HOMER COMMUNITY SCHOOLS

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

YEAR ENDED JUNE 30, 2023

Maner Costerisan

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Homer Community Schools

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Homer Community Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Homer Community Schools' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Homer Community Schools, as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Homer Community Schools' internal control. Accordingly, no such opinion is expressed.

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2023 on our consideration of Homer Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Homer Community Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Homer Community Schools' internal control over financial reporting and compliance.

Maner Costerisan PC

September 29, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Homer Community Schools' (HCS) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2023. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The District's general fund balance increased by $95,200 to a total of $1,370,262 as of June 30, 2023. The fund balance increase was primarily the result of increased state foundation revenue and usage of federal grant monies.

The District continues to participate in short-term loans, borrowing $2,000,000 for 2023, against anticipated state aid payments. The District will borrow $2,000,000 for the 2024 fiscal year.

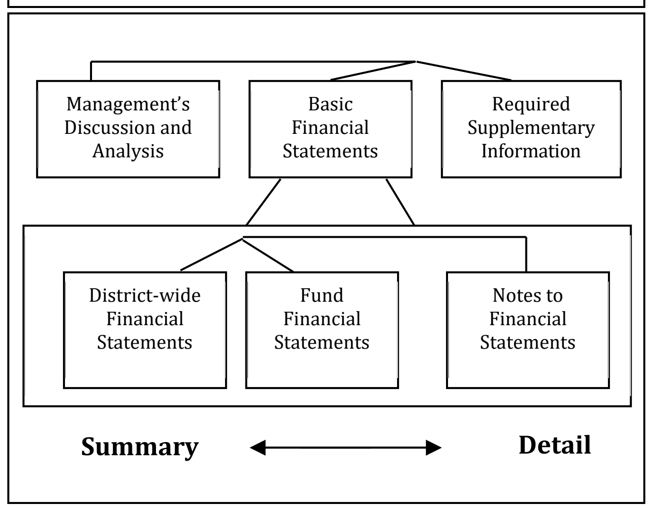
The food service fund balance decreased by approximately $109,000 in the 2022 - 2023 school year. This decrease was due to a decrease in federal reimbursements for meals.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

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

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

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

DISTRICT-WIDE STATEMENTS

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

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

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

The District has one kind of fund:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

Table A-3
Homer Community Schools
Net Position

	2023	2022
Current and other assets	$ 5,855,534	$ 5,774,006
Capital assets and other	19,723,025	19,822,414
Total assets	25,578,559	25,596,420
Deferred outflows of resources	8,537,131	4,463,615
Long-term obligations outstanding	15,112,118	16,157,934
Net other postemployment benefits liability	1,223,415	918,464
Net pension liability	22,359,956	14,002,380
Other liabilities	3,505,759	3,147,538
Total liabilities	42,201,248	34,226,316
Deferred inflows of resources	4,590,340	9,536,185
Net position		
Net investment in capital assets	5,535,295	4,507,942
Restricted for debt service	43,430	386,186
Unrestricted	(18,254,623)	(18,596,594)
Total net position	$ (12,675,898)	$ (13,702,466)

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

		2023		2022
Revenues				
Program revenues				
Charges for services	$	90,795	$	73,454
Operating grants and contributions		4,774,642		4,985,183
General revenues				
Property taxes		1,631,219		1,474,273
Investment earnings		60,161		4,271
State aid - unrestricted		7,735,880		7,695,699
ISD		507,994		678,720
Other		189,723		82,764
Total revenues		14,990,414		14,994,364
Expenses				
Instruction		7,143,468		5,974,651
Support services		4,290,902		4,310,257
Community services		66,798		50,501
Food services		721,271		586,734
Student/school activities		292,381		216,625
Interest on long-term debt		607,244		667,241
Unallocated depreciation/amortization		841,782		820,658
Total expenses		13,963,846		12,626,667
Change in net position	$	1,026,568	$	2,367,697

District Governmental Activities

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

- The State Foundation Allowance increased from $8,700 to $9,150 per student from 2022 to 2023.

- Full-time equivalent students enrolled in the District increased from 896 in 2022 to 905 in 2023. Homer Community Schools does participate in School of Choice and Open Enrollment to attract new students to the District.

- The District's payment into Michigan Public School Employees' Retirement System (MPSERS) averaged 56.23% of qualified wages in 2023. 38% of this cost was offset by State categorical revenues. This includes the MPSERS One Time Payments.

- Most District employees received wage increase of 2% in 2022 and teachers also received salary schedule step increases.

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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District as a whole has a combined fund balance of $2.35 million compared to $2.61 million in 2022. The combined fund balance decreased primarily due to less federal grants. The general fund increased its fund balance by $95,200, major debt service funds decreased by $250,336, and other non-major governmental funds decreased by $107,758 (food service, school / student activities, and capital projects).

General Fund and Budget Highlights

During the 2023 fiscal year the original District budget was amended to reflect changes which affected the District. These changes included adjustments for the final student count, adjustments to the State revenue projections and the final determination of grant awards.

The final amended budget projected revenues exceeding expenditures by $36,952. Final results showed that revenues came in $211,259 lower than anticipated and expenditures were lower than anticipated by $256,773. The net result after other financing sources (uses) was a change in fund balance of $95,200, increasing the fund balance to $1,370,262.

Overall, the difference between the final District's amended budget and end of the year figures amounted to a $58,248 variance. The majority of this variance was due to the uncertainty of the State of Michigan economic conditions in place at the time of the final budget adoption and the potential impact on state aid funding.

CAPITAL ASSET AND OBLIGATION ADMINISTRATION

Capital Assets

The District's capital assets are as follows:

Table A-5
Homer Community Schools' Capital Assets

	2023			2022
	Cost	Accumulated Depreciation/ Amortization	Net Book Value	Net Book Value
Land	$ 15,000	$ -	$ 15,000	$ 15,000
Construction in process	282,575	-	282,575	513,567
Buildings and improvements	28,648,450	10,004,533	18,643,917	18,561,901
Technology	394,613	308,704	85,909	66,402
Furniture and fixtures	955,601	829,777	125,824	205,862
Right to use - leased equipment	118,747	61,298	57,449	88,098
Machinery and equipment	930,859	684,136	246,723	128,985
Transportation equipment	1,057,858	792,230	265,628	242,599
Total	$ 32,403,703	$ 12,680,678	$ 19,723,025	$ 19,822,414

The capital asset additions in 2023 consisted of the roof replacement, playground improvements, buses, and other equipment all placed into service during the year.

LONG-TERM OBLIGATIONS

At year end the District had $14,968,171 of long-term obligations outstanding as shown in Table A-6. More detailed information is available in the notes to the financial statements.

The District borrows from the School Loan Revolving Fund in order to make debt service payments in excess of the 7.0 mill tax levy. The current outstanding balance excluding interest is $2,123,227 at the end of fiscal year 2023, which includes the addition of $199,975 during the year. Principal and interest are considered long-term. Accrued interest is an additional $143,947.

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

	2023	2022
General obligation bonds	$ 12,337,576	$ 13,639,414
Notes from direct borrowings and direct placements	2,181,762	2,012,094
Compensated absences	448,833	433,079
	$ 14,968,171	$ 16,084,587

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The State School Aid Budget has been approved with a significant increase to the foundation allowance moving from $9,150 to $9,608. However, uncertainty with regards to financial economic conditions in the State of Michigan could jeopardize maintaining this increase long term.

- Student count is projected to continue showing a slight decrease in 2023 - 2024 as the State-wide.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

HOMER COMMUNITY SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 1,947,003
Investments	1,091,377
Receivables	
Accounts receivable	13,996
Intergovernmental receivable	2,757,404
Leases	43,312
Inventories	2,442
Capital assets not being depreciated/amortized	297,575
Capital assets, net of accumulated depreciation/amortization	19,425,450
TOTAL ASSETS	25,578,559
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding, net of amortization	92,283
Related to other postemployment benefits	1,764,611
Related to pensions	6,680,237
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,537,131
LIABILITIES	
Accounts payable	48,868
Accrued salaries and related items	536,079
Accrued retirement	429,904
Accrued interest	88,803
Due to other governmental units	5,196
Unearned revenue	396,909
Note payable	2,000,000
Noncurrent liabilities	
Due within one year	1,350,599
Due in more than one year	13,617,572
Accrued interest due in more than one year	143,947
Net other postemployment benefits liability	1,223,415
Net pension liability	22,359,956
TOTAL LIABILITIES	42,201,248
DEFERRED INFLOWS OF RESOURCES	
Related to other postemployment benefits	2,767,736
Related to pensions	208,338
Related to unavailable revenue - leases	42,466
Related to state aid funding for pension	1,571,800
TOTAL DEFERRED INFLOWS OF RESOURCES	4,590,340
NET POSITION	
Net investment in capital assets	5,535,295
Restricted for debt service	43,430
Unrestricted	(18,254,623)
TOTAL NET POSITION	$ (12,675,898)

See notes to financial statements.

HOMER COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

		Program Revenues		Governmental Activities
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	$ 7,143,468	$ 17,472	$ 2,597,572	$ (4,528,424)
Support services	4,290,902	66,843	942,694	(3,281,365)
Community services	66,798	-	-	(66,798)
Food services	721,271	6,480	715,391	600
Student/school activities	292,381	-	257,454	(34,927)
Interest on long-term debt	607,244	-	261,531	(345,713)
Unallocated depreciation/amortization	841,782	-	-	(841,782)
Total governmental activities	$ 13,963,846	$ 90,795	$ 4,774,642	(9,098,409)
General revenues				
Property taxes, levied for general purposes				622,388
Property taxes, levied for debt service				1,008,831
Investment earnings				60,161
State sources				7,735,880
Intermediate sources				507,994
Other				189,723
Total general revenues				10,124,977
CHANGE IN NET POSITION				1,026,568
NET POSITION, beginning of year				(13,702,466)
NET POSITION, end of year				$ (12,675,898)

See notes to financial statements.

HOMER COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Combined Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 1,740,102	$ 535	$ 206,366	$ 1,947,003
Investments	343,413	4,143	743,821	1,091,377
Receivables				
Accounts receivable	-	-	13,996	13,996
Intergovernmental receivable	2,745,517	-	11,887	2,757,404
Leases	43,312	-	-	43,312
Due from other funds	70,551	80,186	13,208	163,945
Inventories	-	-	2,442	2,442
TOTAL ASSETS	$ 4,942,895	$ 84,864	$ 991,720	$ 6,019,479
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 41,719	$ -	$ 7,149	$ 48,868
Accrued salaries and related items	532,205	-	3,874	536,079
Accrued retirement	428,260	-	1,644	429,904
Accrued interest	47,369	-	-	47,369
Due to other funds	92,446	-	71,499	163,945
Due to other governmental units	-	-	5,196	5,196
Unearned revenue	388,168	-	8,741	396,909
Note payable	2,000,000	-	-	2,000,000
TOTAL LIABILITIES	3,530,167	-	98,103	3,628,270
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue - leases	42,466	-	-	42,466
FUND BALANCES				
Nonspendable				
Inventories	-	-	2,442	2,442
Restricted for:				
Debt service	-	84,864	-	84,864
Food service	-	-	177,955	177,955
Committed for student/school activities	-	-	188,019	188,019
Assigned for:				
Capital projects	-	-	525,201	525,201
Unassigned	1,370,262	-	-	1,370,262
TOTAL FUND BALANCES	1,370,262	84,864	893,617	2,348,743
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES	$ 4,942,895	$ 84,864	$ 991,720	$ 6,019,479

See notes to financial statements.

HOMER COMMUNITY SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total governmental fund balances		$ 2,348,743
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows of resources - charges on refunding, net of amortization		92,283
Deferred outflows of resources - related to pensions		6,680,237
Deferred inflows of resources - related to pensions		(208,338)
Deferred outflows of resources - related to other postemployment benefits		1,764,611
Deferred inflows of resources - related to other postemployment benefits		(2,767,736)
Deferred inflows of resources - related to state funding for pension		(1,571,800)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of the capital assets is	$ 32,403,703	
Accumulated depreciation/amortization is	(12,680,678)	
		19,723,025
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Long-term obligations		(14,663,285)
Compensated absences		(448,833)
Accrued interest is not included as a liability in government funds, it is recorded when paid		(41,434)
Net other postemployment benefit liability		(1,223,415)
Net pension liability		(22,359,956)
Net position of governmental activities		$ (12,675,898)

See notes to financial statements.

HOMER COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	General Fund	Combined Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Local sources				
Property taxes	$ 622,388	$ 1,008,831	$ -	$ 1,631,219
Investment earnings	14,673	13,362	27,405	55,440
Food sales	-	-	172,569	172,569
Student/school activities	-	-	262,175	262,175
Other	204,119	-	160,636	364,755
Total local sources	841,180	1,022,193	622,785	2,486,158
State sources	10,320,945	83,570	15,728	10,420,243
Federal sources	1,300,683	261,531	534,381	2,096,595
Incoming transfers and other	604,423	-	-	604,423
TOTAL REVENUES	13,067,231	1,367,294	1,172,894	15,607,419
EXPENDITURES				
Current				
Instruction	7,763,893	-	-	7,763,893
Supporting services	5,058,245	-	-	5,058,245
Food service activities	-	-	836,067	836,067
Student/school activities	-	-	292,381	292,381
Community service activities	66,798	-	-	66,798
Capital outlay	203,080	-	-	203,080
Debt service				
Principal repayment	30,307	1,280,000	-	1,310,307
Interest	1,912	535,800	-	537,712
Other	-	1,805	-	1,805
TOTAL EXPENDITURES	13,124,235	1,817,605	1,128,448	16,070,288
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(57,004)	(450,311)	44,446	(462,869)
OTHER FINANCING SOURCES (USES)				
School loan revolving fund issuance	-	199,975	-	199,975
Transfers in	182,204	-	30,000	212,204
Transfers out	(30,000)	-	(182,204)	(212,204)
TOTAL OTHER FINANCING SOURCES (USES)	152,204	199,975	(152,204)	199,975
NET CHANGE IN FUND BALANCES	95,200	(250,336)	(107,758)	(262,894)
FUND BALANCES				
Beginning of year	1,275,062	335,200	1,001,375	2,611,637
End of year	$ 1,370,262	$ 84,864	$ 893,617	$ 2,348,743

See notes to financial statements.

HOMER COMMUNITY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Net change in fund balances total governmental funds	$ (262,894)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation/amortization:	
Depreciation/amortization expense	(841,782)
Capital outlay	748,839
Loss on disposal	(6,446)
Accrued interest on bonds and debt is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable, beginning of the year	43,077
Accrued interest payable, end of the year	(41,434)
The issuance of long-term obligations (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term obligations and related items and are as follows:	
School loan revolving fund issuance	(199,975)
Payments on debt	1,310,307
Amortization of deferred loss on refunding	(5,428)
Long-term interest on school loan revolving fund (accrued)	(70,600)
Amortization of bond premium	21,838
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences, beginning of the year	433,079
Accrued compensated absences, end of the year	(448,833)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the the governmental funds:	
Other postemployment benefit items	959,737
Pension related items	4,088
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period:	
Change in state aid funding for pension	(617,005)
Change in net position of governmental activities	$ 1,026,568

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

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

Reporting Entity

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

Basis of Presentation - Government-wide Financial Statements

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

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

Basis of Presentation - Fund Financial Statements

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

The District reports the following *Major Governmental Funds*:

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

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

The District reports the following *Other Nonmajor Funds:*

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

Other Nonmajor Funds (continued):

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

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

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

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

Budgetary Information

Budgetary Basis of Accounting

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information (continued)

Budgetary Basis of Accounting (continued)

b. Public hearings are conducted to obtain taxpayer comments.

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

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

e. The budget was amended during the year with supplemental appropriations, the last one approved prior to the year ended June 30, 2023. The District does not consider these amendments to be significant.

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

Cash and Cash Equivalents

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

Investments

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Investments (continued)

e. Bankers' acceptances of United States banks.

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

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

Inventories and Prepaid Items

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

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

Capital Assets

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Defined Benefit Plans

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

Deferred Outflows

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

Deferred Inflows

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

Net Position Flow Assumption

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Net Position Flow Assumption (continued)

However, in a previous period, the District issued bonded debt in the amount of $5,240,000 used to make principal and interest payments related to the SLRF. 4.57% of these proceeds were not considered capital related debt as that percentage of the proceeds was used to pay off accrued interest. The remaining portion of those proceeds that is not considered to be capital related debt, after factoring for subsequent payments on those proceeds, is $239,325 at June 30, 2023.

In the computation of net investment in capital assets the school loan revolving fund principal proceeds of $2,123,227 are considered capital-related debt. Accrued interest on the school loan revolving fund of $143,947 is not considered capital related debt.

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Leases

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

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

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

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Leases (continued)

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

- The District uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

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

Revenues and Expenditures/Expenses

Program Revenues

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

Property Taxes

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

For the year ended June 30, 2023, the District levied the following amounts per $1,000 of assessed valuation:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Compensated Absences

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

Long-Term Obligations

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2023 the District had deposits and investments subject to the following risks.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2023, $2,151,151 of the District's bank balance of $2,404,311 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. The carrying value on the books for deposits at the end of the year was $1,947,003.

Custodial Credit Risk - Investments

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

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

Foreign Currency Risk

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

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

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

Investment Type	Fair Value	Weighted Average Maturity (Years)
Michigan Class Investment Pool	$ 1,091,377	0.0972
Portfolio weighted average maturity		0.0972

One day maturity equals 0.0027, one year equals 1.00.

Concentration of Credit Risk

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

Investment Type	Fair Value	Rating	Rating Agency
Michigan Class Investment Pool	$ 1,091,377	AAAm	Standard & Poor's

Fair Value Measurement

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement (continued)

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

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

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

At the year ended June 30, 2023, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Michigan Class Investment Pool	$ 1,091,377	$ -	No restrictions	None

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

The following summarizes the categorization of these amounts as of June 30, 2023:

	Primary Government
Cash and cash equivalents	$ 1,947,003
Investments	1,091,377
	$ 3,038,380

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2023 consist of the following:

Governmental units	
State aid	$ 1,938,859
Federal revenue	761,312
Other	57,233
	$ 2,757,404

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

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

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2022	Reclassification/ Additions	Reclassification/ Deletions	Balance June 30, 2023
Governmental activities				
Capital assets, not being depreciated/amortized				
Land	$ 15,000	$ -	$ -	$ 15,000
Construction in process	513,567	-	(230,992)	282,575
Total capital assets, not being depreciated/amortized	528,567	-	(230,992)	297,575
Capital assets, being depreciated/amortized				
Buildings and improvements	27,942,999	718,451	(13,000)	28,648,450
Technology	358,620	35,993	-	394,613
Furniture and fixtures	955,601	-	-	955,601
Right to use - leased equipment	118,747	-	-	118,747
Machinery and equipment	789,867	140,992	-	930,859
Transportation equipment	973,463	84,395	-	1,057,858
Total capital assets being depreciated/amortized	31,139,297	979,831	(13,000)	32,106,128
Accumulated depreciation/amortization				
Buildings and improvements	9,381,098	629,989	(6,554)	10,004,533
Technology	292,218	16,486	-	308,704
Furniture and fixtures	749,739	80,038	-	829,777
Right to use - leased equipment	30,649	30,649	-	61,298
Machinery and equipment	660,882	23,254	-	684,136
Transportation equipment	730,864	61,366	-	792,230
Total accumulated depreciation/amortization	11,845,450	841,782	(6,554)	12,680,678
Net capital assets being depreciated/amortized	19,293,847	138,049	(6,446)	19,425,450
Net governmental capital assets	$ 19,822,414	$ 138,049	$ (237,438)	$ 19,723,025

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

NOTE 5 - NOTE PAYABLE - STATE AID ANTICIPATION NOTE

At June 30, 2023, the District has issued a state aid anticipation note payable in the amount of $2,000,000 which has an interest rate of 2.375% and matures on August 21, 2023. Proceeds of the note were used to fund school operations. The note is secured by the full faith and credit of the District as well as pledged state aid. In an event of a default on the note, the financial institution may impose a penalty interest rate and at the financial institution's discretion, accelerate the repayment terms. Activity for the year ended June 30, 2023 is as follows:

Balance July 1, 2022	Additions	Payments	Balance June 30, 2023
$ 2,000,000	$ 2,000,000	$ 2,000,000	$ 2,000,000

NOTE 6 - LONG-TERM OBLIGATIONS

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

The following is a summary of long-term obligations for the District for the year ended June 30, 2023:

	General Obligation Bonds	Notes from Direct Borrowings and Direct Placements	Compensated Absences	Total
Balance, July 1 2022	$ 13,639,414	$ 2,012,094	$ 433,079	$ 16,084,587
Additions	-	199,975	15,754	215,729
Deletions	(1,301,838)	(30,307)	-	(1,332,145)
Balance, June 30, 2023	12,337,576	2,181,762	448,833	14,968,171
Due within one year	(1,285,000)	(28,196)	(37,403)	(1,350,599)
Due in more than one year	$ 11,052,576	$ 2,153,566	$ 411,430	$ 13,617,572

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Long-term obligations at June 30, 2023 is comprised of the following:

General Obligation Bonds	
2011 Qualified School Construction Bonds due in annual payments ranging from $1,250,000 to $1,300,000 through May 1, 2026, with interest from 6.15% to 6.25%.	$ 3,875,000
2019 Refunding Bonds due in annual payments ranging from $1,245,000 to $1,375,000 through May 1, 2030, with interest from 2.50% to 4.00%.	5,240,000
2021 Refunding Bonds due in annual payments ranging from $100,000 to $710,000 through May 1, 2040, with interest from 1.10% to 5.00%.	2,910,000
Plus premium on bond issuances and refunding - net	312,576
Total general obligation bonds	12,337,576
Notes from Direct Borrowings and Direct Placements	
Copier lease due in monthly installments of $1,360 through April 2024, with an implied interest rate of 2.00%.	13,477
Phone lease due in monthly installments of $1,291 through June 2026, with an implied interest rate of 2.00%.	45,058
Borrowing from the State of Michigan under the School Loan Revolving Fund, excluding interest at 4.11% at year-end.	2,123,227
Total notes from direct borrowings and direct placements	2,181,762
Total general obligation bonds and notes from direct borrowings and direct placements	14,519,338
Obligation under contract for compensated absences	448,833
Total general long-term obligations	$ 14,968,171

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of $2,181,762 contains 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.

Interest expense (all funds) for the year ended June 30, 2023 was approximately $583,000. General fund interest expense is included in support services.

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Borrowing from the State of Michigan - The School Loan Revolving Fund payable represents notes payable to the State of Michigan for loans made to the school district, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. The interest rate at June 30, 2023 was 4.11%. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 7.0 mills. The school district is required to levy 7.0 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. Currently the District levies 7.0 mills. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the above amortization schedule. The state may apply a default late charge on the note if the District does not make the repayments or apply the default late charge if the District fails to levy the appropriate debt mills. The state may also withhold state aid payments if the District is in default.

The annual requirements to amortize long-term obligations outstanding as of June 30, 2023, including interest are as follows:

	General Obligation Bonds		Notes from Direct Borrowings and Direct Placements			
Year Ending June 30,	Principal	Interest	Principal	Interest	Compensated Absences	Total
2024	$ 1,285,000	$ 457,079	$ 28,196	$ 891	$ -	$ 1,771,166
2025	1,290,000	378,053	15,017	470	-	1,683,540
2026	1,300,000	297,427	15,322	166	-	1,612,915
2027	1,245,000	216,177	-	-	-	1,461,177
2028	1,290,000	166,377	-	-	-	1,456,377
2029 - 2033	4,815,000	348,410	-	-	-	5,163,410
2034 - 2038	600,000	45,500	-	-	-	645,500
2039 - 2040	200,000	5,250	-	-	-	205,250
Total	12,025,000	1,914,273	58,535	1,527	-	13,999,335
School loan revolving fund	-	-	2,123,227	143,947	-	2,267,174
Premium on bond issuance	312,576	-	-	-	-	312,576
Compensated absences	-	-	-	-	448,833	448,833
	$ 12,337,576	$ 1,914,273	$ 2,181,762	$ 145,474	$ 448,833	$ 17,027,918

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

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Inter-fund payable and receivable balances at June 30, 2023 are as follows:

	Due From Other Funds			
	General Fund	Combined Debt Service Fund	Total Nonmajor Funds	Total
Due to other funds				
General Fund	$ -	$ 80,186	$ 12,260	$ 92,446
Total Nonmajor Funds	70,551	-	948	71,499
	$ 70,551	$ 80,186	$ 13,208	$ 163,945

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

Benefits Provided - Overall

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

Plan Name	Plan Type	Plan Status
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Pension

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

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

Pension Reform 2010

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

Pension Reform 2012

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

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

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

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

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

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

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

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

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

Pension Reform of 2017

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through their 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

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

Member Contributions

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions

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

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

Pension and OPEB contributions made in the fiscal year ending September 30, 2022 were determined as of the September 30, 2019 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2019 are amortized over an 17-year period beginning October 1, 2021 and ending September 30, 2038.

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

	Pension	Other Postemployment Benefit
October 1, 2021 - September 30, 2022	13.73% -20.14%	7.23% - 8.09%
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%

The District's pension contributions for the year ended June 30, 2023 were equal to the required contribution total. Total pension contributions were approximately $2,691,000. Of the total pension contributions approximately $2,625,000 was contributed to fund the Defined Benefit Plan and approximately $66,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2023 were equal to the required contribution total. Total OPEB contributions were approximately $502,000. Of the total OPEB contributions approximately $467,000 was contributed to fund the Defined Benefit Plan and approximately $35,000 was contributed to fund the Defined Contribution Plan.

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

Pension Liabilities

The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2021 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-university Employers	September 30, 2022	September 30, 2021
Total pension liability	$ 95,876,795,620	$ 86,392,473,395
Plan fiduciary net position	$ 58,268,076,344	$ 62,717,060,920
Net pension liability	$ 37,608,719,276	$ 23,675,412,475
Proportionate share	0.05945%	0.05914%
Net pension liability for the District	$ 22,359,956	$ 14,002,380

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

For the year ended June 30, 2023, the District recognized pension expense of $2,621,141.

At June 30, 2023, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 223,678	$ (49,994)
Changes of assumptions	3,842,242	-
Net difference between projected and actual plan investments earnings	52,434	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	94,095	(158,344)
Employer contributions subsequent to the measurement date	2,467,788	-
	$ 6,680,237	$ (208,338)

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

$2,467,788, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ended September 30,	Amount
2023	$ 1,108,178
2024	840,550
2025	763,064
2026	1,292,319

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

OPEB Liabilities

The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2021 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-university Employers	September 30, 2022	September 30, 2021
Total other postemployment benefit liability	$ 12,522,713,324	$ 12,046,393,511
Plan fiduciary net position	$ 10,404,650,683	$ 10,520,015,621
Net other postemployment benefit liability	$ 2,118,062,641	$ 1,526,377,890
Proportionate share	0.05776%	0.06017%
Net other postemployment benefit liability for the District	$ 1,223,415	$ 918,464

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

For the year ended June 30, 2023, the District recognized OPEB benefit of $492,976.

At June 30, 2023, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (2,396,202)
Changes of assumptions	1,090,469	(88,792)
Net difference between projected and actual plan investments earnings	95,620	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	176,527	(282,742)
Employer contributions subsequent to the measurement date	401,995	-
	$ 1,764,611	$ (2,767,736)

$401,995, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

Year Ended September 30,	Amount
2023	$ (489,286)
2024	(435,698)
2025	(411,410)
2026	(22,226)
2027	(41,504)
2028	(4,996)

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions

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

Investment Rate of Return for OPEB - 6.00% a year, compounded annually net of investment and administrative expenses.

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

Inflation - 3.0%.

Mortality Assumptions -

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

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

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

Experience Study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2021. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 valuation.

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

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

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

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

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

The target asset allocation at September 30, 2022 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.1%
International Equity Pools	15.0%	6.7%
Private Equity Pools	16.0%	8.7%
Real Estate and Infrastructure Pools	10.0%	5.3%
Fixed Income Pools	13.0%	-0.2%
Absolute Return Pools	9.0%	2.7%
Real Return/Opportunistic Pools	10.0%	5.8%
Short Term Investment Pools	2.0%	-0.5%
	100.0%	

* Long-term rates of return are net of administrative expenses and 2.2% inflation.

Rate of Return - For fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was (4.18)% and (4.99)%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	$ 29,506,835	$ 22,359,956	$ 16,470,605

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

	Other Postemployment Benefits		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	$ 2,052,162	$ 1,223,415	$ 525,508

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

	Other Postemployment Benefit		
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	$ 512,308	$ 1,223,415	$ 2,021,648

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees' Retirement System 2022 Annual Comprehensive Financial Report.

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

NOTE 9 - RISK MANAGEMENT

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

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

NOTE 10 - TRANSFERS

The capital projects fund transferred $182,204 to the general fund for reimbursement of capital improvements. The general fund transferred $30,000 to the capital projects fund in anticipation of capital related expenditures.

NOTE 11 - TAX ABATEMENTS

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

Municipality	Taxes Abated
City of Albion	$ 373,566

NOTE 11 - TAX ABATEMENTS (continued)

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

There are no significant abatements made by the District.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent to year end, the District has approved borrowing $2,000,000 for fiscal year 2024 to replace the note payable as described in Note 5.

NOTE 13 - CONTINGENT LIABILITIES

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

NOTE 14 - LEASE RECEIVABLE

During the current fiscal year, the District leased a portion of their cell tower to a third-party. The lease is for five years, and the District will receive monthly payments of $1,350. The District recognized $15,169 in lease revenue and $1,031 in interest revenue during the current fiscal year related to this lease. As of June 30, 2023, the District's receivable for lease payments was $43,312. Also, the District has deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2023, the balance of the deferred inflow of resources was $42,466.

NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2023, the District implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements* was issued in May 2020. 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.

There was no material impact on the District's financial statement after the adoption of GASB Statement No. 96.

NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement N*o. 62. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

HOMER COMMUNITY SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	$ 870,915	$ 818,201	$ 841,180	$ 22,979
State sources	10,306,126	10,723,293	10,320,945	(402,348)
Federal sources	734,306	1,025,043	1,300,683	275,640
Incoming transfers and other	620,331	711,953	604,423	(107,530)
TOTAL REVENUES	12,531,678	13,278,490	13,067,231	(211,259)
EXPENDITURES				
Current				
Instruction				
Basic programs	5,709,992	6,369,440	6,330,612	38,828
Added needs	1,119,963	1,445,957	1,433,281	12,676
Total instruction	6,829,955	7,815,397	7,763,893	51,504
Supporting services				
Pupil	230,271	786,279	685,596	100,683
Instructional staff	286,482	388,264	399,183	(10,919)
General administration	413,127	396,636	374,356	22,280
School administration	650,686	668,741	658,558	10,183
Business	329,049	362,193	345,273	16,920
Operation/maintenance	936,821	1,368,750	1,292,354	76,396
Pupil transportation	533,056	604,853	605,202	(349)
Central	210,065	276,826	264,813	12,013
Athletics	352,156	430,036	432,910	(2,874)
Total supporting services	3,941,713	5,282,578	5,058,245	224,333
Community services	-	62,522	66,798	(4,276)
Capital Outlay	372,471	220,511	203,080	17,431
Debt service				
Principal repayment	-	-	30,307	(30,307)
Interest	-	-	1,912	(1,912)
Total debt service	-	-	32,219	(32,219)
TOTAL EXPENDITURES	11,144,139	13,381,008	13,124,235	256,773
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,387,539	(102,518)	(57,004)	45,514
OTHER FINANCING SOURCES (USES)				
Transfers in	45,000	178,850	182,204	3,354
Transfers out	(800)	(39,380)	(30,000)	9,380
TOTAL OTHER FINANCING SOURCES (USES)	44,200	139,470	152,204	12,734
NET CHANGE IN FUND BALANCE	$ 1,431,739	36,952	95,200	$ 58,248
FUND BALANCE				
Beginning of year			1,275,062	
End of year			$ 1,370,262	

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.05945%	0.05914%	0.05910%	0.06069%	0.06016%	0.06055%	0.06111%	0.06148%	0.06267%
Reporting Unit's proportionate share of net pension liability	$ 22,359,956	$ 14,002,380	$ 20,301,366	$ 20,098,385	$ 18,086,162	$ 15,689,796	$ 15,245,629	$ 15,017,290	$ 13,803,935
Reporting Unit's covered-employee payroll	$ 5,620,766	$ 5,557,698	$ 5,113,909	$ 5,257,291	$ 5,167,127	$ 5,051,498	$ 5,153,192	$ 5,118,816	$ 5,251,003
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	397.81%	251.95%	396.98%	382.30%	350.02%	310.60%	295.85%	293.37%	262.88%
Plan fiduciary net position as a percentage of total pension liability (non-university employers)	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

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

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	$ 2,625,229	$ 2,008,030	$ 1,695,220	$ 1,601,394	$ 1,562,720	$ 1,528,765	$ 1,407,072	$ 1,355,023	$ 1,127,568
Contributions in relation to statutorily required contributions	2,625,229	2,008,030	1,695,220	1,601,394	1,562,720	1,528,765	1,407,072	1,355,023	1,127,568
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Reporting Unit's covered-employee payroll	$ 5,701,303	$ 5,747,185	$ 5,263,244	$ 5,144,230	$ 5,116,455	$ 5,020,844	$ 5,146,525	$ 5,123,101	$ 5,319,061
Contributions as a percentage of covered-employee payroll	46.05%	34.94%	32.21%	31.13%	30.54%	30.45%	27.34%	26.45%	21.20%

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

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

	2022	2021	2020	2019	2018	2017
Reporting Unit's proportion of net OPEB liability (%)	0.05776%	0.06017%	0.05753%	0.06115%	0.05977%	0.06053%
Reporting Unit's proportionate share of net OPEB liability	$ 1,223,415	$ 918,464	$ 3,081,828	$ 4,388,939	$ 4,751,476	$ 5,360,244
Reporting Unit's covered-employee payroll	$ 5,620,766	$ 5,557,698	$ 5,113,909	$ 5,257,291	$ 5,167,127	$ 5,051,498
Reporting Unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	21.77%	16.53%	60.26%	83.48%	91.96%	106.11%
Plan fiduciary net position as a percentage of total OPEB liability (non-university employers)	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

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

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

	2023	2022	2021	2020	2019	2018
Statutorily required OPEB contributions	$ 466,762	$ 468,466	$ 448,233	$ 437,212	$ 448,726	$ 421,149
Contributions in relation to statutorily required contributions	466,762	468,466	448,233	437,212	448,726	421,149
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Reporting Unit's covered-employee payroll (OPEB)	$ 5,701,303	$ 5,747,185	$ 5,263,244	$ 5,144,230	$ 5,116,455	$ 5,020,844
OPEB contributions as a percentage of covered-employee payroll	8.19%	8.15%	8.52%	8.50%	8.77%	8.39%

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

NOTE 1 - PENSION INFORMATION

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

Changes of Assumptions - the assumption changes for 2022 were:

Discount rate for MIP, Basic, and Pension Plus plans decreased to 6.00% from 6.80%.

NOTE 2 - OPEB INFORMATION

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

Changes of Assumptions - the assumption changes for 2022 were:

Discount rate decreased to 6.00% from 6.95%.

ADDITIONAL SUPPLEMENTARY INFORMATION

HOMER COMMUNITY SCHOOLS
NONMAJOR GOVERNMENTAL FUND TYPES
COMBINING BALANCE SHEET
JUNE 30, 2023

	Special Revenue			
	Food Service	Student/ School Activities	Capital Projects Funds - Building and Site	Total Nonmajor Funds
ASSETS				
Cash and cash equivalents	$ 131,483	$ 74,883	$ -	$ 206,366
Investments	108,518	122,682	512,621	743,821
Accounts receivable	13,996	-	-	13,996
Intergovernmental receivable	11,887	-	-	11,887
Inventories	2,442	-	-	2,442
Due from other funds	628	-	12,580	13,208
TOTAL ASSETS	$ 268,954	$ 197,565	$ 525,201	$ 991,720
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 6,989	$ 160	$ -	$ 7,149
Accrued salaries and related items	3,874	-	-	3,874
Accrued retirement	1,644	-	-	1,644
Due to other funds	62,113	9,386	-	71,499
Due to other governmental funds	5,196	-	-	5,196
Unearned revenue	8,741	-	-	8,741
TOTAL LIABILITIES	88,557	9,546	-	98,103
FUND BALANCES				
Nonspendable - inventory	2,442	-	-	2,442
Restricted for food service	177,955	-	-	177,955
Committed for student/school activities	-	188,019	-	188,019
Assigned for capital projects	-	-	525,201	525,201
TOTAL FUND BALANCES	180,397	188,019	525,201	893,617
TOTAL LIABILITIES AND FUND BALANCES	$ 268,954	$ 197,565	$ 525,201	$ 991,720

HOMER COMMUNITY SCHOOLS
NONMAJOR GOVERNMENTAL FUND TYPES
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2023

	Special Revenue			
	Food Service	Student/ School Activities	Capital Projects Funds - Building and Site	Total Nonmajor Funds
REVENUES				
Local sources				
Food sales	$ 172,569	$ -	$ -	$ 172,569
Student/school activities	-	262,175	-	262,175
Investment earnings	4,176	-	23,229	27,405
Other local revenue	-	-	160,636	160,636
Total local sources	176,745	262,175	183,865	622,785
State sources	15,728	-	-	15,728
Federal sources	534,381	-	-	534,381
TOTAL REVENUES	726,854	262,175	183,865	1,172,894
EXPENDITURES				
Current				
Food service activities	836,067	-	-	836,067
Student/school activities	-	292,381	-	292,381
TOTAL EXPENDITURES	836,067	292,381	-	1,128,448
EXCESS (DEFICIT) OF REVENUES OVER (OVER) EXPENDITURES	(109,213)	(30,206)	183,865	44,446
OTHER FINANCING (USES)				
Transfers in	-	-	30,000	30,000
Transfers out	-	-	(182,204)	(182,204)
NET CHANGE IN FUND BALANCES	(109,213)	(30,206)	31,661	(107,758)
FUND BALANCES				
Beginning of year	289,610	218,225	493,540	1,001,375
End of year	$ 180,397	$ 188,019	$ 525,201	$ 893,617

HOMER COMMUNITY SCHOOLS
BONDED DEBT
JUNE 30, 2023

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

	Interest Due			Debt Service Requirement for Fiscal Year	
Principal Due May 1	May 1	November 1	QSCB Credit	June 30,	Amount
$ 1,285,000	$ 120,451	$ 120,451	$ (208,475)	2024	$ 1,317,427
1,290,000	80,938	80,938	(139,342)	2025	1,312,534
1,300,000	40,625	40,625	(69,940)	2026	1,311,310
$ 3,875,000	$ 242,014	$ 242,014	$ (417,757)		$ 3,941,271

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

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

HOMER COMMUNITY SCHOOLS
BONDED DEBT
JUNE 30, 2023

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

Principal Due May 1	Interest Due May 1	Interest Due November 1	Debt Service Requirement for Fiscal Year June 30,	Debt Service Requirement for Fiscal Year Amount
$ -	$ 76,201	$ 76,201	2024	$ 152,402
-	76,201	76,201	2025	152,402
-	76,201	76,201	2026	152,402
1,245,000	76,201	76,201	2027	1,397,402
1,290,000	51,301	51,301	2028	1,392,602
1,330,000	35,176	35,176	2029	1,400,352
1,375,000	18,219	18,219	2030	1,411,438
$ 5,240,000	$ 409,500	$ 409,500		$ 6,059,000

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

HOMER COMMUNITY SCHOOLS
BONDED DEBT
JUNE 30, 2023

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

Principal Due May 1	Interest Due May 1	Debt Service Requirement for Fiscal Year June 30,	Amount
$ -	$ 63,775	2024	$ 63,775
-	63,775	2025	63,775
-	63,775	2026	63,775
-	63,775	2027	63,775
-	63,775	2028	63,775
-	63,775	2029	63,775
-	63,775	2030	63,775
695,000	63,775	2031	758,775
705,000	29,025	2032	734,025
710,000	21,270	2033	731,270
125,000	12,750	2034	137,750
125,000	11,000	2035	136,000
125,000	9,250	2036	134,250
125,000	7,250	2037	132,250
100,000	5,250	2038	105,250
100,000	3,500	2039	103,500
100,000	1,750	2040	101,750
$ 2,910,000	$ 611,245		$ 3,521,245

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

HOMER COMMUNITY SCHOOLS
SCHEDULE OF BORROWINGS - STATE OF MICHIGAN
SCHOOL LOAN REVOLVING FUND PROGRAM
JUNE 30, 2023

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

Year Ended June 30,	Loan Proceeds	Accrued Interest	Loan Balance (Net Change)
2012	$ 319,685	$ 1,808	$ 321,493
2013	660,482	16,523	677,005
2014	610,880	41,472	652,352
2015	629,999	67,030	697,029
2016 refinance payment	(2,220,945)	(128,336)	(2,349,281)
2016	645,983	6,840	652,823
2017	683,044	25,943	708,987
2018	671,149	48,264	719,413
2019	3,010,149	89,873	3,100,022
2020 refinance payment	(5,026,519)	(239,326)	(5,265,845)
2020	679,863	73,824	753,687
2021	904,456	25,605	930,061
2022	355,026	43,827	398,853
2023	199,975	70,600	270,575
Total June 30, 2023	$ 2,123,227	$ 143,947	$ 2,267,174

HOMER COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Grantor's Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2022	(Memo Only) Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2023
U.S. Department of Agriculture									
Passed through Michigan Department of Education									
Child Nutrition Cluster									
Non-cash assistance (donated foods)									
National School Lunch Program - Entitlement	10.555	N/A	$ 46,165	$ -	$ -	$ -	$ 46,165	$ 46,165	$ -
National School Lunch Program - Bonus	10.555	N/A	9,878	-	-	-	9,878	9,878	-
			56,043	-	-	-	56,043	56,043	-
Cash Assistance									
COVID-19 - National School Lunch Program	10.555	220910	24,638	(3,240)	17,851	-	24,638	21,398	-
COVID-19 - National School Lunch Program		221961	381,240	6,523	381,240	(6,523)	-	-	-
National School Lunch Program		221960	41,165	-	-	-	41,165	41,165	-
National School Lunch Program		230910	13,033	-	-	-	13,033	13,033	-
National School Lunch Program		231960	255,741	-	-	-	255,741	255,741	-
Total ALN 10.555			771,860	3,283	399,091	(6,523)	390,620	387,380	-
COVID-19 - School Breakfast Program	10.553	221971	176,283	159	176,283	-	-	159	-
School Breakfast Program		221970	14,571	-	-	-	14,571	14,571	-
School Breakfast Program		231970	109,935	-	-	-	109,935	109,282	653
Total ALN 10.553			300,789	159	176,283	-	124,506	124,012	653
Summer Food Service Program for Children	10.559	220900	17,434	-	-	6,523	10,911	17,434	-
		230900	7,716	-	-	-	7,716	-	7,716
Total ALN 10.559			25,150	-	-	6,523	18,627	17,434	7,716
Total cash assistance			1,041,756	3,442	575,374	-	477,710	472,783	8,369
Total Child Nutrition Cluster			1,097,799	3,442	575,374	-	533,753	528,826	8,369
COVID-19 Pandemic EBT Local Level Costs	10.649	220980	628	-	-	-	628	628	-
Total U.S. Department of Agriculture			1,098,427	3,442	575,374	-	534,381	529,454	8,369

The accompanying notes are an integral part of this schedule.

HOMER COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Grantor's Number	Approved Grant Award Amount	Accrued (Unearned) Revenue 7/1/2022	(Memo Only) Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue 6/30/2023
U.S. Department of Education									
Passed through Michigan Department of Education									
Title I Grants to Local Educational Agencies	84.010	221530-2122	$ 267,804	$ 172,247	$ 251,435	$ -	$ -	$ 172,247	$ -
Title I Grants to Local Educational Agencies		231530-2223	220,043	-	-	-	182,271	173,619	8,652
Total ALN 84.010			487,847	172,247	251,435	-	182,271	345,866	8,652
Student Support and Academic Enrichment	84.424	220750-2122	18,356	15,786	15,786	-	-	15,786	-
Student Support and Academic Enrichment		230750-2223	18,732	-	-	-	10,093	1,050	9,043
Total ALN 84.424			37,088	15,786	15,786	-	10,093	16,836	9,043
Supporting Effective Instruction State Grants	84.367	220520-2122	67,978	54,176	54,176	-	-	54,176	-
Supporting Effective Instruction State Grants		230520-2223	45,719	-	-	-	29,258	15,997	13,261
Total ALN 84.367			113,697	54,176	54,176	-	29,258	70,173	13,261
Education Stabilization Fund									
COVID-19 Elementary and Secondary School Governor's Emergency Education Relief (GEER) Funds	84.425C	201201-2122	17,898	-	-	-	17,898	17,898	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Formula)	84.425D	213712-2021	660,817	82,173	590,075	-	70,742	134,407	18,508
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II - 23b(2a)	84.425D	213722-2122	57,112	29,165	29,165	-	17,823	46,988	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III Formula)	84.425U	213713-2122	1,485,156	265,066	265,066	-	945,744	534,185	676,625
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Formula)	84.425D	213782-2223	49,537	-	-	-	26,854	-	26,854
Total ALN 84.425 and Education Stabilization Fund			2,270,520	376,404	884,306	-	1,079,061	733,478	721,987
Total U.S. Department of Education			2,909,152	618,613	1,205,703	-	1,300,683	1,166,353	752,943
TOTAL FEDERAL AWARDS			$ 4,007,579	$ 622,055	$ 1,781,077	$ -	$ 1,835,064	$ 1,695,807	$ 761,312

The accompanying notes are an integral part of this schedule.

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

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Homer Community Schools under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Homer Community Schools, it is not intended to and does not present the financial position or changes in net position of Homer Community Schools.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS

Federal expenditures are reported as revenue in the following funds in the financial statements June 30, 2023:

General fund	$ 1,300,683
Combined debt service fund	261,531
Other nonmajor governmental funds	534,381
Total federal revenue in the fund financial statements	2,096,595
Less: Federal assistance funding not subject to single audit act	261,531
Expenditures per schedule of expenditures of federal awards	$ 1,835,064

NOTE 4 - ADJUSTMENT

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

Maner Costerisan

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

To the Board of Education
Homer Community Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Homer Community Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Homer Community Schools' basic financial statements, and have issued our report thereon dated September 29, 2023.

Report on Internal Control Over Financial Reporting

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

District's Response to Findings

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

Purpose of This Report

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

Maner Costerisan PC

September 29, 2023

Maner Costerisan

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

To the Board of Education
Homer Community Schools

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Homer Community Schools' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Homer Community Schools' major federal programs for the year ended June 30, 2023. Homer Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Homer Community Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Homer Community Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Homer Community Schools' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Homer Community Schools' internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Maner Costerisan PC

September 29, 2023

HOMER COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

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

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

HOMER COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

Section II - Financial Statement Findings

2023-001 Considered a Material Weakness

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

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

Cause: Misstatements were not identified and corrected by management.

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

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

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

Section III - Federal Award Findings and Questioned Costs

None noted.

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Corrective Action Plan

Homer Community Schools respectfully submits the following corrective action plan for the year ended June 30, 2023.

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

Audit Period: Year ended June 30, 2023.

District contact person: Amanda Croad

The findings from the June 30, 2023 schedule of findings and responses are discussed below. The findings are numbered consistently with the number assigned in the schedule.

Finding - Financial Statement Audit

Finding 2023-001 Considered a Material Weakness

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

Action to be taken: Management agrees with the finding, and we are in the process of implementing the recommendation.

HOMER COMMUNITY SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

Financial Statement Finding

2022-001 Considered a Material Weakness

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

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

Cause: Misstatements were not identified and corrected by management.

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

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

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

Status: A similar matter was repeated as Finding 2023-001. We do not consider this issue resolved.

2022-002 Considered a Significant Deficiency

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

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

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

Questioned costs: $0.

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

2022-002 Considered a Significant Deficiency (continued)

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

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

Status: A similar matter was repeated as a comment in the management letter to governance. We consider this issue resolved as a yellow book finding.

2022-003 Considered a Significant Deficiency

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

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

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

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

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

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

Status: Final budget variance was positive in the current year. We consider this issue to be resolved.

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September 29, 2023

To the Board of Education
Homer Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Homer Community Schools for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Homer Community Schools are described in Note 1 to the financial statements. As described in Note 15 to the financial statements, the District adopted Governmental Accounting standards Board (GASB) Statement No. 96 *Subscription-based IT Arrangements,* during the year ended June 30, 2023. The application of existing policies was not changed during fiscal year 2023. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

> Management's calculation of the depreciation expense is based on the estimated useful lives of the capital assets.
>
> Management's calculation of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
>
> The calculation of the net pension liability and related deferred outflows and inflows of resources is based on an actuarial study which utilized certain actuarial assumptions.
>
> The calculation of the net other post-employment benefits liability and related deferred outflows and inflows of resources is based upon an actuarial study which utilized certain actuarial assumptions.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 29, 2023.

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.

<u>Other Matters</u>

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

A separate management letter was not issued.

Restriction on Use

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

Very truly yours,

Maner Costerisan PC