NOTE 10 - NET INVESTMENT IN CAPITAL ASSETS

As of June 30th, the composition of net investment in capital assets was comprised of the following:

Net investment in capital assets	Amount
Capital assets not being depreciated	278,944
Capital asset being depreciated, net	23,975,694
Deferred amount on debt refunding	65,717
Capital related general obligation bonds	(11,590,000)
Capital related direct borrowing and direct placement	(147,262)
Unspent bond proceeds held in the capital projects fund	508,447
Net investment in capital assets	13,091,540

NOTE 11 - 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 participates in the MESSA risk pool for claims relating to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The District has purchased commercial insurance for medical claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. There was no reduction in coverage obtained through commercial insurance during the past year.

NOTE 12 – TRANSFERS

During the year the following transfers were made between funds:

- The transfer of \$6,000 from the general fund to the food service fund was for the required At-Risk school breakfast program supplement. Districts operating a school breakfast program are required to use up to \$10 per student for the costs associated with the operation of the breakfast program.
- The transfer of \$50,000 from the General fund to the Capital Projects fund was to prepare for future capital projects that fall outside the scope of bond work.

NOTE 13 – CONTINGENT LIABILITIES

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

NOTE 14 – ECONOMIC DEPENDENCE

The District receives over 80% of its General Fund revenues from the Michigan Department of Education. Due to the significance of this revenue source, the District is considered to be economically dependent.

NOTE 15 - TAX ABATEMENTS

The District is required to disclose significant tax abatements as required by GASB Statement No. 77 (*Tax Abatements*). For the year ended June 30, 2022, the District did not receive reduced property tax revenues as a result of tax abatements from taxing authorities within its district boundaries. Additionally, there are no abatements

Bullock Creek School District
Notes to the Financial Statements
June 30, 2022

made by the District.

NOTE 16 - CHANGE IN ACCOUNTING PRINCIPLE

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

Summary

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

The restatement of the beginning of year had an \$6,165 impact on net position. The change capital assets and long-term obligations is as follows:

	Capital Assets	Long-term Obligations	Net Position
Balances as of July 1, 2021, as previously stated	25,350,978	(13,708,888)	(25,014,859)
Adoption of GASB Statement 87	(5,854)	(311)	(6,165)
Balances as of July 1, 2021, as restated	25,345,124	(13,709,199)	(25,021,024)

NOTE 17 – SUBSEQUENT EVENT

On August 22, 2022 (after the end of the fiscal year), the District borrowed \$3,230,000 in two notes (\$1,615,000 and \$1,615,000) from the Michigan Finance Authority in the form of a State Aid Anticipation note for the purpose of providing funds for school operations. The interest rate is stated at 1.97% and 1.99% respectively and is payable on August 21, 2023. This loan was acquired after the end of the fiscal year and, therefore, is not shown as a current liability.

NOTE 18 - UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 96, *Subscription-based Information Technology Arrangements*, was issued by the GASB in May 2020 and will be effective for the District's fiscal year ending June 30, 2023. 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.

REQUIRED SUPPLEMENTARY INFORMATION



Bullock Creek School District
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with final budget
	Original	Final		
Revenues				
Local sources	\$ 1,230,532	\$ 1,230,820	\$ 1,356,362	\$ 125,542
State sources	18,759,107	17,939,208	17,935,606	(3,602)
Federal sources	276,332	1,414,406	1,433,900	19,494
Other sources	1,261,000	1,086,326	1,122,067	35,741
Total revenues	21,526,971	21,670,760	21,847,935	177,175
Expenditures				
Instruction				
Basic programs	9,939,596	10,425,598	10,500,796	(75,198)
Added needs	3,172,256	3,168,164	3,166,343	1,821
Continuing education	214,941	232,784	202,810	29,974
Total instruction	13,326,793	13,826,546	13,869,949	(43,403)
Support services				
Pupil services	1,306,334	1,494,158	1,538,436	(44,278)
Instructional staff	786,612	873,295	902,534	(29,239)
General administration	299,284	293,497	302,793	(9,296)
School administration	1,294,127	1,295,497	1,298,415	(2,918)
Business services	394,870	407,194	376,651	30,543
Operation and maintenance	1,671,680	2,037,847	1,973,530	64,317
Pupil transportation	1,083,354	1,243,327	1,229,611	13,716
Central	195,519	217,875	213,899	3,976
Other	344,726	386,857	366,916	19,941
Total support services	7,376,506	8,249,547	8,202,785	46,762
Debt service	41,800	43,700	43,267	433
Total expenditures	20,745,099	22,119,793	22,116,001	3,792
Other financing sources (uses)				
Transfers in (out)	(56,000)	(56,000)	(56,000)	-
Revenues over (under) expenditures	725,872	(505,033)	(324,066)	180,967
Fund balance - beginning	2,651,458	2,651,458	2,651,458	-
Fund balance - ending	\$ 3,377,330	\$ 2,146,425	\$ 2,327,392	\$ 180,967

Bullock Creek School District
 Required Supplemental Information
 Michigan Public School Employees Retirement Plan
 Prospective 10-year trend information - Pension

Schedule of the District's Proportionate Share of the Net Pension Liability (NPL)

Description	Plan year Sept 30, 2014	Plan year Sept 30, 2015	Plan year Sept 30, 2016	Plan year Sept 30, 2017	Plan year Sept 30, 2018
District's proportion of NPL (%)	0.1094264%	0.11246060%	0.11442470%	0.11226140%	0.11225920%
District's proportionate share of NPL	\$ 24,102,818	\$ 27,468,529	\$ 28,548,019	\$ 29,091,709	\$ 33,747,154
District's covered employee payroll	\$ 9,297,179	\$ 9,448,595	\$ 9,780,231	\$ 9,278,784	\$ 9,613,513
District's proportionate share of NPL as a % of covered employee payroll	259.25%	290.72%	291.90%	313.53%	351.04%
Plan fiduciary net position as a percentage of total pension liability	66.20%	63.17%	63.27%	64.21%	62.36%

Note: Amounts were determined as of 9/30 of each fiscal year.

Schedule of the District's Pension Contributions

Description	Fiscal year June 30, 2015	Fiscal year June 30, 2016	Fiscal year June 30, 2017	Fiscal year June 30, 2018	Fiscal year June 30, 2019
Statutorily required pension contributions	\$ 1,992,636	\$ 2,409,246	\$ 2,621,418	\$ 2,869,591	\$ 2,978,965
Contributions in relation to statutorily required pension contributions	1,992,636	2,409,246	2,621,418	2,869,591	2,978,965
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 9,362,550	\$ 9,414,968	\$ 9,336,285	\$ 9,487,017	\$ 9,896,387
Contributions as a percentage of covered-employee payroll	21.28%	25.59%	28.08%	30.25%	30.10%

Note: Amounts were determined as of 6/30 of each year.

Notes to Required Supplementary Information

Changes of benefit terms: There were no changes of benefit terms
 Changes of assumptions: There were no changes of benefit assumptions

Bullock Creek School District
 Required Supplemental Information
 Michigan Public School Employees Retirement Plan
 Prospective 10-year trend information - Pension

Schedule of the District's Proportionate Share of the Net Pension Liability (NPL)

Description	Plan year Sept 30, 2019	Plan year Sept 30, 2020	Plan year Sept 30, 2021
District's proportion of NPL (%)	0.11357870%	0.11593844%	0.11382722%
District's proportionate share of NPL	\$ 37,613,430	\$ 39,826,115	\$ 26,949,064
District's covered employee payroll	\$ 9,998,901	\$ 10,341,780	\$ 10,043,187
District's proportionate share of NPL as a % of covered employee payroll	376.18%	385.10%	268.33%
Plan fiduciary net position as a percentage of total pension liability	60.31%	59.72%	72.60%

Note: Amounts were determined as of 9/30 of each fiscal year.

Schedule of the District's Pension Contributions

Description	Fiscal year June 30, 2020	Fiscal year June 30, 2021	Fiscal year June 30, 2022
Statutorily required pension contributions	\$ 3,131,247	\$ 3,338,414	\$ 3,720,203
Contributions in relation to statutorily required pension contributions	3,131,247	3,338,414	3,720,203
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 10,382,173	\$ 9,940,824	\$ 10,854,280
Contributions as a percentage of covered-employee payroll	30.16%	33.58%	34.27%

Note: Amounts were determined as of 6/30 of each year.

Notes to Required Supplementary Information

Changes of benefit terms: There were no changes of benefit terms
 Changes of assumptions: There were no changes of benefit assumptions

Bullock Creek School District
 Required Supplemental Information
 Michigan Public School Employees Retirement Plan
 Prospective 10-year trend information - OPEB

Schedule of the District's Proportionate Share of the Net OPEB Liability

Description	Plan year Sept 30, 2017	Plan year Sept 30, 2018	Plan year Sept 30, 2019	Plan year Sept 30, 2020	Plan year Sept 30, 2021
District's proportion of net OPEB liability (%)	0.11246120%	0.11297540%	0.11447290%	0.11681698%	0.11133296%
District's proportionate share of net OPEB liability	\$ 9,958,967	\$ 8,980,362	\$ 8,216,573	\$ 6,258,197	\$ 1,699,362
District's covered employee payroll	\$ 9,278,784	\$ 9,613,513	\$ 9,998,901	\$ 10,341,780	\$ 10,043,187
District's proportionate share of net OPEB liability as a % of covered employee payroll	107.33%	93.41%	82.17%	60.51%	16.92%
Plan fiduciary net position as a percentage of total OPEB liability	36.39%	42.95%	48.46%	59.44%	87.33%

Note: Amounts were determined as of 9/30 of each fiscal year.

Schedule of the District's OPEB Contributions

Description	Fiscal year June 30, 2018	Fiscal year June 30, 2019	Fiscal year June 30, 2020	Fiscal year June 30, 2021	Fiscal year June 30, 2022
Statutorily required OPEB contributions	\$ 695,930	\$ 826,172	\$ 883,939	\$ 864,688	\$ 875,877
Contributions in relation to statutorily required OPEB contributions	695,930	826,172	883,939	864,688	875,877
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 9,487,017	\$ 9,896,387	\$ 10,382,173	\$ 9,940,824	\$ 10,854,280
Contributions as a percentage of covered-employee payroll	7.34%	8.35%	8.51%	8.70%	8.07%

Note: Amounts were determined as of 6/30 of each year.

Notes to Required Supplementary Information

Changes of benefit terms: There were no changes of benefit terms
 Changes of assumptions: The 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%

OTHER SUPPLEMENTARY INFORMATION



Bullock Creek School District
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2022

	Food Service	Student Activities	Debt Service	2019 Capital Projects	Capital Projects	Total Nonmajor Funds
Assets						
Cash and cash equivalents	\$ 294,668	\$ 320,506	\$ 249,357	\$ 92,792	\$ 91,670	\$ 1,048,993
Investments	-	-	-	415,655	-	415,655
Due from other funds	287,961	-	-	-	50,000	337,961
Total assets	\$ 582,629	\$ 320,506	\$ 249,357	\$ 508,447	\$ 141,670	\$ 1,802,609
Liabilities						
Account payable	\$ 39,301	\$ -	\$ -	\$ -	\$ -	\$ 39,301
Due to other governmental units	3,904	-	-	-	-	3,904
Due to other funds	76,690	31,283	-	-	18,900	126,873
Accrued expenses	625	-	-	-	-	625
Unearned revenue	3,698	-	-	-	-	3,698
Total liabilities	124,218	31,283	-	-	18,900	174,401
Fund balance						
Restricted	458,411	289,223	249,357	-	-	996,991
Assigned for capital projects	-	-	-	508,447	122,770	631,217
Total fund balances	458,411	289,223	249,357	508,447	122,770	1,628,208
Total liabilities and fund balances	\$ 582,629	\$ 320,506	\$ 249,357	\$ 508,447	\$ 141,670	\$ 1,802,609

Bullock Creek School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Food Service	Student Activities	Debt Service	2019 Capital Projects	Capital Projects	Total Nonmajor Funds
Revenues						
Local sources	\$ 57,521	\$ 247,611	\$ 2,056,600	\$ 1,546	\$ 9,051	\$ 2,372,329
State sources	27,752	-	91,917	-	-	119,669
Federal sources	1,206,413	-	-	-	-	1,206,413
Other sources	-	-	-	-	14,552	14,552
Total revenues	1,291,686	247,611	2,148,517	1,546	23,603	3,712,963
Expenditures						
Support services						
Business services	-	-	1,824	500	-	2,324
Pupil transportation	-	-	-	102,154	-	102,154
Total support services	-	-	1,824	102,654	-	104,478
Food service	1,151,896	-	-	-	-	1,151,896
Student activities	-	205,414	-	-	-	205,414
Capital outlay	-	-	-	151,675	256,193	407,868
Debt service						
Principal	-	-	1,715,000	-	-	1,715,000
Interest, fees and other	-	-	373,496	-	-	373,496
Total expenditures	1,151,896	205,414	2,090,320	254,329	256,193	3,958,152
Revenues over (under) expenditures	139,790	42,197	58,197	(252,783)	(232,590)	(245,189)
Other financing sources (uses)						
Proceeds from SLRF	-	-	51,963	-	-	51,963
Transfers in	6,000	-	-	-	50,000	56,000
Net change in fund balance	145,790	42,197	110,160	(252,783)	(182,590)	(137,226)
Fund balances - beginning	312,621	247,026	139,197	761,230	305,360	1,765,434
Fund balances - ending	\$ 458,411	\$ 289,223	\$ 249,357	\$ 508,447	\$ 122,770	\$ 1,628,208

The notes are an integral part of these financial statements.

Bullock Creek School District

Federal Awards
(Supplementary Information
to Financial Statements)
June 30, 2022



Bullock Creek School District
Federal Awards
Supplementary Information to Financial Statements
June 30, 2022

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

To the Board of Education
Bullock Creek School District

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 Bullock Creek School District (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 September 30, 2022.

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) to determine the 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 may exist that have not been identified.

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 determination of financial statement amounts. 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.

A handwritten signature in black ink that reads "Roslund, Prestage & Company, P.C." in a cursive script.

Roslund, Prestage & Company, P.C.
Certified Public Accountants
September 30, 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
Bullock Creek School District

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited Bullock Creek School District's (the District's) 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.

Qualified Opinion on the Child Nutrition Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the year ended June 30, 2022.

Unmodified Opinion on the Each of the Other Major Federal Programs

In our opinion, District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2022.

Basis for Qualified and Unmodified Opinions

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 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.

Matter(s) Giving Rise to Qualified Opinion on the Child Nutrition Cluster

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Assistance Listing Numbers 10.553, 10.555 and 10.559 Child Nutrition Cluster as described in finding number 2022-001 for Special Tests.

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

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

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.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as time 2022-002 to be a significant deficiency.

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.

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of 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. We issued our report thereon dated September 30, 2022, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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.



Roslund, Prestage & Company, P.C.
Certified Public Accountants

October 20, 2022

Bullock Creek School District
Schedule of Expenditures of Federal Awards
June 30, 2022

Federal Grantor Pass-Through Grantor Program Title	Federal Assistance Listing Number	Pass through Project Number	Award Amount	Accrued (Deferred) Revenue July 1, 2021	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2022	Amounts Paid to Subrecipients
U.S. Department of Agriculture								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
<i>Non-cash assistance (commodities)</i>								
Entitlement	10.555		\$ 60,804	\$ -	\$ 76,615	\$ 76,615	\$ -	\$ -
<i>Cash assistance</i>								
COVID-19 - National School Lunch Program - SSO	10.555	211961/221961	812,724	-	812,724	812,724	-	-
COVID-19 - Supply Chain Assistance Grant	10.555	220910	34,429	-	34,429	34,429	-	-
Total ALN 10.555				-	923,768	923,768	-	-
COVID-19 - School Breakfast Program - SSO	10.553	221970/221971	258,969	-	258,969	258,969	-	-
COVID-19 - Summer Food Service Program for Children	10.559	200900/210904	1,043,234	(48,156)	(24,480)	23,676	-	-
Child Nutrition Cluster				(48,156)	1,158,257	1,206,413	-	-
COVID - 19 - State Pandemic EBT Administrative Cost Grant	10.649	210980	614	-	613	613	-	-
Total U.S. Department of Agriculture				(48,156)	1,158,870	1,207,026	-	-
U.S. Department of Education								
Passed through Michigan Department of Education								
Title I Grants to Local Educational Agencies, Part A - 2021	84.010	211530	279,229	82,800	82,800	-	-	-
Title I Grants to Local Educational Agencies, Part A - 2022	84.010	201530	337,632	-	-	252,552	252,552	-
Total ALN 84.010				82,800	82,800	252,552	252,552	-
Student Support and Academic Enrichment Program	84.424	210750	16,536	16,536	16,536	-	-	-
Supporting Effective Instruction State Grants	84.367	210520	102,985	4,310	30,969	26,659	-	-
Supporting Effective Instruction State Grants	84.367	200520	92,973	-	-	29,344	29,344	-
Total ALN 84.367			195,958	4,310	30,969	56,003	29,344	-
Education Stabilization Fund								
COVID-19 - ESSER I - Formula	84.425D	203710	161,965	45,759	45,759	-	-	-
COVID-19 - ESSER II - Credit Recovery	84.425D	213742 2122	37,400	-	-	8,336	8,336	-
COVID-19 - ESSER II - Before & After School Program	84.425D	213752 2122	21,000	-	-	8,955	8,955	-
COVID-19 - ESSER II - Formula	84.425D	213712	894,619	350,502	350,502	-	-	-
COVID-19 - ESSER II - Formula	84.425D	213712 2022	894,619	-	-	527,255	527,255	-
COVID-19 - ESSER III - Formula	84.425U	213713	1,339,458	-	441,972	499,803	57,831	-
COVID-19 - GEER II - Teacher & Support Staff Payments	84.425C	211202 2122	11,250	-	-	3,000	3,000	-
Total ALN 84.425				396,261	838,233	1,047,349	605,377	-
Total U.S. Department of Education				499,907	968,538	1,355,904	887,273	-

The accompanying notes are an integral part of this schedule.

Bullock Creek School District
Schedule of Expenditures of Federal Awards
June 30, 2022

Federal Grantor Pass-Through Grantor Program Title	Federal Assistance Listing Number	Pass through Project Number	Award Amount	Accrued (Deferred) Revenue July 1, 2021	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2022	Amounts Paid to Subrecipients
U.S. Department of Treasury								
Passed Through Copper County ISD								
COVID-19 - Coronavirus Relief Fund - MiConnect Grant 20-21	21.019	21-22	77,382	\$ (77,383)	\$ -	\$ 77,383	\$ -	\$ -
Total U.S. Department of Treasury				<u>(77,383)</u>	<u>-</u>	<u>77,383</u>	<u>-</u>	<u>-</u>
TOTAL FEDERAL AWARDS SUBJECT TO SINGLE AUDIT				<u>\$ 374,368</u>	<u>\$ 2,127,408</u>	<u>\$ 2,640,313</u>	<u>\$ 887,273</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.

Bullock Creek School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Bullock Creek School 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Bullock Creek School District, it is not intended to and does not present its financial position or changes in net position of Bullock Creek School District.

Management has utilized the Nexsys cash management system and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. The District does not pass through federal funds.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. Bullock Creek School District has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 – RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS

Federal expenditures are reported as revenues in the following funds in the financial statements of Bullock Creek School District:

Financial Statements	Amount
General Fund	1,433,900
Food Service Fund	1,206,413
Total federal revenues per financial statements	2,640,313

Bullock Creek School District
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified? ___ Yes X None Reported
- Noncompliance material to financial statements noted? ___ Yes X No

FEDERAL AWARDS

Internal control over major program:

- Material weakness(es) identified? X Yes ___ No
- Significant deficiency(ies) identified? X Yes ___ None Reported

Type of auditor's report issued on compliance for major programs: Qualified – Child Nutrition Cluster
Unmodified – Education Stabilization Fund

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

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
10.553, 10.555 and 10.559 84.425	Child Nutrition Cluster Education Stabilization Fund

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

• Auditee qualified as low-risk auditee? ___ Yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2022-001 – EXCESS FUND BALANCE IN FOOD SERVICE FUND

Type: Material Weakness in Internal Control / Noncompliance – Special Tests and Provisions

Program: Child Nutrition Cluster (ALN 10.553, 10.555 and 10.559)

Condition: As of year-end the District had a fund balance in the non-profit food service fund in excess of three months' operating expenses by approximately \$85,951.

Criteria: The USDA requires that the District limit its net cash resources to an amount that does not exceed 3 months average expenditures of the non-profit food service fund per requirements in 7 CFR Part 210.14(b).

Cause: This condition was caused by the meal claims increasing and having more reimbursements come in than anticipated.

Effect: The District will be required to develop a spending plan for reducing the balance to an acceptable level during the following school year. The plan must be submitted to MDE, Office of School Support Services, for prior approval.

Recommendation: We recommend that the District develop a spending plan as required by MDE, and submit the plan at their earliest convenience.

Management's Resp: We are in agreement with this finding. The district is now working on a spend down plan to enhance the Food Service Program.

Finding 2022-002 – REPORTING (repeat finding)

Type: Significant Deficiency in Internal Control / Noncompliance – Reporting

Program: Child Nutrition Cluster (ALN 10.553, 10.555 and 10.559)

Condition: Meals claimed were not supported by count sheets for either breakfast or lunch for the two months meals were tested prior to MDE site visit.

Criteria: The District is required to claim meals served, by category, based on reports provided from individual meal serve counts.

Cause: This condition was caused by an insufficient internal control process for review of supporting documentation of meal counts to be used for meal claims.

Effect: Based on a comparison of meals claimed to reports provided from individual meal serve counts, the District has underclaimed reimbursement for the year by an immaterial amount.

Questioned Costs: None.

Recommendation: We recommend that the District review their process of meal claims and make necessary changes to ensure that all meals claimed, by category, agree to supporting documentation.

Management's Resp: We are in agreement with this finding.

Bullock Creek School District
Schedule of Prior Audit Findings
For the Year Ended June 30, 2022

Finding 2021-001 – MATERIAL JOURNAL ENTRY

Type: Material Weakness in Internal Control over financial reporting.
Condition: The District's general ledger contained a material error related to revenues recorded at year-end.
Status: Issue not noted for fiscal year 2022

Finding 2021-002 – CASH MANAGEMENT

Type: Material Weakness in Internal Control / Material Noncompliance – Cash Management
Program: Child Nutrition Cluster (ALN 10.555 and 10.559)
Condition: Meals claimed were not supported by count sheets for either breakfast or lunch for each month meals were served.
Status: Repeat comment for fiscal year 2022 (2022-002)



October 22, 2022

Finding Number: 2022-001 – Excess Fund Balance In Food Service Fund

Condition: As of year-end the District had a fund balance in the non-profit food service fund in excess of three months' operating expenses by approximately \$85,951.

Responsible Person: Stephen Grubaugh – Director of Business Services

Implementation Date: 7/1/2022

During the single audit, it was discovered that Bullock Creek Food Service Department had an excess fund balance in the Food Service Fund by approximately \$85,951. This was due to the meal reimbursement rate exceeding the food cost to prepare the meals. All meals served to students during the 2021-2022 school year were provided free of charge to the students, due to grants.

In order to reduce the excess fund balance, the district created a spend down plan for the 2022-2023 Fiscal Year. The kitchen at Bullock Creek Elementary needs some structural repairs completed due to faulty roof drainage. The total cost of the project is approximately \$73,000. Construction on the project was started in July of 2022 and finished in August. Meal Magic will be implemented during the 2022-2023 School year for tracking of the meal purchases of students and staff. This software will cost approximately \$3,000 in the first year to implement and \$6,000 in subsequent years. The remaining \$10,000 in excess fund balance will be retained, in order to aid in the paydown of potential negative student food service account balances. Since students haven't paid for breakfasts or lunches for the past 2 years, it is unknown how the many will families will have feel a financial burden paying for their children's school meals.

Sincerely,

Stephen Grubaugh
Director of Business Services



October 22, 2022

Finding Number: 2022-002 – Reporting

Condition: Meals claimed were not supported by count sheets for either breakfast or lunch for the two months meals were tested prior to MDE site visit.

Responsible Person: Stephen Grubaugh – Director of Business Services

Implementation Date: 10-22-2022

During the single audit, it was discovered that Bullock Creek Food Service Department meals claimed were not supported by count sheets for either breakfast or lunch for the two months meals were tested prior to MDE site visit.

To ensure that this did not continue, Bullock Creek Food Service and the Technology Department worked together to implement the use of Skyward to track the meals served to students. This transition occurred over a few months, as the implementation was rolled out to 5 individual buildings. When MDE came on campus and audited the months during the transition and found a few discrepancies which were remedied in the software and the claims were adjusted. RPC then audited the month following the MDE reviews and found no discrepancies. Skyward was used for the rest of the year. For the 2022-2023 school year, the Food Service Department may purchase Meal Magic, which is a food service software that will streamline the recording and reporting processes even more and may reduce the chance of errors even further.

Sincerely,

Stephen Grubaugh
Director of Business Services

MEMORANDUM

TO: Michigan Department of Education

FROM: Roslund, Prestage & Company, P.C.

REGARDING: Management Letter – Bullock Creek School District

According the requirements set forth in the Michigan School Audit Manual, this memorandum is to serve as notification that a management letter has not been issued for Bullock Creek School District as of June 30, 2022.



Communication with Those Charged with Governance at the Conclusion of the Audit

To the Board of Education
Bullock Creek School District
Midland, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bullock Creek School District (the District) for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you during planning. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in the notes to the financial statements. The District changed accounting policies related to leases by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 87 Leases. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Note 16 - Change In Accounting Principle. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the payout of employee compensated absences is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's allocation of current and noncurrent compensated absences is based on an estimate of the percentage of employee's use of compensated absences.

Management's estimated lives of capital assets are based on the expected life of the asset. We evaluated the key factors and assumptions used to develop the estimated lives of capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.

The assumptions used in the actuarial valuations of the pension and other postemployment benefit plans are based on historical trends and industry standards. We evaluated the key factors and assumptions used to develop the information used in the financial statements in determining that they are reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the management's discussion and analysis, the budgetary comparison schedules and the prospective 10-year trend information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI. We were engaged to report on the combining statements which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

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

Sincerely,



Roslund, Prestage & Company, P.C.
Certified Public Accountants