Kalamazoo Regional Educational Service Agency

Financial Report
with Supplemental Information
June 30, 2022

Contents

plante moran

Plante & Moran, PLLC
Suite 300
750 Trade Centre Way
Portage, MI 49002
Tel: 269.567.4500
Fax: 269.567.4501
plantemoran.com

Independent Auditor's Report

To the Board of Education
Kalamazoo Regional Educational Service Agency

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Kalamazoo Regional Educational Service Agency (the "Agency") as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Agency as of June 30, 2022 and the respective changes in its financial position and, where applicable, cash flows 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for 12 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 GAAS 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.

To the Board of Education
Kalamazoo Regional Educational Service Agency

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental 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, which 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 supplemental 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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Education
Kalamazoo Regional Educational Service Agency

Other Reporting Required by *Government Auditing Standards*

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

Plante & Moran, PLLC

October 26, 2022

This section of Kalamazoo Regional Educational Service Agency's (the "Agency") annual financial report presents our discussion and analysis of the Agency's financial performance during the year ended June 30, 2022. Please read it in conjunction with the Agency's financial statements, which immediately follow this section.

Using This Annual Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Kalamazoo Regional Educational Service Agency financially as a whole. The agency-wide financial statements provide information about the activities of the whole Agency, presenting both an aggregate view of the Agency's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term and what remains for future spending. The fund financial statements look at the Agency's operations in more detail than the agency-wide financial statements by providing information about the Agency's most significant funds, the General Fund, the Special Education Fund, and the Career Technical Education Fund, as well as information on the Agency's debt service, capital projects, enterprise, and internal service funds. This report is composed of the following elements:

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Agency-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information

Budgetary Comparison Schedule - General Fund

Budgetary Comparison Schedules - Special Revenue Funds

Schedule of the Agency's Proportionate Share of the Net Pension Liability

Schedule of Pension Contributions

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

Schedule of OPEB Contributions

Other Supplemental Information

Reporting the Agency as a Whole - Agency-wide Financial Statements

The statement of net position and the statement of activities, which appear first in the Agency's financial statements, report information on the Agency as a whole and its activities. We prepare these statements to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the Agency's net position, the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the statement of net position. The relationship between revenue and expenses is the Agency's operating results. However, the Agency's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the Agency.

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

Reporting the Agency's Fund Financial Statements

The Agency’s fund financial statements provide detailed information about the most significant funds, not the Agency as a whole. Some funds are required to be established by state law and by bond covenants. However, the Agency establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The governmental and proprietary funds of the Agency use the following accounting approach:

Governmental Funds

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

Proprietary Funds

The Agency has one enterprise fund and one internal service fund that are reported as proprietary funds. These funds are reported using the accrual basis of accounting, just as in the agency-wide statements described above.

The Agency as a Whole

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

	Governmental Activities		Business-type Activities	
	2022	2021	2022	2021
	(in millions)		(in millions)	
Assets				
Current and other assets	$ 154.4	$ 41.9	$ 1.1	$ 0.6
Capital assets	28.3	26.1	-	-
Total assets	182.7	68.0	1.1	0.6
Deferred Outflows of Resources	28.2	36.4	0.6	0.7
Liabilities				
Current liabilities	19.1	16.2	0.6	0.2
Noncurrent liabilities	88.1	133.1	1.5	1.9
Total liabilities	107.2	149.3	2.1	2.1
Deferred Inflows of Resources	51.8	18.0	0.6	0.3
Net Position (Deficit)				
Net investment in capital assets	28.3	26.1	-	-
Restricted	0.5	0.4	-	-
Unrestricted	23.1	(89.4)	(1.0)	(1.1)
Total net position (deficit)	**$ 51.9**	**$ (62.9)**	**$ (1.0)**	**$ (1.1)**

The above analysis focuses on net position. The change in net position of the Agency's governmental activities is discussed below. The Agency's governmental net position was $51.9 million at June 30, 2022. Net investment in capital assets totaling $28.3 million compares the original cost, less depreciation of the Agency's capital assets, to long-term debt used to finance the acquisition of those assets. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Agency's ability to use that net position for day-to-day operations. The remaining amount of governmental activities net position ($23.1 million) and the business-type activities net position ($(1.0) million) was unrestricted.

The $23.1 million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the Agency to meet working capital and cash flow requirements and provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the Agency as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2022 and 2021:

	Governmental Activities		Business-type Activities	
	2022	2021	2022	2021
	(in millions)		(in millions)	
Revenue				
Program revenue:				
Charges for services	$ 8.3	$ 7.4	$ 1.8	$ 1.6
Operating grants	51.6	48.6	-	-
General revenue:				
Taxes	60.4	61.0	-	-
State aid not restricted to specific purposes	7.8	5.7	-	-
Other	102.9	0.8	-	-
Total revenue	231.0	123.5	1.8	1.6
Expenses				
Instruction	24.0	26.0	-	-
Support services	39.5	42.2	-	-
Community services	5.8	6.0	-	-
Intergovernmental transfers	45.5	43.0	-	-
Debt service	-	0.1	-	-
Depreciation expense (unallocated)	1.1	1.0	-	-
Technology services	-	-	2.0	1.5
Total expenses	115.9	118.3	2.0	1.5
Transfers	(0.3)	(0.2)	0.3	0.2
Change in Net Position	114.8	5.0	0.1	0.3
Net Position (Deficit) - Beginning of year	(62.9)	(67.9)	(1.1)	(1.4)
Net Position (Deficit) - End of year	**$ 51.9**	**$ (62.9)**	**$ (1.0)**	**$ (1.1)**

As reported in the statement of activities, the cost of all of our governmental activities this year was $115.9 million. Certain activities were partially funded from those who benefited from the programs ($8.3 million) or by other governments and organizations that subsidized certain programs with grants and contributions ($51.6 million). We paid for the remaining public benefit portion of our governmental activities with $60.4 million in taxes, $7.8 million in state foundation allowance, and other revenue (i.e., interest and general entitlements). During the year, the Agency received an anonymous gift of land valued at $1.7 million and pledge of $100 million in cash. The Agency experienced an increase in net position of $114.8 million.

As reported in the statement of activities, the cost of all business-type activities this year was $2.0 million and was funded entirely by those who benefited from the services.

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

The Agency joined with other adjoining intermediate school districts to develop a technology services consortium. The business-type activities show the results for this collaborative venture. The cost of our business-type activities this year was $1.9 million, which included the effects of GASB Statement Nos. 68 and 75 and the business-type activities proportionate share of the net pension and OPEB liabilities. These activities were funded by those who benefited from the services provided ($1.8 million).

The Agency's Funds

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

As the Agency completed this year, the governmental funds reported a combined fund balance of $57.5 million, which is an increase of $34.0 million from last year. General Fund fund balance is available to fund costs related to allowable agency operating purposes. The Special Education Fund fund balance is available to fund future costs related to the Agency's special education programs. The Career Technical Education Fund fund balance will fund future costs related to a county-wide vocational and trade education program, and the capital projects funds fund balances are available to fund capital project needs within the Agency.

Budgetary Highlights

Over the course of the year, the Agency revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2022. A schedule showing the Agency's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

General Fund Budgetary Highlights

The General Fund's actual revenue was $53.9 million. That amount is below the original budget estimate of $54.5 million and below the final amended budget of $57.2 million. The $3.3 million variance between the final amended budget and the 2022 actual results was due to the deferral of federal, state, and local grants received in the current fiscal year to be spent in the next fiscal year.

The actual expenditures and other financing uses of the General Fund were $52.6 million and below the final amended budget of $56.7 million. The $4.1 million variance between the final amended budget and the 2022 actual results was primarily due to the anticipation of fully expending grant revenue. Expenditures related to these grants will be incurred in the next fiscal year.

The General Fund had total revenue of $53.9 million and total expenditures and transfers of $53.2 million, with an ending fund balance of $9.1 million.

Special Education Fund Budgetary Highlights

The Special Education Fund's actual revenue was $67.3 million. That amount is above the original budget estimate of $58.5 million and below the final amended budget of $67.5 million.

The actual expenditures and other financing uses of the Special Education Fund were $63.6 million and are below the final amended budget of $65.8 million. The $2.2 million variance between the final amended budget and the 2022 actual results was due primarily to the anticipation of fully expending grant revenue. Expenditures related to these grants will be incurred in the next fiscal year.

Career Technical Education Fund Highlights

The Career Technical Education Fund actual revenue was $33.7 million. That amount is above the original budget estimate of $8.5 million and below the final amendment budget of $34.0 million.

The actual expenditures and other financing uses of the Career Technical Education Fund were $4.5 million and are below the final amended budget of $5.3 million. The variance between the final amended budget and the 2022 actual results was primarily due to not spending as much on anticipated construction costs on the Career Center prior to June 30, 2022. Expenditures will continue to occur for the Career Center in the next fiscal year.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2022, the Agency had $28.3 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment:

	Governmental Activities	
	2022	2021
Land	$ 2,130,377	$ 390,377
Construction in progress	1,084,039	1,204,402
Buildings and improvements	36,425,142	34,926,940
Furniture and equipment	5,068,998	4,910,220
Total capital assets	44,708,556	41,431,939
Less accumulated depreciation	16,413,002	15,327,113
Total capital assets - Net of accumulated depreciation	**$ 28,295,554**	**$ 26,104,826**

Debt

At the end of this year, the Agency did not have any outstanding bonds, which is the same as the previous year.

The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the Agency’s boundaries. If the Agency issues qualified debt (i.e., debt backed by the State of Michigan), such obligations are not subject to this debt limit. The Agency did not have any outstanding unqualified general obligation debt.

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

Statement of Net Position

June 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents (Note 4)	$ 64,132,726	$ 866,297	$ 64,999,023
Receivables:			
Taxes receivable	186,888	-	186,888
Accounts receivable	76,878,780	30,448	76,909,228
Due from other governments	12,554,188	-	12,554,188
Due from governmental activities funds (Note 7)	-	239,467	239,467
Inventories	73,822	-	73,822
Prepaid assets	34,576	-	34,576
Restricted assets (Note 4)	477,160	-	477,160
Capital assets - Net (Note 6)	28,295,554	-	28,295,554
Total assets	182,633,694	1,136,212	183,769,906
Deferred Outflows of Resources			
Deferred pension costs (Note 10)	19,973,731	442,945	20,416,676
Deferred OPEB costs (Note 10)	8,268,535	132,889	8,401,424
Total deferred outflows of resources	28,242,266	575,834	28,818,100
Liabilities			
Accounts payable	2,998,577	588,337	3,586,914
Due to other governmental units	2,664,852	-	2,664,852
Due to business-type activities fund (Note 7)	239,467	-	239,467
Accrued payroll and other liabilities	4,236,090	16,968	4,253,058
Unearned revenue (Note 5)	8,923,422	-	8,923,422
Noncurrent liabilities:			
Due within one year (Note 8)	1,124,137	-	1,124,137
Due in more than one year:			
Early termination obligation (Note 8)	1,865,572	-	1,865,572
Net pension liability (Note 10)	79,913,245	1,365,717	81,278,962
Net OPEB liability (Note 10)	5,237,206	141,916	5,379,122
Total liabilities	107,202,568	2,112,938	109,315,506
Deferred Inflows of Resources			
Revenue in support of pension contributions made subsequent to the report date (Note 10)	5,550,896	71,562	5,622,458
Deferred pension costs (Note 10)	26,423,259	307,288	26,730,547
Deferred OPEB costs (Note 10)	19,839,214	258,501	20,097,715
Total deferred inflows of resources	51,813,369	637,351	52,450,720
Net Position (Deficit)			
Net investment in capital assets	28,295,554	-	28,295,554
Restricted - Debt service	477,160	-	477,160
Unrestricted	23,087,309	(1,038,243)	22,049,066
Total net position (deficit)	**$ 51,860,023**	**$ (1,038,243)**	**$ 50,821,780**

Statement of Activities

Year Ended June 30, 2022

	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total
Functions/Programs						
Primary government:						
Governmental activities:						
Instruction	$ 23,964,360	$ -	$ 26,381,969	$ 2,417,609	$ -	$ 2,417,609
Support services	39,558,277	8,214,757	11,424,058	(19,919,462)	-	(19,919,462)
Community services	5,842,686	124,006	6,249,343	530,663	-	530,663
Intergovernmental transfers	45,526,034	-	7,522,828	(38,003,206)	-	(38,003,206)
Other debt costs	333	-	-	(333)	-	(333)
Depreciation expense (unallocated)	1,085,889	-	-	(1,085,889)	-	(1,085,889)
Total governmental activities	115,977,579	8,338,763	51,578,198	(56,060,618)	-	(56,060,618)
Business-type activities - Technology	1,958,594	1,848,166	-	-	(110,428)	(110,428)
Total primary government	**$ 117,936,173**	**$ 10,186,929**	**$ 51,578,198**	(56,060,618)	(110,428)	(56,171,046)
General revenue:						
Taxes:						
Property taxes levied for general purposes				14,132,523	-	14,132,523
Property taxes levied for debt service				124,385	-	124,385
Property taxes levied for career technical education				8,544,717	-	8,544,717
Property taxes levied for special education (ISD)				37,605,541	-	37,605,541
State aid not restricted to specific purposes				7,780,205	-	7,780,205
Interest and investment earnings				41,109	-	41,109
Donation of capital assets and other private donations (Note 2)				101,740,000	-	101,740,000
Other				1,143,422	-	1,143,422
Total general revenue				171,111,902	-	171,111,902
Transfers				(250,000)	250,000	-
Change in Net Position				114,801,284	139,572	114,940,856
Net Position (Deficit) - Beginning of year				(62,941,261)	(1,177,815)	(64,119,076)
Net Position (Deficit) - End of year				**$ 51,860,023**	**$ (1,038,243)**	**$ 50,821,780**

See notes to financial statements.

Governmental Funds Balance Sheet

June 30, 2022

	General Fund	Special Education Fund	Career Technical Education Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments (Note 4)	$ 15,689,575	$ 9,747,400	$ 35,422,910	$ 3,272,841	$ 64,132,726
Receivables:					
Taxes receivable	44,343	120,820	21,725	-	186,888
Accounts receivable	1,360,838	101,005	75,416,937	-	76,878,780
Due from other governments	4,939,546	7,614,642	-	-	12,554,188
Due from other funds (Note 7)	580,684	-	-	1,400,000	1,980,684
Inventories	73,822	-	-	-	73,822
Prepaid assets	25,118	3,858	5,600	-	34,576
Restricted assets (Note 4)	-	-	-	477,160	477,160
Total assets	**$ 22,713,926**	**$ 17,587,725**	**$ 110,867,172**	**$ 5,150,001**	**$ 156,318,824**
Liabilities					
Accounts payable	$ 1,469,437	$ 1,254,142	$ 274,998	$ -	$ 2,998,577
Due to other governmental units	68,347	2,596,505	-	-	2,664,852
Due to other funds (Note 7)	1,466,947	2,898,120	46,459	-	4,411,526
Accrued payroll and other liabilities	1,994,330	2,154,487	87,273	-	4,236,090
Unearned revenue (Note 5)	8,595,344	328,078	-	-	8,923,422
Total liabilities	13,594,405	9,231,332	408,730	-	23,234,467
Deferred Inflows of Resources					
Unavailable revenue - Property taxes (Note 5)	36,845	99,965	18,406	-	155,216
Unavailable revenue - Pledges (Note 5)	-	-	75,416,937	-	75,416,937
Total deferred inflows of resources	36,845	99,965	75,435,343	-	75,572,153
Total liabilities and deferred inflows of resources	13,631,250	9,331,297	75,844,073	-	98,806,620

See notes to financial statements.

Governmental Funds
Balance Sheet (Continued)

June 30, 2022

	General Fund	Special Education Fund	Career Technical Education Fund	Nonmajor Funds	Total Governmental Funds
Fund Balances					
Nonspendable:					
Inventory	$ 73,822	$ -	$ -	$ -	$ 73,822
Prepaids	25,118	3,858	5,600	-	34,576
Restricted:					
Debt Service	-	-	-	477,160	477,160
Special Education	-	8,252,570	-	-	8,252,570
Career and Technical Education	-	-	35,017,499	-	35,017,499
Committed - Building and site improvements:					
Capital projects	-	-	-	2,674,667	2,674,667
Building operating budgets	-	-	-	1,998,174	1,998,174
Assigned - Regional transportation and safety institute	267,039	-	-	-	267,039
Unassigned	8,716,697	-	-	-	8,716,697
Total fund balances	9,082,676	8,256,428	35,023,099	5,150,001	57,512,204
Total liabilities, deferred inflows of resources, and fund balances	**$ 22,713,926**	**$ 17,587,725**	**$110,867,172**	**$5,150,001**	**$156,318,824**

Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position

	June 30, 2022
Fund Balances Reported in Governmental Funds	$ 57,512,204
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of capital assets	44,708,556
Accumulated depreciation	(16,413,002)
Net capital assets used in governmental activities	28,295,554
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	75,572,153
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(798,335)
Early termination incentive obligations	(2,191,374)
Net pension liability and related deferred inflows and outflows	(86,362,773)
Net OPEB liability and related deferred inflows and outflows	(16,807,885)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	(5,550,896)
Internal service funds are included as part of governmental activities	2,191,375
Net Position of Governmental Activities	**$ 51,860,023**

Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2022

	General Fund	Special Education Fund	Career Technical Education Fund	Nonmajor Funds	Total Governmental Funds
Revenue					
Local sources	$ 18,984,726	$ 40,607,595	$ 33,437,514	$ 131,172	$ 93,161,007
State sources	16,786,369	17,064,769	228,065	-	34,079,203
Federal sources	10,636,213	9,661,682	-	-	20,297,895
Interdistrict sources	7,512,725	-	-	-	7,512,725
Total revenue	53,920,033	67,334,046	33,665,579	131,172	155,050,830
Expenditures					
Current:					
Instruction	5,244,880	20,574,450	3,140	-	25,822,470
Support services	20,086,248	17,950,611	2,884,722	-	40,921,581
Community services	5,777,351	407,346	-	-	6,184,697
Debt service - Other debt costs	-	-	-	333	333
Capital outlay	528,985	133,219	1,587,289	132,125	2,381,618
Intergovernmental transfers	20,950,877	24,575,157	-	-	45,526,034
Total expenditures	52,588,341	63,640,783	4,475,151	132,458	120,836,733
Excess of Revenue Over (Under) Expenditures	1,331,692	3,693,263	29,190,428	(1,286)	34,214,097
Other Financing Sources (Uses)					
Transfers in (Note 7)	-	-	-	1,400,000	1,400,000
Transfers out (Note 7)	(650,000)	(1,000,000)	-	-	(1,650,000)
Total other financing (uses) sources	(650,000)	(1,000,000)	-	1,400,000	(250,000)
Net Change in Fund Balances	681,692	2,693,263	29,190,428	1,398,714	33,964,097
Fund Balances - Beginning of year	8,400,984	5,563,165	5,832,671	3,751,287	23,548,107
Fund Balances - End of year	**$ 9,082,676**	**$ 8,256,428**	**$ 35,023,099**	**$ 5,150,001**	**$ 57,512,204**

Governmental Funds
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2022

Net Change in Fund Balances Reported in Governmental Funds	$ 33,964,097
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capitalized capital outlay	1,536,617
Depreciation expense	(1,085,889)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	75,426,244
Revenue in support of pension contributions made subsequent to the measurement date	(1,188,211)
Donated capital assets are reported for governmental activities as revenue in the statement of activities but are not reported in the governmental funds	1,740,000
Some employee costs (pension, OPEB, compensated absences, and early retirement incentives) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	4,070,775
Internal service funds are included as part of governmental activities	337,651
Change in Net Position of Governmental Activities	**$ 114,801,284**

Proprietary Funds
Statement of Net Position

June 30, 2022

	Enterprise Fund	Governmental Activities
	Technology Fund	Internal Service Fund
Assets		
Current assets:		
Cash (Note 4)	$ 866,297	$ -
Receivables - Other receivables	30,448	-
Due from other funds (Note 7)	249,378	2,191,375
Total assets	1,146,123	2,191,375
Deferred Outflows of Resources		
Deferred pension costs (Note 10)	442,945	-
Deferred OPEB costs (Note 10)	132,889	-
Total deferred outflows of resources	575,834	-
Liabilities		
Current liabilities:		
Accounts payable	588,337	-
Due to other funds (Note 7)	9,911	-
Accrued payroll and other liabilities	16,968	-
Total current liabilities	615,216	-
Noncurrent liabilities:		
Net pension liability (Note 10)	1,365,717	-
Net OPEB liability (Note 10)	141,916	-
Total noncurrent liabilities	1,507,633	-
Total liabilities	2,122,849	-
Deferred Inflows of Resources (Note 10)		
Revenue in support of pension contributions made subsequent to the report date	71,562	-
Deferred pension costs	307,288	-
Deferred OPEB costs	258,501	-
Total deferred inflows of resources	637,351	-
Net Position (Deficit) - Unrestricted	**$ (1,038,243)**	**$ 2,191,375**

Proprietary Funds
Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2022

	Enterprise Fund	Governmental Activities
	Technology Fund	Internal Service Fund
Operating Revenue		
Charges to other funds	$ -	$ 517,574
Charges to other districts	1,848,166	-
Total operating revenue	1,848,166	517,574
Operating Expenses		
Technology support expenses	1,958,594	-
Retirement program benefits	-	179,923
Total operating expenses	1,958,594	179,923
Operating (Loss) Income	(110,428)	337,651
Transfers In	250,000	-
Change in Net Position	139,572	337,651
Net Position (Deficit) - Beginning of year	(1,177,815)	1,853,724
Net Position (Deficit) - End of year	**$ (1,038,243)**	**$ 2,191,375**

See notes to financial statements.

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2022

	Enterprise Fund	Governmental Activities
	Technology Fund	Internal Service Fund
Cash Flows from Operating Activities		
Receipts from interfund services and other governments	$ 205,390	$ -
Payments for supplies and purchased services	(920,666)	-
Payments to employees and fringes	(483,594)	-
Receipts from other funds	1,717,643	-
Net Increase in Cash - Net cash provided by operating activities	518,773	-
Cash - Beginning of year	347,524	-
Cash - End of year	**$ 866,297**	**$ -**
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities		
Operating (loss) income	$ (110,428)	$ 337,651
Adjustments to reconcile operating (loss) income to net cash from operating activities - Changes in assets and liabilities:		
Receivables	30,926	-
Due to and from other funds	205,390	(337,651)
Prepaid assets	11,413	-
Accounts payable and accrued liabilities	821,271	-
Net pension liability	(317,609)	-
Net OPEB liability	(122,190)	-
Total adjustments	629,201	(337,651)
Net cash provided by operating activities	**$ 518,773**	**$ -**

Note 1 - Nature of Business

Kalamazoo Regional Educational Service Agency (the "Agency") is a regional educational service agency in the state of Michigan that provides educational services to students.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

The Agency follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the Agency:

Reporting Entity

The Agency is governed by an elected seven-member Board of Education. In accordance with government accounting principles, there are no separate legal entities appropriate to be reported within these financial statements.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives, the agency-wide perspective and the fund-based perspective. The agency-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The agency-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue 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 statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

As a general rule, the effect of interfund activity has been removed from the agency-wide financial statements.

Separate financial statements are provided for governmental funds and proprietary funds, even though the latter are excluded from the agency-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

Note 2 - Significant Accounting Policies (Continued)

Fund Accounting

The Agency accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the Agency to show the particular expenditures for which specific revenue is used. The various funds are aggregated into two broad fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. The Agency reports the following funds as major governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources of the Agency other than those specifically assigned to another fund.
- The Special Education Fund is a special revenue fund used to account for resources that provide special education programs for the Agency. These programs are funded primarily by taxes, state aid categoricals, Medicaid funding, and federal grants. Any operating deficit generated by these activities is the responsibility of the General Fund.
- The Career Technical Education Fund is a special revenue fund used to account for resources that provide technical career education programs for the Agency. These programs are funded primarily by taxes, staid aid categoricals, federal grants, and donations received from private donors. Any operating deficit generated by these activities is the responsibility of the General Fund.

Additionally, the Agency reports the following nonmajor governmental fund types:

- Capital projects funds are used to account for non-bond-funded resources specifically designed for the acquisition and construction of facilities and for major capital improvements. The Agency has the General Education Capital Projects Fund and the Special Education Capital Projects Fund for related improvements.
- The Debt Service Fund is used to record tax, interest, and state aid revenue and for the payment of principal and interest on long-term debt related to the 2017 Refunding Bonds.

Proprietary Funds

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the Agency). The Agency reports the following funds as major enterprise funds:

- The Technology Fund is an enterprise fund used to account for the operations of the Agency's Technology Services Consortium.
- The Internal Service Fund accounts for retirement incentives provided to retirees of the Agency.

Specific Balances and Transactions

Cash and Investments

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

Note 2 - Significant Accounting Policies (Continued)

Receivables

In general, outstanding balances between funds are reported as due to/from other funds. Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the agency-wide financial statements as internal balances. The Agency considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Inventories and Prepaid Items

Inventories are valued at cost on a first-in, first-out basis. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both agency-wide and fund financial statements.

Restricted Assets

The unspent property tax revenue and related interest of the Debt Service Fund require amounts to be set aside for future bond payments. These amounts have been classified as restricted assets.

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the agency-wide financial statements. Capital assets are defined by the Agency as assets with initial individual costs of more than $5,000 and estimated useful lives in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Buildings and improvements	20 to 50
Furniture and equipment	5 to 20
Vehicles	5 to 20

Long-term Obligations

In the agency-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

The Agency reports deferred outflows related to deferred charges on refundings and deferred pension and OPEB costs.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The Agency reports deferred inflows related to revenue in support of pension contributions made subsequent to the measurement date and deferred pension and OPEB cost reductions.

Note 2 - Significant Accounting Policies (Continued)

Net Position

Net position of the Agency is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

The Agency will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements (as applicable), a flow assumption must be made about the order in which the resources are considered to be applied. It is the Agency’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

The Agency will sometimes 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 Agency’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, 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 Agency 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 Agency’s highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the Agency that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Agency has, by resolution, authorized the assistant superintendent to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally exist only 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 either to remove or revise a commitment.

Note 2 - Significant Accounting Policies (Continued)

Property Tax Revenue

Property taxes are levied on July 1 and December 1 by the 27 municipalities within the Agency's boundaries. Property tax revenue is recognized when levied to the extent it is deemed to be collectible. The municipalities bill and collect property taxes until March 15, at which time real property taxes are turned over to the counties for reimbursement from their revolving tax funds. The municipalities continue to collect delinquent personal property taxes. The Agency considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Grants and Contributions

The Agency receives federal, state, and local grants, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes.

In October 2021, the Agency received an anonymous gift of land and a pledge of $100,000,000 in cash for the Agency to construct a Career and Technical Education Center. The gift of land was recognized at an acquisition value of $1,740,000 in the agency-wide financial statements for the year ended June 30, 2022. The Agency recorded the full pledge of $100,000,000 as donation revenue on the agency-wide financial statements. During the year, the Agency received $24,583,063 in cash related to the pledge, recognized as local revenue in the fund financial statements. The remaining uncollected receivable of $75,416,937 is recorded on the agency-wide financial statements and fund financial statements as accounts receivable as of June 30, 2022.

Pension and Other Postemployment Benefit (OPEB) Plans

For the purpose of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

Compensated Absences and Early Retirement Incentive

It is the Agency's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the Agency will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the agency-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee’s compensation are used to liquidate the obligations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Significant Accounting Policies (Continued)

Adoption of New Accounting Pronouncement

During the current year, the Agency adopted GASB Statement No. 87, *Leases*. The financial statements for the year ended June 30, 2022 have not been impacted by this adoption.

Upcoming Accounting Pronouncements

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The Agency is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Agency's financial statements for the year ending June 30, 2023.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the Agency's financial statements for the year ending June 30, 2025.

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds. The presentation of the budget information is consistent except that capital outlay is presented within the functional categories in the budget. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Agency to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The Agency changed budgeted amounts during the year in response to revised revenue estimates.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the Agency incurred expenditures in the General Fund, which were in excess of the amounts budgeted, as follows:

	Budget	Actual
Support services - Other supporting services	$ 50,000	$ 173,754

Note 4 - Deposits and Investments

State statutes and the Agency's investment policy authorize the Agency to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Agency is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper rated prime at the time of purchase that matures no more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Agency’s deposits are in accordance with statutory authority.

The Agency has designated two financial institutions for the deposit of its funds.

The Agency's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency has a deposit policy for custodial credit risk. At year end, the Agency had bank deposits of $45,126,566 (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Agency believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Agency evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Agency's policy for custodial credit risk states custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law, as described in the policy, and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the Agency will do business using the criteria established in the investment policy. At June 30, 2022, the Agency does not have investments with custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Agency's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. The Agency’s policy minimizes interest rate risk 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; 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 Agency’s cash requirements.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Agency has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Amortized Cost	Rating	Rating Organization
Michigan Liquid Asset Fund - MAX Class	$ 21,040,577	AAAm	S&P

Note 4 - Deposits and Investments (Continued)

Investment Restrictions

The Michigan Liquid Asset Fund - MAX Class investment may not be redeemed for at least 14 calendar days, with the exception of direct investments of funds distributed by the State of Michigan. In addition, redemptions made prior to the 14-day period are subject to a penalty equal to 15 days' interest on the amount so redeemed.

Concentration of Credit Risk

The Agency's investment policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The Agency does not have any investments subject to concentration of credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the Agency's investment policy prohibit investments in foreign currency.

Note 5 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2022, the various components of unearned and unavailable revenue were as follows:

	Governmental Funds	
	Deferred Inflow - Unavailable	Liability - Unearned
Delinquent property taxes	$ 155,216	$ -
Pledges receivable	75,416,937	-
Grant and categorical aid payment received prior to meeting all eligibility requirements	-	8,923,422
Total	$ 75,572,153	$ 8,923,422

Note 6 - Capital Assets

Capital asset activity of the Agency's governmental and business-type activities was as follows:

Governmental Activities

	Balance July 1, 2021	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2022
Capital assets not being depreciated:					
Land	$ 390,377	$ -	$ 1,740,000	$ -	$ 2,130,377
Construction in progress	1,204,402	(1,204,402)	1,084,039	-	1,084,039
Subtotal	1,594,779	(1,204,402)	2,824,039	-	3,214,416
Capital assets being depreciated:					
Buildings and improvements	34,926,940	1,204,402	293,800	-	36,425,142
Vehicles, furniture, and equipment	4,910,220	-	158,778	-	5,068,998
Subtotal	39,837,160	1,204,402	452,578	-	41,494,140
Accumulated depreciation:					
Buildings and improvements	11,088,334	-	810,938	-	11,899,272
Vehicles, furniture, and equipment	4,238,779	-	274,951	-	4,513,730
Subtotal	15,327,113	-	1,085,889	-	16,413,002
Net capital assets being depreciated	24,510,047	1,204,402	(633,311)	-	25,081,138
Net governmental activities capital assets	$ 26,104,826	$ -	$ 2,190,728	$ -	$ 28,295,554

Business-type Activities

	Balance July 1, 2021	Additions	Disposals and Adjustments	Balance June 30, 2022
Capital assets being depreciated - Furniture and equipment	$ 11,580	$ -	$ -	$ 11,580
Accumulated depreciation - Furniture and equipment	11,580	-	-	11,580
Net business-type activities capital assets	$ -	$ -	$ -	$ -

Depreciation expense was not charged to activities, as the Agency's assets to benefit multiple activities, and allocation is not practical.

Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

	Fund Due From				
Fund Due To	General Fund	Special Education Fund	Career Technical Education Fund	Enterprise Fund - Technology Fund	Total
General Fund	$ -	$ 570,272	$ 10,412	$ -	$ 580,684
Internal Service Fund	817,569	1,327,848	36,047	9,911	2,191,375
Enterprise fund - Technology Fund	249,378	-	-	-	249,378
Nonmajor governmental funds	400,000	1,000,000	-	-	1,400,000
Total	$ 1,466,947	$ 2,898,120	$ 46,459	$ 9,911	$ 4,421,437

Interfund balances represent routine and temporary cash flow assistance until amounts are transferred from fund investment accounts.

Interfund transfers reported in the fund financial statements are composed of the following:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	General Education Capital Projects Fund	$ 400,000
	Enterprise fund - Technology Fund	250,000
	Total General Fund	650,000
Special Education Fund	Special Education Capital Projects Fund	1,000,000
	Total	$ 1,650,000

Transfers from the General Fund to the General Education Capital Projects Fund and transfers from the Special Education Fund to the Special Education Capital Projects Fund are to provide funding for future capital projects. Transfers from the General Fund to the Technology Fund are to provide support for general operations.

Note 8 - Long-term Debt

Long-term debt activity for the year ended June 30, 2022 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Compensated absences	$ 763,652	$ 381,169	$ (346,486)	$ 798,335	$ 798,335
Early termination obligation	1,853,723	517,574	(179,923)	2,191,374	325,802
Total governmental activities long-term debt	$ 2,617,375	$ 898,743	$ (526,409)	$ 2,989,709	$ 1,124,137

Other Long-term Liabilities

The liability for compensated absences reported in the agency-wide financial statements consists of earned but unused accumulated vacation and sick leave benefits. A liability for retirement incentives reported in the agency-wide statements consists of payments due to individuals who were eligible and elected to accept the incentive offer. A liability for these amounts is reported in governmental funds as it comes due for payment. The compensated absences liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments at the normal retirement age and other employees who are expected to become eligible in the future to receive such payments upon normal retirement are included.

Note 9 - Risk Management

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

The shared-risk pool program in which the Agency participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 10 - Michigan Public School Employees' Retirement System

Plan Description

The Agency participates in the Michigan Public School Employees' Retirement System (the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the Agency. Certain agency employees also receive defined contribution retirement and health care benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment health care benefits to retirees and beneficiaries who elect to receive those benefits.

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment health care plans. That report is available on the web at http://www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan and the postemployment health care 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 pension plan and the postemployment health care plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced by 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member's date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits but with an actuarial reduction.

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS, with the balance deducted from the monthly pension of each retiree health care recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Contributions

Public Act 300 of 1980, as amended, required the Agency to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

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

The Agency's contributions are determined based on employee elections. There are multiple different pension and health care benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The ranges of rates are as follows:

	Pension	OPEB
October 1, 2020 - September 30, 2021	13.39% - 20.14%	7.57% - 8.43%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The Agency's required and actual pension contributions to the plan for the year ended June 30, 2022 were $11,671,990, which includes the Agency's contributions required for those members with a defined contribution benefit. The Agency's required and actual pension contributions include an allocation of $5,622,458 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2022.

Note 10 - Michigan Public School Employees' Retirement System (Continued)

The Agency's required and actual OPEB contributions to the plan for the year ended June 30, 2022 were $2,870,498, which includes the Agency's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2022, the Agency reported a liability of $81,278,962 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020, which used update procedures to roll forward the estimated liability to September 30, 2021. The Agency'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. At September 30, 2021 and 2020, the Agency's proportion was 0.343305 and 0.332752 percent, respectively, representing a change of 3.17 percent.

Net OPEB Liability

At June 30, 2022, the Agency reported a liability of $5,379,122 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2022 was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020, which used update procedures to roll forward the estimated liability to September 30, 2021. The Agency'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. At September 30, 2021 and 2020, the Agency's proportion was 0.352411 and 0.337569 percent, respectively, representing a change of 4.40 percent.

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

For 2022, the Agency recognized pension expense of $11,587,290, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2022, the Agency 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
Difference between expected and actual experience	$ 1,259,046	$ (478,636)
Changes in assumptions	5,123,535	-
Net difference between projected and actual earnings on pension plan investments	-	(26,130,925)
Changes in proportion and differences between the Agency's contributions and proportionate share of contributions	4,238,698	(120,986)
The Agency's contributions to the plan subsequent to the measurement date	9,795,397	-
Total	$ 20,416,676	$ (26,730,547)

Note 10 - Michigan Public School Employees' Retirement System (Continued)

The $5,622,458 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2023. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2023	$ (401,828)
2024	(3,394,145)
2025	(5,558,014)
2026	(6,755,281)
Total	$ (16,109,268)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

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

For the year ended June 30, 2022, the Agency recognized OPEB recovery of $2,303,735.

At June 30, 2022, the Agency 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
Difference between expected and actual experience	$ -	$ (15,354,320)
Changes in assumptions	4,496,679	(672,871)
Net difference between projected and actual earnings on OPEB plan investments	-	(4,054,341)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	1,987,320	(16,183)
Employer contributions to the plan subsequent to the measurement date	1,917,425	-
Total	$ 8,401,424	$ (20,097,715)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB recovery as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB recovery):

Years Ending	Amount
2023	$ (3,351,205)
2024	(3,172,668)
2025	(3,126,323)
2026	(2,931,131)
2027	(912,650)
Thereafter	(119,739)
Total	$ (13,613,716)

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2021 are based on the results of an actuarial valuation as of September 30, 2020 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00% - 6.80%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.95%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75%
Health care cost trend rate - OPEB	5.25% - 7.75%	Year 1 graded to 3.5% in year 15, 3.0% in year 120
Mortality basis		RP-2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP-2017 from 2006
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 2012 to 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2018 valuation.

Significant assumption changes since the prior measurement date, September 30, 2020, for the OPEB plan include an increase in the health care cost trend rate of 0.75 percentage points for members under 65 and a reduction from 7.0 percent to 5.25 percent for members over 65. There were no significant changes in assumptions for the pension actuarial valuation. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2020.

Significant assumption changes since the measurement date, September 30, 2021, for the pension and OPEB plan include a reduction of both plans' discount rates to 6.0 percent. The change increases the total plan's net pension liability by approximately $8.1 billion and the total plan's net OPEB liability by approximately $1.1 billion.

Discount Rate

The discount rate used to measure the total pension liability was 6.00 to 6.80 percent as of September 30, 2021 depending on the plan option. The discount rate used to measure the total OPEB liability was 6.95 percent as of September 30, 2021. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan’s fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

Note 10 - Michigan Public School Employees' Retirement System (Continued)

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	25.00 %	5.40 %
Private equity pools	16.00	9.10
International equity pools	15.00	7.50
Fixed-income pools	10.50	(0.70)
Real estate and infrastructure pools	10.00	5.40
Absolute return pools	9.00	2.60
Real return/opportunistic pools	12.50	6.10
Short-term investment pools	2.00	(1.30)
Total	100.00 %	

Long-term rates of return are net of administrative expense and inflation of 2.0 percent.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Agency, calculated using the discount rate depending on the plan option. The following also reflects what the Agency's 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:

	1 Percentage Point Decrease (5.00 - 5.80%)	Current Discount Rate (6.00 - 6.80%)	1 Percentage Point Increase (7.00 - 7.80%)
Net pension liability of the Agency	$ 116,206,873	$ 81,278,962	$ 52,321,433

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Agency, calculated using the current discount rate. It also reflects what the Agency's 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:

	1 Percentage Point Decrease (5.95%)	Current Discount Rate (6.95%)	1 Percentage Point Increase (7.95%)
Net OPEB liability of the Agency	$ 9,995,379	$ 5,379,122	$ 1,461,568

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability of the Agency, calculated using the current health care cost trend rate. It also reflects what the Agency's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease	Current Rate	1 Percentage Point Increase
Net OPEB liability of the Agency	$ 1,309,235	$ 5,379,122	$ 9,958,234

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the plan’s fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan

At June 30, 2022, the Agency reported a payable of $1,560,128 and $246,931 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2022.

Note 11 - Tax Abatements

The Agency receives reduced property tax revenue as a result of industrial facilities tax exemptions (PA 198 of 1974) and brownfield redevelopment agreements granted by cities, villages, and townships within the boundaries of the Agency. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities; brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2022, the Agency’s property tax revenue was reduced by approximately $2,900,000 under these programs.

The Agency is reimbursed for lost revenue caused by tax abatements on the operating millage of nonhomestead properties from the State of Michigan under the school aid formula. The Agency received approximately $1,250,000 in reimbursements from the State of Michigan. The Agency is not reimbursed for lost revenue from debt service millages. There are no abatements made by the Agency.

Required Supplemental Information

Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	$ 18,670,473	$ 19,559,517	$ 18,984,726	$ (574,791)
State sources	16,124,692	17,929,024	16,786,369	(1,142,655)
Federal sources	12,254,731	12,177,538	10,636,213	(1,541,325)
Interdistrict sources	7,448,356	7,549,648	7,512,725	(36,923)
Total revenue	54,498,252	57,215,727	53,920,033	(3,295,694)
Expenditures				
Current:				
Instruction:				
Basic programs	5,628,251	5,384,371	5,212,914	(171,457)
Added needs	294,070	392,081	386,121	(5,960)
Support services:				
Pupil	2,480,347	3,005,224	2,495,151	(510,073)
Instructional staff	4,659,176	5,551,756	4,403,173	(1,148,583)
General administration	475,010	486,729	453,486	(33,243)
School administration	510,353	443,187	444,076	889
Business	1,390,048	1,344,487	1,339,482	(5,005)
Operations and maintenance	1,231,131	1,204,554	836,457	(368,097)
Pupil transportation services	1,031,969	893,075	718,837	(174,238)
Central	9,624,017	9,856,760	9,370,718	(486,042)
Other supporting services	-	50,000	173,754	123,754
Community services	6,686,769	7,194,813	5,803,295	(1,391,518)
Intergovernmental transfers	20,105,425	20,869,449	20,950,877	81,428
Total expenditures	54,116,566	56,676,486	52,588,341	(4,088,145)
Other Financing Uses - Transfers out	-	(650,000)	(650,000)	-
Net Change in Fund Balance	381,686	(110,759)	681,692	792,451
Fund Balance - Beginning of year	8,400,984	8,400,984	8,400,984	-
Fund Balance - End of year	**$ 8,782,670**	**$ 8,290,225**	**$ 9,082,676**	**$ 792,451**

See notes to required supplemental information.

Required Supplemental Information
Budgetary Comparison Schedule - Special Education Fund

Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	$ 39,869,120	$ 40,647,769	$ 40,607,595	$ (40,174)
State sources	9,150,875	16,970,277	17,064,769	94,492
Federal sources	9,497,869	9,901,595	9,661,682	(239,913)
Total revenue	58,517,864	67,519,641	67,334,046	(185,595)
Expenditures				
Current:				
Instruction - Added needs	17,665,489	21,777,359	20,609,149	(1,168,210)
Support services:				
Pupil	7,608,605	8,083,822	7,882,313	(201,509)
Instructional staff	4,563,157	5,225,933	4,878,111	(347,822)
General administration	201,697	206,203	186,601	(19,602)
School administration	124,769	142,772	131,285	(11,487)
Business	514,182	523,024	489,239	(33,785)
Operations and maintenance	2,465,992	2,351,548	2,250,948	(100,600)
Pupil transportation services	535,000	535,000	270,052	(264,948)
Central	1,909,310	2,012,178	1,960,582	(51,596)
Community services	27,206	402,347	407,346	4,999
Intergovernmental transfers	25,179,581	24,577,324	24,575,157	(2,167)
Total expenditures	60,794,988	65,837,510	63,640,783	(2,196,727)
Other Financing Uses - Transfers out	-	(1,000,000)	(1,000,000)	-
Net Change in Fund Balance	(2,277,124)	682,131	2,693,263	2,011,132
Fund Balance - Beginning of year	5,563,165	5,563,165	5,563,165	-
Fund Balance - End of year	**$ 3,286,041**	**$ 6,245,296**	**$ 8,256,428**	**$ 2,011,132**

See notes to required supplemental information.

Required Supplemental Information
Budgetary Comparison Schedule - Career Technical Education Fund

Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	$ 8,509,335	$ 33,726,584	$ 33,437,514	$ (289,070)
State sources	-	228,065	228,065	-
Total revenue	8,509,335	33,954,649	33,665,579	(289,070)
Expenditures				
Current:				
Instruction - Added needs	5,000	20,000	3,140	(16,860)
Supporting services:				
Pupil	1,703,572	1,518,880	1,400,373	(118,507)
Instructional staff	441,704	736,849	579,034	(157,815)
General administration	68,076	69,881	66,275	(3,606)
School administration	188,427	193,607	159,836	(33,771)
Business	109,541	117,006	113,150	(3,856)
Operations and maintenance	91,529	2,139,835	1,655,602	(484,233)
Pupil transportation services	55,701	58,625	51,365	(7,260)
Central	383,552	483,525	446,376	(37,149)
Total expenditures	3,047,102	5,338,208	4,475,151	(863,057)
Net Change in Fund Balance	5,462,233	28,616,441	29,190,428	573,987
Fund Balance - Beginning of year	5,832,671	5,832,671	5,832,671	-
Fund Balance - End of year	**$ 11,294,904**	**$ 34,449,112**	**$ 35,023,099**	**$ 573,987**

See notes to required supplemental information.

Required Supplemental Information
Schedule of the Agency's Proportionate Share of the Net Pension Liability
Michigan Public School Employees' Retirement System

Last Eight Plan Years

Plan Years Ended September 30

	2021	2020	2019	2018	2017	2016	2015	2014
Agency's proportion of the net pension liability	0.34331 %	0.33275 %	0.33008 %	0.31828 %	0.30456 %	0.29347 %	0.28589 %	0.26398 %
Agency's proportionate share of the net pension liability	$ 81,278,962	$ 114,304,004	$ 109,311,961	$ 95,681,471	$ 78,923,572	$ 73,217,461	$ 69,827,793	$ 58,145,605
Agency's covered payroll	$ 32,270,753	$ 30,147,104	$ 29,324,674	$ 28,214,648	$ 25,949,644	$ 25,305,032	$ 24,133,670	$ 21,982,381
Agency's proportionate share of the net pension liability as a percentage of its covered payroll	251.87 %	379.15 %	372.76 %	339.12 %	304.14 %	289.34 %	289.34 %	264.51 %
Plan fiduciary net position as a percentage of total pension liability	72.32 %	59.49 %	60.08 %	62.12 %	63.96 %	63.01 %	62.92 %	66.20 %

See notes to required supplemental information.

Required Supplemental Information
Schedule of Pension Contributions
Michigan Public School Employees' Retirement System

Last Eight Fiscal Years

Years Ended June 30

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 11,194,607	$ 10,339,620	$ 9,180,243	$ 8,805,283	$ 8,196,468	$ 7,281,956	$ 6,836,654	$ 5,065,624
Contributions in relation to the statutorily required contribution	11,194,607	10,339,620	9,180,243	8,805,283	8,196,468	7,281,956	6,836,654	5,065,624
Contribution Deficiency	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Agency's Covered Payroll	$ 33,488,329	$ 31,675,281	$ 29,663,964	$ 29,319,604	$ 27,733,502	$ 26,591,414	$ 24,983,413	$ 23,143,913
Contributions as a Percentage of Covered Payroll	33.43 %	32.64 %	30.95 %	30.03 %	29.55 %	27.38 %	27.36 %	21.89 %

See notes to required supplemental information.

Required Supplemental Information
Schedule of the Agency's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees' Retirement System

Last Five Plan Years

Plan Years Ended September 30

	2021	2020	2019	2018	2017
Agency's proportion of the net OPEB liability	0.35241 %	0.33757 %	0.33387 %	0.33023 %	0.03523 %
Agency's proportionate share of the net OPEB liability	$ 5,379,122	$ 18,084,471	$ 23,964,555	$ 26,249,928	$ 27,029,254
Agency's covered payroll	$ 32,270,753	$ 30,147,104	$ 29,324,674	$ 28,214,648	$ 25,949,644
Agency's proportionate share of the net OPEB liability as a percentage of its covered payroll	16.67 %	59.99 %	81.72 %	93.04 %	104.16 %
Plan fiduciary net position as a percentage of total OPEB liability	88.87 %	59.76 %	48.67 %	43.10 %	36.53 %

See notes to required supplemental information.

Required Supplemental Information
Schedule of OPEB Contributions
Michigan Public School Employees' Retirement System

Last Five Fiscal Years

Years Ended June 30

	2022	2021	2020	2019	2018
Statutorily required contribution	$ 2,590,791	$ 2,604,025	$ 2,372,287	$ 2,293,313	$ 2,003,115
Contributions in relation to the statutorily required contribution	2,590,791	2,604,025	2,372,287	2,293,313	2,003,115
Contribution Deficiency	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Agency's Covered Payroll	$ 33,488,329	$ 31,675,281	$ 29,663,964	$ 29,319,604	$ 27,733,502
Contributions as a Percentage of Covered Payroll	7.74 %	8.22 %	8.00 %	7.82 %	7.22 %

See notes to required supplemental information.

Pension Information

Ultimately, 10 years of data will be presented in both of the pension-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of benefit assumptions for each of the reported plan years ended September 30 except for the following:

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.

- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

OPEB Information

Ultimately, 10 years of data will be presented in both of the OPEB-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of benefit assumptions for each of the reported plan years ended September 30 except for the following:

- 2021 - The health care cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit cost was lower than projected. This reduced the plan's total OPEB liability by $1.3 billion in 2021.

- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.5 percentage points. This, in addition to actual per person health benefit cost being lower than projected, reduced the plan's total OPEB liability by an additional $1.8 billion in 2020.

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2019 to 2017. This resulted in a lower than projected per person health benefit cost to reduce the plan's total OPEB liability by an additional $1.4 billion in 2019.

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2019 to 2017. This resulted in a lower than projected per person health benefit cost to reduce the plan's total OPEB liability by $1.4 billion in 2018.

Other Supplemental Information

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2022

		Capital Projects Funds		
	Debt Service Fund	General Education Capital Projects Fund	Special Education Capital Projects Fund	Total
Assets				
Cash and investments	$ -	$ 1,598,174	$ 1,674,667	$ 3,272,841
Due from other funds	-	400,000	1,000,000	1,400,000
Restricted assets	477,160	-	-	477,160
Total assets	**$ 477,160**	**$ 1,998,174**	**$ 2,674,667**	**$ 5,150,001**
Fund Balances				
Restricted - Debt service	$ 477,160	$ -	$ -	$ 477,160
Committed:				
Capital projects	-	-	2,674,667	2,674,667
Building operating budgets	-	1,998,174	-	1,998,174
Total fund balances	477,160	1,998,174	2,674,667	5,150,001
Total liabilities and fund balances	**$ 477,160**	**$ 1,998,174**	**$ 2,674,667**	**$ 5,150,001**

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

Year Ended June 30, 2022

		Capital Projects Funds		
	Debt Service Fund	General Education Capital Projects Fund	Special Education Capital Projects Fund	Total
Revenue - Local sources	$ 124,458	$ 3,287	$ 3,427	$ 131,172
Expenditures				
Debt service - Other debt costs	333	-	-	333
Capital outlay	-	5,423	126,702	132,125
Total expenditures	333	5,423	126,702	132,458
Excess of Revenue Over (Under) Expenditures	124,125	(2,136)	(123,275)	(1,286)
Other Financing Sources - Transfer in	-	400,000	1,000,000	1,400,000
Net Change in Fund Balances	124,125	397,864	876,725	1,398,714
Fund Balances - Beginning of year	353,035	1,600,310	1,797,942	3,751,287
Fund Balances - End of year	**$ 477,160**	**$ 1,998,174**	**$ 2,674,667**	**$ 5,150,001**