Buchanan Community Schools

FINANCIAL REPORT

WITH SUPPLEMENTARY INFORMATION

June 30, 2024

Kruggel Lawton CPA

St. Joseph, MI

**BUCHANAN COMMUNITY SCHOOLS**
**Buchanan, Michigan**
**June 30, 2024**

## BOARD OF EDUCATION



## SUPERINTENDENT

**BUCHANAN COMMUNITY SCHOOLS**
**Buchanan, Michigan**
**June 30, 2024**

**Independent Auditor's Report**

To the Board of Education of
Buchanan Community Schools
Berrien County, Michigan

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buchanan Community Schools ("the District"), as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprises the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2024 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

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

***Responsibilities of Management for the Financial Statements***

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

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

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

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

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

***Required Supplementary Information***

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

***Supplementary Information***

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,

Kruggel, Lawton & Company, LLC

Certified Public Accountants

St. Joseph, Michigan
October 21, 2024

Buchanan Community Schools, (the "District") a K-12 School District located in Berrien County, Michigan, follows the provisions of Governmental Accounting Standards Board Statement No. 34 ("GASB 34") with the enclosed financial statements. The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be discussion and analysis of the financial results, for the fiscal year ended June 30, 2024, of the management of the District.

Generally accepted accounting principles in the United States of America ("GAAP") and GASB 34 requires the reporting of two types of financial statements: Fund Financial Statements and District-wide Financial Statements.

**Fund Financial Statements**

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Capital Projects Funds, Debt Service Funds, Student Activities Fund and the Food Service Fund.

In the fund financial statements, capital assets purchased with cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

**District-Wide Financial Statements**

The District-wide financial statements are full accrual basis statements. They report all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both short and long-term, regardless of whether they are "currently available" or not. Capital assets and long-term obligations of the District are reported in the Statement of Net Position of the District-wide Financial Statements.

**Summary of Net Position**

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

| | June 30, 2024 | June 30, 2023 |
|---|---|---|
| **Assets** | | |
| Current assets | $ 10,399,538 | $ 8,877,662 |
| Noncurrent assets | 22,940,722 | 21,509,516 |
| **Total Assets** | $ 33,340,260 | $ 30,387,178 |
| **Deferred Outflows of Resources** | $ 9,936,573 | $ 12,827,279 |
| **Liabilities** | | |
| Current liabilities | $ 2,917,276 | $ 2,467,546 |
| Long-term liabilities | 36,545,075 | 44,252,595 |
| **Total Liabilities** | $ 39,462,351 | $ 46,720,141 |
| **Deferred Inflows of Resources** | $ 8,248,443 | $ 6,170,699 |
| **Net Position (Deficit)** | | |
| Net investment in capital assets | $ 13,075,175 | $ 11,089,159 |
| Restricted | 1,964,882 | 1,185,036 |
| Unrestricted | (19,474,018) | (21,950,578) |
| **Total Net Position (Deficit)** | $ (4,433,961) | $ (9,676,383) |

**Analysis of Financial Position**

During the fiscal year ended June 30, 2024, the District's net position increased by $5,242,422. Some items have been reclassified to match current year presentation. A few of the significant factors affecting net position during the year are discussed below:

A. General Fund Operations

The District's revenues exceeded its expenditures in the General Fund by $895,035 for the fiscal year ended June 30, 2024. See the section entitled Results of Operations, below, for further discussion of General Fund operations.

B. Long-Term Debt Analysis

The District's long-term debt consists of:

| | Beginning Balance | Principal Additions | Principal Payments | Ending Balance |
|---|---|---|---|---|
| 2013 Building and Site Bonds | $ 10,560,000 | $ - | $ (950,000) | $ 9,610,000 |
| Building and Site Loan | 127,684 | - | (63,288) | 64,396 |
| Blue Bird Bus Lease | 147,729 | - | (38,946) | 108,783 |
| Santander Bus Lease | 100,404 | - | (24,360) | 76,044 |
| Total | $ 10,935,817 | $ - | $ (1,076,594) | $ 9,859,223 |

C. Capital Assets

The District's net capital assets increased by $960,968 during the current fiscal year. The net activity for capital assets for the year is summarized in the following table:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|
| Capital assets | $ 38,015,272 | $1,980,765 | $ - | $ 39,996,037 |
| Less: accumulated depreciation/amortization | (16,505,756) | (1,019,797) | - | (17,525,553) |
| Net investment capital assets | $ 21,509,516 | | | $ 22,470,484 |

This year, the District's additions of $1,980,765 in capital assets were primarily comprised of building improvements, buses, kitchen equipment, and office equipment.

**Results of Operations**

The District-wide results of operations for the fiscal years ended June 30th are summarized in the table below:

| | 2024 | 2023 |
|---|---|---|
| **Revenues:** | | |
| Programs Revenues: | | |
| Charges for services | $ 59,642 | $ 228,510 |
| Operating grants and contributions | 9,996,670 | 6,474,604 |
| Capital grants and contributions | 1,715 | 1,084 |
| General Revenues: | | |
| Current property taxes | 4,318,237 | 4,536,543 |
| State school aid - unrestricted | 12,119,141 | 11,437,706 |
| Other general revenues | 221,198 | 294,167 |
| Total Revenues | $ 26,716,603 | $ 22,972,614 |
| **Functions/Program Expenses:** | | |
| Instruction | $ 12,433,698 | $ 13,407,822 |
| Support services | 6,004,608 | 6,344,308 |
| Community services | 10,829 | 68,498 |
| Food services | 1,362,364 | 1,081,404 |
| Student activities | 442,295 | 408,521 |
| Interest on long-term debt | 200,590 | 248,475 |
| Depreciation/amortization (unallocated) | 1,019,797 | 954,370 |
| Total Expenses | $ 21,474,181 | $ 22,513,398 |
| **Change in Net Position** | $ 5,242,422 | $ 459,216 |
| **Beginning Net Position (Deficit)** | $ (9,676,383) | $ (10,135,599) |
| **Ending Net Position (Deficit)** | $ (4,433,961) | $ (9,676,383) |

**State of Michigan Unrestricted Aid (Net State Foundation Grant)**

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

1. State of Michigan State Aid Act per student foundation allowance,
2. Student Enrollment - Blended at 90 percent of current year fall count and 10 percent of prior year winter count, and
3. The District's non-homestead levy.

**Per Student Foundation Allowance**

Annually, the State of Michigan sets the per student foundation allowance. The District's net foundation allowance for the fiscal year 2024 was $9,608 per student. This amount increased by $458 from the District's 2023 net foundation allowance of $9,150 per student.

**Student Enrollment**

The District's student enrollment for the current fiscal year was 1,551 students. The District's enrollment increased from the prior year count by 6 students. The following summarizes student enrollments in the past five years:

| Fiscal Year | Student FTE | FTE Change from Prior Year |
|---|---|---|
| 2023-24 | 1,551 | 6 |
| 2022-23 | 1,545 | 26 |
| 2021-22 | 1,519 | (54) |
| 2020-21 | 1,573 | (1) |
| 2019-20 | 1,574 | (2) |

**Property Taxes Collected for General Operations (General Fund Non-Homestead Taxes)**

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value. The District's non-homestead property levy for the current fiscal year was $152,719,907.

The following summarizes the District's non-homestead property tax collected over the past five years:

| Fiscal Year | Non-Homestead Tax Levy | % Change from Prior Year |
|---|---|---|
| 2023-24 | $ 2,779,623 | 4.72% |
| 2022-23 | 2,654,286 | 6.81% |
| 2021-22 | 2,484,947 | 5.42% |
| 2020-21 | 2,357,137 | 1.30% |
| 2019-20 | 2,326,898 | 2.05% |

**Debt Fund Property**

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead.

For the current year, the District's debt millage levy was 2.4 mills for 2013 debt, which generated a total levy of $1,156,590.

**Property Taxes Collected for General Operations (General Fund Non-Homestead Taxes) (Concluded)**

**Building & Site Capital Project Sinking Bond Fund**

The District's Building & Site Fund levy, which is used to pay the principal and interest on note obligations, is based on the taxable valuation of all properties: homestead and non-homestead.

For the current year, the District's debt millage levy was 0.8 mills for Building & Site loan, which generated a total levy of $382,024.

**Food Sales to Students & Adults (School Lunch Program)**

Overall, the District's lunch and milk sales showed an decrease over the last year of approximately $162,568. This is directly related to the increase in federal and state sources due to students receiving free school lunch during the year.

The expenditures from Food Service operations exceeded total revenues for the year by $160,706.

**General Fund Expenditures (Excluding Transfers) Budget vs. Actual Five Year History**

| | Expenditures Preliminary Budget | Expenditures Final Budget | Expenditures Final Audit | Variance Audit vs. Prelim. Budget | Variance Audit vs Final Budget |
|---|---|---|---|---|---|
| 2023-24 | $ 19,708,276 | $ 23,025,195 | $ 22,613,566 | 14.74% | -1.79% |
| 2022-23 | 17,895,934 | 19,841,668 | 19,769,034 | 10.47% | -0.37% |
| 2021-22 | 19,032,497 | 20,377,896 | 18,789,729 | -1.28% | -7.79% |
| 2020-21 | 16,017,676 | 17,569,719 | 17,092,842 | 6.71% | -2.71% |
| 2019-20 | 16,683,472 | 13,600,135 | 15,691,894 | -5.94% | 15.38% |
| Five Year Average Actual Over (Under) Budget | | | | 4.9% | 0.5% |

**General Fund Revenues (Excluding Transfers) Budget vs. Actual Five Year History**

| | Revenue Preliminary Budget | Revenue Final Budget | Revenue Final Audit | Variance Audit vs. Prelim. Budget | Variance Audit vs Final Budget |
|---|---|---|---|---|---|
| 2023-24 | $ 19,438,493 | $ 23,337,888 | $ 23,508,601 | 20.94% | 0.73% |
| 2022-23 | 17,814,930 | 19,819,139 | 19,762,226 | 10.93% | -0.29% |
| 2021-22 | 18,640,755 | 20,265,409 | 18,917,162 | 1.48% | -6.65% |
| 2020-21 | 15,167,046 | 17,381,267 | 17,201,839 | 13.42% | -1.03% |
| 2019-20 | 16,245,731 | 16,638,178 | 16,148,281 | -0.60% | -2.94% |
| Five Year Average Actual Over (Under) Budget | | | | 9.2% | -2.0% |

**Original vs. Final Budget**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, the District amends its budget during the school year. For fiscal year ending June 30, 2024, the budget was created in June of 2023. The June 2024 budget amendment was the final budget for the fiscal year.

| Change from Original Budget: | | |
|---|---|---|
| General Fund Revenues: | | |
| Total Revenues Original Budget: | $ 19,438,493 | 100.00% |
| Total Revenues Final Amended Budget: | 23,337,888 | 120.06% |
| | $ 3,899,395 | 20.06% |

The final revenue budget reflects the following changes from the original budget:

- The District's amended budget had more state aid, federal sources, interdistrict revenues than what was originally budgeted for.

| Change from Original Budget: | | |
|---|---|---|
| General Fund Expenditures: | | |
| Total Expenditures Original Budget: | $ 19,708,276 | 100.00% |
| Total Expenditures Final Amended Budget: | 23,025,195 | 116.83% |
| | $ 3,316,919 | 16.83% |

The final expenditures budget reflects the following changes from the original budget:

- The District's amended budget had an increase in salaries and positions in instruction, pupil services, and support services due to the District purchase buses and equipment for school operations.

**General Fund Balance as a Percent of Expenditures Five Year History**

| | Fund Balance | Change | Total Expenditures | Fund Balance as a Percentage of Expenditures | Months of Operation |
|---|---|---|---|---|---|
| 2023-2024 | $ 5,203,193 | $ 895,035 | $ 22,613,566 | 23.01% | 2.76 |
| 2022-2023 | 4,308,158 | (6,808) | 19,769,034 | 21.79% | 2.62 |
| 2021-2022 | 4,314,966 | 127,433 | 18,789,729 | 22.96% | 2.76 |
| 2020-2021 | 4,187,533 | 177,356 | 17,092,842 | 24.50% | 2.94 |
| 2019-2020 | 4,010,177 | 520,687 | 15,691,894 | 25.56% | 3.07 |

**Factors Bearing on the District's Future**

We are pleased to convey several significant updates and advancements within Buchanan Community Schools. Our dedication to providing an exceptional educational experience for our students drives our continuous efforts to enhance our facilities, improve operational efficiency, and ensure the well-being of our school community.

**Factors Bearing on the District's Future (Continued)**

**New Initiatives and Improvements**
- Academic: Implemented and updated, evidence-based curriculum and instructional math resources across all grade levels, enhancing student engagement and academic outcomes.
- Opening of a Third GSRP Classroom: We are delighted to announce the addition of a third Great Start Readiness Program (GSRP) classroom. This expansion enables us to serve more young learners and lay a strong educational foundation for their future.
- Business Office Efficiency: To enhance efficiency in our business operations, we have successfully transitioned accounts payable in-house. This strategic change is anticipated to streamline our processes and strengthen our financial management.
- Completion of Ottawa Elementary Air Quality Project: We have completed the air quality improvement project at Ottawa Elementary, ensuring a healthier and more conducive learning environment for our students and staff.
- Finalization of Employment Contracts: We are proud to have finalized all employment contracts, providing stability and clarity for our valued employees.
- Hiring of a Nurse: We are pleased to welcome a dedicated nurse to our team, underscoring our commitment to the health and well-being of our students.
- Enhancements to CTE Programs: Over $75,000 has been invested in capital purchases aimed at enhancing our Career and Technical Education (CTE) programs, equipping our students with improved resources and opportunities for success.
- Security Enhancements: We have invested over $150,000 in security improvements, including new district radios, replacement doors, security cameras, and bus cameras. These upgrades are part of our ongoing commitment to ensuring the safety of our students, staff, and visitors.
- Transportation Improvements: To enhance our transportation services, we have purchased two new buses, ensuring safe and comfortable travel for our students.

**Student Count and Financial Health**
- Steady Student Count: We are proud to report that our student count has remained steady, reflecting the trust and confidence our community places in Buchanan Community Schools.
- Buchanan Promise: We are incredibly fortunate to have the Buchanan Promise, which provides post-secondary scholarships to our students. This invaluable program opens doors to higher education and future opportunities for our graduates.
- Fiscal Health: Buchanan Community Schools continues to maintain fiscal health, reflecting our dedication to responsible financial management and the sustainability of our educational programs and services.
- Utilization of Grant Revenues: We have effectively utilized grant revenues to alleviate the burden on the general fund, allowing us to allocate resources more efficiently and support our various initiatives
- Further, we are excited to announce the establishment of the Buchanan Schools Foundation. This foundation will play a pivotal role in supporting educational initiatives, providing additional resources, and enhancing opportunities for our students and staff.

We take pride in the progress we have made and remain committed to continually improving the educational experience for our students. Thank you for your ongoing support and trust in Buchanan Community Schools.

**Contacting the District's Financial Management**

The financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, please contact the Business Office at Buchanan Community Schools.

# STATEMENT OF NET POSITION (DEFICIT)
JUNE 30, 2024

| | | Governmental Activities |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ | 6,595,327 |
| Due from other governmental units | | 3,787,731 |
| Inventories | | 16,480 |
| Capital assets, not being depreciated/amortized | | 342,200 |
| Capital assets, net of accumulated depreciated/amortized | | 22,128,284 |
| Net OPEB asset | | 470,238 |
| Total Assets | $ | 33,340,260 |
| **Deferred Outflows of Resources** | | |
| Deferred outflows of resources related to pensions | $ | 8,058,424 |
| Deferred outflows of resources related to OPEB | | 1,878,149 |
| Total Deferred Outflows of Resources | $ | 9,936,573 |
| **Liabilities** | | |
| Accounts payable | $ | 594,251 |
| Accrued payroll and other liabilities | | 1,642,615 |
| Unearned revenue | | 616,343 |
| Accrued interest | | 64,067 |
| Noncurrent Liabilities: | | |
| Bonds payable, net of premium and discount, due within one year | | 1,009,282 |
| Notes payable, due within one year | | 64,396 |
| Capital lease payable, due within one year | | 67,084 |
| Bonds payable, net of premium and discount, due in more than one year | | 8,136,804 |
| Capital lease payable, due in more than one year | | 117,743 |
| Net pension liability | | 27,094,650 |
| Compensated absences | | 55,116 |
| Total Liabilities | $ | 39,462,351 |
| **Deferred Inflows of Resources** | | |
| Deferred inflows of resources related to pensions | $ | 4,424,409 |
| Deferred inflows of resources related to OPEB | | 3,824,034 |
| Total Deferred Inflows of Resources | $ | 8,248,443 |
| **Net Position** | | |
| Net investment in capital assets | $ | 13,075,175 |
| Restricted for: | | |
| Debt service | | 277,690 |
| Capital projects | | 1,216,954 |
| Net OPEB asset | | 470,238 |
| Unrestricted | | (19,474,018) |
| **Total Net Position (Deficit)** | $ | (4,433,961) |

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

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

| | Expenses | Charges for Services | Operating Grants/ Contributions | Capital Grants/ Contributions | Net (Expense) Revenue and Changes in Net Position |
|---|---|---|---|---|---|
| **Functions/Programs** | | | | | |
| Primary government - | | | | | |
| Governmental activities: | | | | | |
| Instruction | $ 12,433,698 | $ - | $ 8,324,040 | $ - | $ (4,109,658) |
| Support services | 6,004,608 | - | 66,772 | 1,715 | (5,936,121) |
| Community services | 10,829 | - | - | - | (10,829) |
| Student activities | 442,295 | - | 454,004 | - | 11,709 |
| Food services | 1,362,364 | 59,642 | 1,151,854 | - | (150,868) |
| Interest on long-term debt | 200,590 | - | - | - | (200,590) |
| Depreciation/amortization (unallocated) | 1,019,797 | - | - | - | (1,019,797) |
| | $ 21,474,181 | $ 59,642 | $ 9,996,670 | $ 1,715 | $ (11,416,154) |

| | |
|---|---|
| General revenues: | |
| Taxes: | |
| Property taxes, levied for general purposes | $ 2,779,623 |
| Property taxes, levied for debt purposes | 1,156,590 |
| Property taxes, levied for sinking funds | 382,024 |
| State aid not restricted to specific purposes | 12,119,141 |
| Interest | 101,857 |
| Other | 119,341 |
| Total general revenues | $ 16,658,576 |
| **Change in Net Position** | $ 5,242,422 |
| **Net Position (Deficit) - beginning of year** | (9,676,383) |
| **Net Position (Deficit) - end of year** | $ (4,433,961) |

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2024

| | Major Fund | Nonmajor Funds | | | | |
|---|---|---|---|---|---|---|
| | General Fund | Building & Site Capital Projects Fund | Food Service Fund | Student Activities Fund | 2013 Building & Site Bonds Debt Retirement Fund | Total |
| **Assets** | | | | | | |
| Cash and cash equivalents | $ 5,133,709 | $ 485,630 | $ 399,016 | $ 566,944 | $ 10,028 | $ 6,595,327 |
| Due from other governmental units | 3,787,731 | - | - | - | - | 3,787,731 |
| Due from other governmental funds | 227,180 | 738,424 | 157,027 | - | 267,662 | 1,390,293 |
| Inventories | - | - | 16,480 | - | - | 16,480 |
| **Total Assets** | $ 9,148,620 | $ 1,224,054 | $ 572,523 | $ 566,944 | $ 277,690 | $ 11,789,831 |
| **Liabilities** | | | | | | |
| Accounts payable | $ 533,636 | $ 7,100 | $ 53,515 | $ - | $ - | $ 594,251 |
| Accrued salaries and withholdings | 1,642,615 | - | - | - | - | 1,642,615 |
| Unearned revenue | 606,063 | - | 10,280 | - | - | 616,343 |
| Due to other governmental funds | 1,163,113 | - | 72,713 | 154,467 | - | 1,390,293 |
| **Total Liabilities** | $ 3,945,427 | $ 7,100 | $ 136,508 | $ 154,467 | $ - | $ 4,243,502 |
| **Fund Balances** | | | | | | |
| Non-spendable: | | | | | | |
| Inventories | $ - | $ - | $ 16,480 | $ - | $ - | $ 16,480 |
| Restricted: | | | | | | |
| Capital projects | - | 1,216,954 | - | - | - | 1,216,954 |
| Debt retirement | - | - | - | - | 277,690 | 277,690 |
| Food service | - | - | 419,535 | - | - | 419,535 |
| Committed: | | | | | | |
| Student activities | - | - | - | 412,477 | - | 412,477 |
| Assigned for 2024-2025 budgeted deficit | 828,580 | - | - | - | - | 828,580 |
| Unassigned | 4,374,613 | - | - | - | - | 4,374,613 |
| **Total Fund Balances** | $ 5,203,193 | $ 1,216,954 | $ 436,015 | $ 412,477 | $ 277,690 | $ 7,546,329 |
| **Total Liabilities and Fund Balances** | $ 9,148,620 | $ 1,224,054 | $ 572,523 | $ 566,944 | $ 277,690 | $ 11,789,831 |

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

| | |
|---|---|
| **Total Fund Balances - Governmental Funds** | $ 7,546,329 |
| 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 the capital assets | 39,996,037 |
| Accumulated depreciation/ amortization | (17,525,553) |
| Deferred outflows of resources related to: | |
| Pension | 8,058,424 |
| OPEB | 1,878,149 |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds: | |
| Bonds and notes payable (including premiums and refunding) | (9,146,086) |
| Notes payable | (64,396) |
| Compensated absences | (55,116) |
| Capital leases payable | (184,827) |
| Net pension liability | (27,094,650) |
| Net OPEB asset | 470,238 |
| Deferred inflows of resources related to differences between expected and actual experience and changes in proportion and differences between employer contributions and proportionate share of: | |
| Pension | (4,424,409) |
| OPEB | (3,824,034) |
| Accrued interest payable is not included as a liability in the funds | (64,067) |
| **Total Net Position - Governmental Activities** | $ (4,433,961) |

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2024

| | Major Fund | Nonmajor Funds | | | | |
|---|---|---|---|---|---|---|
| | General Fund | Building & Site Capital Projects Fund | Food Service Fund | Student Activities Fund | 2013 Building & Site Bonds Debt Retirement Fund | Total |
| **Revenues** | | | | | | |
| Property taxes | $ 2,779,623 | $ 382,024 | $ - | $ - | $ 1,156,590 | $ 4,318,237 |
| Local sources | 186,113 | - | 59,642 | 454,004 | 1,715 | 701,474 |
| State sources | 17,519,026 | - | 321,649 | - | - | 17,840,675 |
| Federal sources | 2,307,166 | - | 830,205 | - | - | 3,137,371 |
| Interdistrict sources | 616,989 | - | - | - | - | 616,989 |
| Interest | 99,684 | - | 1,135 | - | 1,038 | 101,857 |
| **Total Revenues** | $ 23,508,601 | $ 382,024 | $ 1,212,631 | $ 454,004 | $ 1,159,343 | $ 26,716,603 |
| **Expenditures** | | | | | | |
| Instruction | $ 12,703,283 | $ - | $ - | $ - | $ - | $ 12,703,283 |
| Pupil services | 1,274,352 | - | - | - | - | 1,274,352 |
| Support services | 8,600,704 | - | 1,373,337 | 442,295 | 400 | 10,416,736 |
| Community services | 35,227 | - | - | - | - | 35,227 |
| Debt service | | | | | | |
| Principal | - | 63,306 | - | - | 950,000 | 1,013,306 |
| Interest | - | 2,217 | - | - | 163,327 | 165,544 |
| Capital outlay | - | 52,509 | - | - | - | 52,509 |
| **Total Expenditures** | $ 22,613,566 | $ 118,032 | $ 1,373,337 | $ 442,295 | $ 1,113,727 | $ 25,660,957 |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | $ 895,035 | $ 263,992 | $ (160,706) | $ 11,709 | $ 45,616 | $ 1,055,646 |
| **Net Change in Fund Balances** | $ 895,035 | $ 263,992 | $ (160,706) | $ 11,709 | $ 45,616 | $ 1,055,646 |
| **Fund Balances** - Beginning of year | 4,308,158 | 952,962 | 596,721 | 400,768 | 232,074 | 6,490,683 |
| **Fund Balances** - End of year | $ 5,203,193 | $ 1,216,954 | $ 436,015 | $ 412,477 | $ 277,690 | $ 7,546,329 |

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

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

| | | |
|---|---|---|
| **Net Change in Fund Balances - Total Governmental Funds** | | $ 1,055,646 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Governmental funds report capital outlays as expenditures; in the Statement of Activities, these cost are allocated over their estimated useful lives as depreciation/amortization. | | |
| Depreciation/amortization expense | $ (1,019,797) | |
| Capital outlay | 1,980,765 | |
| Total | | 960,968 |
| Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid | | 16,500 |
| The issuance of long-term debt provides current financial resources to | | |
| Bond payments | | 950,000 |
| Bond premium | | (55,414) |
| Bond discount | | 3,868 |
| Note payments | | 63,288 |
| Capital lease payments | | 63,306 |
| Change in benefit expense related to pensions | | 654,717 |
| Change in benefit expense related to OPEB | | 1,528,878 |
| Change in the liability for compensated absences is not reported in the governmental funds. | | 665 |
| **Change in Net Position of Governmental Activities** | | $ 5,242,422 |

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### Reporting Entity

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

### District-wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

District-wide Statements — The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of inter-fund activity has been eliminated from the district-wide financial statements.

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

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

The District reports the following major governmental fund:

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

*Additionally, the District reports the following fund types:*

**Capital Project Fund** is a capital project fund and is used to account for and report financial resources that are restricted to expenditures for capital outlays related to the sinking fund. As of June 30, 2024, the non-major capital projects funds maintained by the District is the Building and Site Capital Projects Fund.

**Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. As of June 30, 2024, the special revenue funds that are maintained by the District are the Food Service Fund and Student Activities Fund.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Debt Service Funds** are used to account for and report financial resources that are restricted for principal and interest. As of June 30, 2024, the non-major debt service fund that is maintained by the District is the 2013 Building & Site Bonds Debt Retirement Fund.

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

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

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

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. For the District's taxpayers, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1. The final collection date is February 28, after which uncollected taxes are added to the Berrien County delinquent tax rolls.

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

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

**Inventories –** Inventories are valued at cost, on a first-in, first-out ("FIFO") basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture Commodities inventory received by the Food Service Fund are recorded as inventory.

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

| | |
|---|---|
| Building and additions | 20 - 50 years |
| Buses and other vehicles | 5 -10 years |
| Furniture and other equipment | 5 - 20 years |
| Land improvements | 10 - 20 years |
| Right of use - leased vehicles | 5 - 10 years |

**Deferred Outflows of Resources –** In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two that qualify for reporting in this category. The District's deferred outflows of resource are amounts related to the pension plan and other post-employment benefits ("OPEB").

**Compensated Absences –** The liability for compensated absences, if any, reported in the District-wide statements consists of unpaid, accumulated sick pay. The liability has been calculated using the vesting method, in which unused sick time amounts for employees who are currently eligible to receive termination payments is included.

**Long-Term Obligations –** In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year of issuance.

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

**Fund Equity –** The District has adopted GASB Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The following are the District's fund balance classifications:

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

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

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

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

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Leases/Software-Based Information Technology Arrangement ("SBITA") -** The District is a lessee for two noncancelable leases of buses. The District recognizes a lease/SBITA liability and an intangible right-of-use lease/SBITA asset in the government-wide financial statements. The District recognizes lease/SBITA liabilities with an initial, individual value of $25,000 or more.

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

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

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

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

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

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)**

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

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

**Estimates –** The process of preparing financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of financial statements and the reported amount of expenditures during the reporting period. Actual results may differ from those estimates.

**Pension and OPEB Plans–** For the purposes of measuring the net pension liability and net OPEB asset, 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. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. For this purpose, benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information –** Annual budgets are adopted on a basis consistent with GAAP and State law for the general and major special revenue funds. All annual appropriations lapse at fiscal year-end. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the District to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of State law. State law permits districts to amend its budgets during the year. There were amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as assignments of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year-end; the commitments will be re-appropriated and honored during the subsequent year. There were no encumbrances at year-end.

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONCLUDED)**

**Net Position Deficit –** As of June 30, 2024, the Government-wide Statement of Net Position had a cumulative net position deficit of $5,643,082

**NOTE 3. SINKING FUND**

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

**NOTE 4. CASH AND CASH EQUIVALENTS**

**Bank Deposits:**

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

**Custodial Credit Risk – Deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2024, $6,310,350 of the District's bank balance of $6,810,350 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

**Credit Risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). The District's money market funds are unrated.

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

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

**NOTE 5. INTERFUND ACTIVITIES**

The composition of interfund balances is as follows:

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| General Fund | Student Activities Fund | $ 154,467 |
| General Fund | Food Service Fund | 72,713 |
| Food Service Fund | General Fund | 157,027 |
| 2013 Building & Site Bonds Debt Retirement Fund | General Fund | 267,662 |
| Building & Site Capital Projects Fund | General Fund | 738,424 |
| | Total | $ 1,390,293 |

Description of due to/from other governmental funds:

1) The Student Activities Fund owes the General Fund for expenses paid by the General Fund.
2) The Food Service Fund owes the General Fund for expenses paid by the General Fund during the year.
3) The General Fund owes the Food Service Fund for revenue collected by the General Fund that related to Food Service Fund and operating expenses for the year.
4) The General Fund owes the 2013 Building & Site Bonds Debt Retirement Fund for property tax collection allocation.
5) The General Fund owes the Building & Site Capital Projects Fund for capital projects expenditures.

## NOTE 6. CAPITAL ASSETS

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

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|
| Assets not being depreciated/amortized: | | | | |
| Land | $ 342,200 | $ - | $ - | $ 342,200 |
| Net capital assets not being depreciated/amortized | $ 342,200 | $ - | $ - | $ 342,200 |
| Capital assets being depreciated/amortized: | | | | |
| Building and building improvements | $ 34,553,905 | $ 1,385,201 | $ - | $ 35,939,106 |
| Land improvements | 707,312 | 6,750 | - | 714,062 |
| Buses and other vehicles | 783,646 | 236,725 | - | 1,020,371 |
| Furniture and equipment | 1,223,280 | 352,089 | - | 1,575,369 |
| Right of use - leased vehicles | 404,929 | - | - | 404,929 |
| Subtotal | $ 37,673,072 | $ 1,980,765 | $ - | $ 39,653,837 |
| Accumulated depreciation/amortization: | | | | |
| Building and building improvements | $ (14,167,107) | $ (771,881) | $ - | $ (14,938,988) |
| Land improvements | (631,463) | (9,155) | - | (640,618) |
| Buses and other vehicles | (642,343) | (71,838) | - | (714,181) |
| Furniture and equipment | (883,121) | (79,681) | - | (962,802) |
| Right of use - leased vehicles | (181,722) | (87,242) | - | (268,964) |
| Subtotal | $ (16,505,756) | $ (1,019,797) | $ - | $ (17,525,553) |
| Net capital assets being depreciated/amortized | $ 21,167,316 | | | $ 22,128,284 |
| Net capital assets | $ 21,509,516 | | | $ 22,470,484 |

Depreciation expense of $1,009,637 was not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical.

## NOTE 7. RISK MANAGEMENT

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

The shared-risk pool program in which the District 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 8. LONG-TERM DEBT

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

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| ***Governmental Activities:*** | | | | | |
| **General Obligation Bonds** | | | | | |
| Bonds | $ 10,560,000 | $ - | $ (950,000) | $ 9,610,000 | $ 950,000 |
| Bond premium | (554,142) | - | 55,414 | (498,728) | 55,414 |
| Bond discount | 38,682 | - | (3,868) | 34,814 | 3,868 |
| Total General Obligation Bonds | $ 10,044,540 | $ - | $ (898,454) | $ 9,146,086 | $ 1,009,282 |
| **Direct Borrowings and Direct Placement** | | | | | |
| Note payable | $ 127,684 | $ - | $ (63,288) | $ 64,396 | $ 64,396 |
| Leases | 248,133 | - | (63,306) | 184,827 | 67,084 |
| Total Direct Borrowings and Direct Placement | $ 375,817 | $ - | $ (126,594) | $ 249,223 | $ 131,480 |
| Total governmental activities long-term debt | $ 10,420,357 | $ - | $ (1,025,048) | $ 9,395,309 | $ 1,140,762 |

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

***Governmental Activities:***

| | General Obligation Bonds | | Direct Borrowing and Direct Placement | | |
|---|---|---|---|---|---|
| Years Ended June 30: | Principal | Interest | Principal | Interest | Total |
| 2025 | $ 1,000,000 | $ 379,869 | $ 151,638 | $ 8,541 | $ 1,540,048 |
| 2026 | 1,025,000 | 342,869 | 49,286 | - | 1,417,155 |
| 2027 | 1,040,000 | 304,669 | 48,299 | - | 1,392,968 |
| 2028 | 1,050,000 | 265,069 | - | - | 1,315,069 |
| 2029 | 1,070,000 | 224,469 | - | - | 1,294,469 |
| 2030-2033 | 4,425,000 | 463,640 | - | - | 4,888,640 |
| Premium and discount, net | (463,914) | - | - | - | (463,914) |
| | $ 9,146,086 | $ 1,980,585 | $ 249,223 | $ 8,541 | $ 11,384,435 |

Interest expense of $200,590 was not charged to activities as the District considers its debt to impact multiple activities and allocation is not practical.

**NOTE 8. LONG-TERM DEBT (CONCLUDED)**

***Governmental Activities:***

*General Obligation Bonds*

| | |
|---|---|
| On June 2, 2021 the District refunded bonds in the amount of $11,185,000 with UMB Bank. The bonds bear interest at 0.20% to 2.22% and are due serially each May 1 through 2033. | $ 9,610,000 |
| Total general obligation bonds | $ 9,610,000 |
| *Direct Borrowing and Direct Replacement* | |
| On February 27, 2018, the District entered into a note payable with United Federal Credit Union in the amount of $430,561. The note is repayable in seven annual installments through November 1, 2024 and bears interest at 1.75%. | $ 64,396 |
| In 2021, the District entered into a six-year bus lease due in annual installments of $24,360 to $31,598 through August 8, 2026. | 76,044 |
| In 2021, the District entered into a four-year bus lease due in annual principal and interest payments of $50,908 to $170,832 through July 15, 2024 with interest at 4%. | 108,783 |
| Total direct borrowing and direct placement | $ 249,223 |
| Total long-term debt | $ 9,859,223 |

Compensated absences at June 30, 2024, consist of the following:

| | Beginning Balance | Net Change | Ending Balance |
|---|---|---|---|
| Compensated absences consist of benefits which are payable upon termination of employment | $ 55,781 | $ (665) | $ 55,116 |

## NOTE 9. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

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

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

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

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

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

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

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

**NOTE 9. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

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

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

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

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

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

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

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

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

**NOTE 9. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

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

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

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

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

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

**NOTE 9. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

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

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

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

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

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

**NOTE 9. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

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

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

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

Pension and OPEB contributions made in the fiscal year ending September 30, 2023 were determined as of the September 30, 2020 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2020 are amortized over an 18-year period beginning October 1, 2022 and ending September 30, 2038.

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

| | Pension | Other Postemployment Benefits |
|---|---|---|
| October 1, 2023 - September 30, 2024 | 13.90% - 23.03% | 7.06% - 8.31% |
| October 1, 2022 - September 30, 2023 | 13.75% - 20.16% | 7.21% - 8.07% |

The District's pension contributions for the year ended 2024 were equal to the required contribution total. Total defined benefit and defined pension contributions were approximately $3,240,000.

The District's OPEB contributions for the year ended 2024 were equal to the required contribution total. Total defined benefit and defined OPEB contributions were approximately $687,000.

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

**NOTE 9. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

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

The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2022 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

| MPSERS (Plan) Non-university employers | September 30, 2023 | September 30, 2022 |
|---|---|---|
| Total pension liability | $ 94,947,828,557 | $ 95,876,795,620 |
| Plan fiduciary net position | 62,581,762,238 | 58,268,076,344 |
| Net pension liability | 32,366,066,319 | 37,608,719,276 |
| Proportionate share | 0.0837131% | 0.0851475% |
| Net pension liability for the District | 27,094,650 | 32,022,892 |

For the year ended June 30 2024, the District recognized pension expense of $3,503,796.

At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 855,295 | $ 41,505 |
| Changes of assumptions | 3,671,448 | 2,116,874 |
| Net difference between projected and actual earnings on pension plan investments | - | 554,444 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 443,153 | 367,435 |
| District contributions subsequent to the measurement date* | 3,088,528 | - |
| Revenues in support of contributions subsequent to the measurement date | - | 1,344,151 |
| **Total** | $ 8,058,424 | $ 4,424,409 |

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

**NOTE 9. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

Deferred inflows of resources of $1,344,151 resulting from the pension portion of the State Aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2024.

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

| Year Ending | | Amount |
|---|---|---|
| 2024 | $ | 756,566 |
| 2025 | | 465,845 |
| 2026 | | 1,106,471 |
| 2027 | | (439,244) |
| | $ | 1,889,638 |

**OPEB Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

The net OPEB asset was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation date of September 30, 2022 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB asset was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

| MPSERS (Plan) Non-university employers | | September 30, 2023 | | September 30, 2022 |
|---|---|---|---|---|
| Total other postemployment benefits liability | $ | 11,223,648,949 | $ | 12,522,713,324 |
| Plan fiduciary net position | | 11,789,347,341 | | 10,404,650,683 |
| Net other postemployment benefits liability (asset) | | (565,698,392) | | 2,118,062,641 |
| Proportionate share | | 0.0831251% | | 0.0827910% |
| Net other postemployment benefit liability (asset) for the District | | (470,238) | | 1,753,565 |

For the year ended June 30, 2024, the District recognized OPEB benefit of $826,728.

**NOTE 9. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

At June 30, 2024, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ 3,553,356 |
| Changes of assumptions | 1,046,831 | 126,058 |
| Net difference between projected and actual earnings on OPEB investments | 1,434 | - |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 200,959 | 144,620 |
| District contributions subsequent to the measurement date | 628,925 | - |
| **Total** | $ 1,878,149 | $ 3,824,034 |

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

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

| Year Ending | Amount |
|---|---|
| 2024 | $ (834,740) |
| 2025 | (768,282) |
| 2026 | (292,072) |
| 2027 | (323,216) |
| 2028 | (238,304) |
| Thereafter | (118,196) |
| | $ (2,574,810) |

**Actuarial Assumptions**

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

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

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

**Inflation** - 3.0%.

**NOTE 9. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

**Mortality Assumptions:**

*Retirees*: PubT-2010 Male and Female Healthy Annuitant Mortality Tables scaled by 116% for males and 116% for females and adjusted for morality improvements using projection scale MP-2021 from 2010.

*Active*: PubT-2010 Male and Female Employee Annuitant Mortality Tables scaled 100% and adjusted for morality improvements using projection scale MP-2021 from 2010.

*Disabled Retirees*: PunNS-2010 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

**Experience Study** - The annual actuarial valuation report of the System used for these statements is dated September 30, 2022. Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2023 valuation.

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

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

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

**NOTE 9. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

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

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

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

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

The target asset allocation at September 30, 2023 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long Term Expected Real Rate of Return* |
|---|---|---|
| Domestic Equity Pools | 25.0% | 5.8% |
| International Equity Pools | 15.0% | 6.8% |
| Private Equity Pools | 16.0% | 9.6% |
| Real Estate and Infrastructure Pools | 10.0% | 6.4% |
| Fixed Income Pools | 13.0% | 1.3% |
| Absolute Return Pools | 9.0% | 4.8% |
| Real Return / Opportunistic Pools | 10.0% | 7.3% |
| Short-Term Investment Pools | 2.0% | 0.3% |
| **TOTAL** | 100.0% | |

*Long-term rates of return are net of administrative expenses and 2.7% inflation.

**Rate of Return** - For fiscal year ended September 30, 2023, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 829% and 7.94%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

**NOTE 9. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

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

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

| 1% Decrease | Current Single Discount Rate Assumption | 1% Increase |
|---|---|---|
| $ 36,604,793 | $ 27,094,650 | $ 19,177,113 |

**Sensitivity of the Net OPEB Asset to Changes in the Discount Rate** - The following presents the Reporting Unit's proportionate share of the net OPEB asset calculated using a single discount rate of 6.00%, as well as what the Reporting Unit's proportionate share of the net OPEB asset 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% Decrease | OPEB - Discount Current Discount Rate | 1% Increase |
|---|---|---|
| $ 487,495 | $ (470,238) | $ (1,293,315) |

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

| 1% Decrease | OPEB - Trend Rate Current Healthcare Cost Trend Rate | 1% Increase |
|---|---|---|
| $ (1,295,367) | $ (470,238) | $ 422,823 |

## NOTE 9. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONCLUDED)

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

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

## NOTE 10. UNEARNED REVENUE

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned revenue are as follows:

| Fund | Description of Unearned Revenue | Unearned |
|---|---|---|
| General | Section 31a carryover | $ 79,430 |
| General | Section 31aa carryover | 363,758 |
| General | Section 97d carryover | 13,030 |
| General | Section 97 carryover | 7,633 |
| General | Section 67 carryover | 5,450 |
| General | Section 99 carryover | 6,936 |
| General | Section 104 carryover | 185 |
| General | Section 23 carryover | 94,041 |
| General | Section 27k carryover | 35,600 |
| Food Service | Prepaid student lunches | 10,280 |
| | | $ 616,343 |

## NOTE 11. CONTINGENT LIABILITIES

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

## NOTE 12. TAX ABATEMENTS

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by various municipalities within the District. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties. There were no abatements made by the District during the fiscal year ended June 30, 2024.

## NOTE 13. UPCOMING ACCOUNTING PRONOUNCEMENTS

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

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

**NOTE 13. UPCOMING ACCOUNTING PRONOUNCEMENTS (CONCLUDED)**

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following:

a. Management's discussion and analysis (MD&A);
   i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
      a. Overview of the Financial Statements,
      b. Financial Summary,
      c. Detailed Analyses,
      d. Significant Capital Asset and Long-Term Financing Activity,
      e. Currently Known Facts, Decisions, or Conditions;
   ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
   iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
b. Unusual or infrequent items;
c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
   i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
   ii. Requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses and defines subsidies;
d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI;

The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

**NOTE 14. SUBSEQUENT EVENTS**

The District has evaluated subsequent events through October 21, 2024, the date the financial statements were available to be issued. No material events or transactions occurred during this period which require recognition or disclosure in the financial statements.

# REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE — GENERAL FUND
YEAR ENDED JUNE 30, 2024

| | Original Budget | Final Budget | Actual | Variance |
|---|---|---|---|---|
| **Revenues** | | | | |
| Property taxes | $ 2,852,539 | $ 2,967,941 | $ 2,779,623 | $ (188,318) |
| Local sources | - | - | 186,113 | 186,113 |
| State sources | 15,592,280 | 17,492,431 | 17,519,026 | 26,595 |
| Federal sources | 754,703 | 2,280,827 | 2,307,166 | 26,339 |
| Interdistrict sources | 238,971 | 596,689 | 616,989 | 20,300 |
| Interest | - | - | 99,684 | 99,684 |
| **Total Revenues** | $ 19,438,493 | $ 23,337,888 | $ 23,508,601 | $ 170,713 |
| **Expenditures** | | | | |
| Instruction | $ 11,770,950 | $ 12,895,464 | $ 12,703,283 | $ 192,181 |
| Pupil services | 1,259,643 | 1,342,900 | 1,274,352 | 68,548 |
| Support services | 6,629,432 | 8,776,779 | 8,600,704 | 176,075 |
| Community services | 48,251 | 10,052 | 35,227 | (25,175) |
| **Total Expenditures** | $ 19,708,276 | $ 23,025,195 | $ 22,613,566 | $ 411,629 |
| **Excess (Deficit) of Revenues Over (Under) Expenditures** | $ (269,783) | $ 312,693 | $ 895,035 | $ 582,342 |
| **Net Change in Fund Balances** | $ (269,783) | $ 312,693 | $ 895,035 | $ 582,342 |
| **Fund Balances** - Beginning of year | 4,308,158 | 4,308,158 | 4,308,158 | |
| **Fund Balances** - End of year | $ 4,038,375 | $ 4,620,851 | $ 5,203,193 | |

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

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

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| District's proportion of net pension liability | 0.08371% | 0.08515% | 0.08415% | 0.08133% | 0.08105% | 0.08288% | 0.08447% | 0.08500% | 0.08449% | 0.08389% |
| District's proportionate share of net pension liability | $ 27,094,650 | $ 32,022,892 | $ 19,922,123 | $ 27,939,351 | $ 26,842,095 | $ 24,913,874 | $ 21,890,276 | $ 21,206,520 | $ 20,637,907 | $ 18,477,531 |
| District's covered-employee payroll | $ 8,338,550 | $ 8,070,725 | $ 7,810,066 | $ 7,285,249 | $ 7,090,715 | $ 6,985,732 | $ 7,065,332 | $ 7,254,265 | $ 7,429,239 | $ 7,429,854 |
| District's proportionate share of net pension liability as a percentage of its covered-employee payroll | 324.93% | 396.78% | 255.08% | 383.51% | 378.55% | 356.64% | 309.83% | 292.33% | 277.79% | 248.69% |
| Plan fiduciary net position as a percentage of total pension liability | 65.91% | 60.77% | 72.60% | 59.72% | 60.31% | 62.36% | 64.21% | 63.96% | 63.01% | 66.20% |

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

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

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Statutorily required contributions | $ 3,240,096 | $ 3,943,355 | $ 2,526,613 | $ 2,493,570 | $ 2,229,523 | $ 2,212,482 | $ 2,109,317 | $ 1,980,346 | $ 1,933,382 | $ 1,539,406 |
| Contributions in relation to statutorily required contributions | 3,240,096 | 3,943,355 | 2,526,613 | 2,493,570 | 2,229,523 | 2,212,482 | 2,109,317 | 1,980,346 | 1,933,382 | 1,539,406 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| District's covered-employee payroll | $ 8,811,051 | $ 8,505,738 | $ 8,127,814 | $ 7,587,285 | $ 7,234,598 | $ 7,019,413 | $ 6,950,159 | $ 7,070,314 | $ 7,304,446 | $ 7,412,632 |
| Contributions as a percentage of covered-employee payroll | 36.77% | 46.36% | 31.09% | 32.87% | 30.82% | 31.52% | 30.35% | 28.01% | 26.47% | 20.77% |

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

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

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|
| District's proportion of net OPEB liability (asset) | 0.083125% | 0.082791% | 0.085944% | 0.081850% | 0.081000% | 0.081990% | 0.084830% |
| District's proportionate share of net OPEB liability (asset) | $ (470,238) | $ 1,753,565 | $ 1,311,830 | $ 4,385,039 | $ 5,814,322 | $ 6,517,162 | $ 7,511,692 |
| District's covered-employee payroll | $ 8,338,550 | $ 8,070,725 | $ 7,810,066 | $ 7,285,249 | $ 7,090,715 | $ 6,985,732 | $ 7,065,332 |
| District's proportionate share of net OPEB liability (asset) as a percentage of its covered-employee payroll | -6% | 22% | 17% | 60% | 82% | 93% | 106% |
| Plan fiduciary net position as a percentage of total OPEB liability (asset) | 105.04% | 83.09% | 87.33% | 59.76% | 48.67% | 43.10% | 36.53% |

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

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

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

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|---|
| Statutorily required contributions | $ 687,178 | $ 673,897 | $ 638,001 | $ 604,431 | $ 562,697 | $ 580,987 | $ 492,772 |
| Contributions in relation to statutorily required contributions | 687,178 | 673,897 | 638,001 | 604,431 | 562,697 | 580,987 | 492,772 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| District's covered-employee payroll | $ 8,811,051 | $ 8,505,738 | $ 8,127,814 | $ 7,587,285 | $ 7,234,598 | $ 7,019,413 | $ 6,950,159 |
| Contributions as a percentage of covered-employee payroll | 7.80% | 7.92% | 7.85% | 7.97% | 7.78% | 8.28% | 7.09% |

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

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

**NOTE 1 - PENSION INFORMATION**

Benefit changes – there were no changes of benefit terms in 2023.

Changes of assumptions – the assumption changes for 2023 were:

- Mortality assumptions were updated to the Pub-2010 Male and Female Retiree Mortality Tables from the RP-2014 Male and Female Healthy Annuitant table.

**NOTE 2 - OPEB INFORMATION**

Benefit changes – there were no changes of benefit terms in 2023.

Changes of assumptions – the assumption changes for 2023 were:

- Healthcare cost trend rate:
    - Pre 65 decreased to 7.50% from year one graded to 3.50% for year fifteen from 7.75% for year one graded to 3.50% for year fifteen.
    - Post 65 increased to 6.25% for year one graded to 3.50% for year fifteen from 5.25% for year one and graded to 3.50% for year fifteen.
- Mortality assumptions were updated to the Pub-2010 Male and Female Retiree Mortality Tables from the RP-2014 Male and Female Healthy Annuitant table.

**NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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

# SINGLE AUDIT

# INFORMATION

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## YEAR ENDED JUNE 30, 2024

| Federal Grantor Pass Through Grantor Program Title Grant Number | Grant/Project Number | Federal Assistance Listing Number | Approved Grant Award Amount | (Memo Only) Prior Year Expenditures | Accrued (Deferred) Revenue June 30, 2023 | Federal Funds/ In-Kind Payments | Federal Expenditures | Accrued (Deferred) Revenue June 30, 2024 |
|---|---|---|---|---|---|---|---|---|
| U.S Department of Agriculture | | | | | | | | |
| Passed through the Michigan Department of Education: | | | | | | | | |
| Child Nutrition Cluster | | | | | | | | |
| National School Lunch Program: | | | | | | | | |
| Non-Cash Assistance (Donated Foods) - Entitlement Commodities - 2023/2024 | N/A | 10.555 | $ 77,083 | $ - | $ - | $ 77,083 | $ 77,083 | $ - |
| Non-Cash Assistance (Donated Foods) - Bonus - 2023/2024 | N/A | 10.555 | 893 | - | - | 893 | 893 | - |
| Total Non-Cash Assistance - National School Lunch Program | | | $ 77,976 | $ - | $ - | $ 77,976 | $ 77,976 | $ - |
| Cash Assistance: | | | | | | | | |
| National School Lunch Program | 231960 | 10.555 | $ 446,326 | $ 373,138 | $ 9,899 | $ 83,087 | $ 73,188 | $ - |
| National School Lunch Program | 231980 | 10.555 | 4,015 | 4,015 | 92 | 92 | - | - |
| National School Lunch Program | 240910 | 10.555 | 40,625 | - | - | 40,625 | 40,625 | - |
| National School Lunch Program | 241960 | 10.555 | 459,169 | - | - | 459,169 | 459,169 | - |
| National School Lunch Program | 241980 | 10.555 | 1,434 | - | - | 1,434 | 1,434 | - |
| Total Cash Assistance - National School Lunch Program | | | $ 951,569 | $ 377,153 | $ 9,991 | $ 584,407 | $ 574,416 | $ - |
| Total National Lunch Program | | | $ 1,029,545 | $ 377,153 | $ 9,991 | $ 662,383 | $ 652,392 | $ - |
| National School Breakfast Program | | | | | | | | |
| National School Breakfast Program | 231970 | 10.553 | $ 130,068 | $ 110,877 | $ 4,042 | $ 23,233 | $ 19,191 | $ - |
| National School Breakfast Program | 241970 | 10.553 | 129,083 | - | - | 129,083 | 129,083 | - |
| Total School Breakfast Program | | | $ 259,151 | $ 110,877 | $ 4,042 | $ 152,316 | $ 148,274 | $ - |
| Summer Food Service Program for Children: | | | | | | | | |
| SFSP Operating | 230900 | 10.559 | $ 17,146 | $ 6,664 | $ 6,664 | $ 17,146 | $ 10,482 | $ - |
| SFSP Operating | 240900 | 10.559 | 15,441 | - | - | - | 15,441 | 15,441 |
| Total Summer Food Service Program for Children | | | $ 32,587 | $ 6,664 | $ 6,664 | $ 17,146 | $ 25,923 | $ 15,441 |
| Total Cash Assistance | | | $ 1,243,307 | $ 494,694 | $ 20,697 | $ 753,869 | $ 748,613 | $ 15,441 |
| Total Child Nutrition Cluster | | | $ 1,321,283 | $ 494,694 | $ 20,697 | $ 831,845 | $ 826,589 | $ 15,441 |
| Child and Adult Care Food Program | | | | | | | | |
| Child and Adult Care Food Program | 231920 | 10.558 | $ 4,382 | $ 4,139 | $ - | $ 243 | $ 243 | $ - |
| Child and Adult Care Food Program | 241920 | 10.558 | 3,373 | - | - | 3,350 | 3,373 | 23 |
| Total Child and Adult Care Food Program | | | $ 7,755 | $ 4,139 | $ - | $ 3,593 | $ 3,616 | $ 23 |
| **Total U.S. Department of Agriculture** | | | **$ 1,329,038** | **$ 498,833** | **$ 20,697** | **$ 835,438** | **$ 830,205** | **$ 15,464** |

*The Notes to Schedule of Expenditures of Federal Awards is an integral part of this statement.*

| Federal Grantor Pass Through Grantor Program Title Grant Number | Grant/Project Number | Federal Assistance Listing Number | Approved Grant Award Amount | (Memo Only) Prior Year Expenditures | Accrued (Deferred) Revenue June 30, 2023 | Federal Funds/ In-Kind Payments | Federal Expenditures | Accrued (Deferred) Revenue June 30, 2024 |
|---|---|---|---|---|---|---|---|---|
| U.S. Department of Education | | | | | | | | |
| Passed through Michigan Department of Education | | | | | | | | |
| Title I, Part A - Grants to Local Educational Agencies | | | | | | | | |
| Title I, Part A 2023 | 231530 | 84.010 | $ 341,437 | $ 233,907 | $ 49,111 | $ 49,111 | $ - | $ - |
| Title I, Part A 2024 | 241530 | 84.010 | 445,267 | - | - | 282,140 | 408,598 | 126,458 |
| Total Title I, Part A | | | $ 786,704 | $ 233,907 | $ 49,111 | $ 331,251 | $ 408,598 | $ 126,458 |
| Title II, Part A - Improving Teacher Quality | | | | | | | | |
| Title II, Part A 2023 | 230520 | 84.367 | $ 97,093 | $ 37,824 | $ 7,991 | $ 7,991 | $ - | $ - |
| Title II, Part A 2024 | 240520 | 84.367 | 108,442 | - | - | 27,807 | 38,041 | 10,234 |
| Total Title II, Part A | | | $ 205,535 | $ 37,824 | $ 7,991 | $ 35,798 | $ 38,041 | $ 10,234 |
| Title IV, Part A - Student Support and Academic Enrichment Grant | | | | | | | | |
| Title IV, Part A 2023 | 230750 | 84.424 | $ 19,561 | $ 16,478 | $ 4,433 | $ 7,516 | $ 3,083 | $ - |
| Title IV, Part A 2024 | 240750 | 84.424 | 23,757 | - | - | 12,800 | 23,747 | 10,947 |
| Total Title IV, Part A | | | $ 43,318 | $ 16,478 | $ 4,433 | $ 20,316 | $ 26,830 | $ 10,947 |
| Education Stabilization Fund | | | | | | | | |
| COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II) 2022-2023 | 213782 | 84.425D | $ 78,562 | $ 78,562 | $ 78,562 | $ 78,562 | $ - | $ - |
| COVID-19 - Elementary and Secondary School Emergency Relief Funds (ESSER III Formula Funds) | 213713 | 84.425U | $ 2,042,836 | $ 312,469 | $ - | $ 1,574,185 | $ 1,730,367 | $ 156,182 |
| COVID-19 - American Rescue Plan Elementary and Secondary School Emergency Relief Fund - Homeless Children and Youth (ARP-HCY) | 211012 | 84.425W | $ 21,041 | $ - | $ - | $ - | $ 21,041 | $ 21,041 |
| Total Education Stabilization Fund | | | $ 2,142,439 | $ 391,031 | $ 78,562 | $ 1,652,747 | $ 1,751,408 | $ 177,223 |

*The Notes to Schedule of Expenditures of Federal Awards is an integral part of this statement.*

| Federal Grantor Pass Through Grantor Program Title Grant Number | Grant/Project Number | Federal Assistance Listing Number | Approved Grant Award Amount | (Memo Only) Prior Year Expenditures | Accrued (Deferred) Revenue June 30, 2023 | Federal Funds/ In-Kind Payments | Federal Expenditures | Accrued (Deferred) Revenue June 30, 2024 |
|---|---|---|---|---|---|---|---|---|
| Passed through Berrien RESA | | | | | | | | |
| Perkins Grant | | | | | | | | |
| Perkins Grant 2023-2024 | N/A | 84.048 | $ 18,911 | $ - | $ - | $ 18,911 | $ 18,911 | $ - |
| Total Perkins Grant | | | $ 18,911 | $ - | $ - | $ 18,911 | $ 18,911 | $ - |
| Total Passed Through Berrien RESA | | | $ 18,911 | $ - | $ - | $ 18,911 | $ 18,911 | $ - |
| Total Passed Through Michigan Department of Education | | | $ 3,177,996 | $ 679,240 | $ 140,097 | $ 2,040,112 | $ 2,224,877 | $ 324,862 |
| **Total U.S. Department of Education** | | | **$ 3,196,907** | **$ 679,240** | **$ 140,097** | **$ 2,059,023** | **$ 2,243,788** | **$ 324,862** |
| U.S. Department of Health and Human Services | | | | | | | | |
| Passed through the Berrien RESA | | | | | | | | |
| Medicaid Cluster | | | | | | | | |
| Medicaid Outreach - 2023-2024 | N/A | 93.778 | $ 29,098 | $ - | $ - | $ 29,098 | $ 29,098 | $ - |
| Total Medicaid Cluster | | | $ 29,098 | $ - | $ - | $ 29,098 | $ 29,098 | $ - |
| **Total U.S. Department of Health and Human Services** | | | **$ 29,098** | **$ -** | **$ -** | **$ 29,098** | **$ 29,098** | **$ -** |
| **Total Federal Financial Assistance** | | | **$ 4,555,043** | **$ 1,178,073** | **$ 160,794** | **$ 2,923,559** | **$ 3,103,091** | **$ 340,326** |

*The Notes to Schedule of Expenditures of Federal Awards is an integral part of this statement.*

## SECTION I – SUMMARY OF AUDITORS RESULTS

***Financial Statements***

Type of auditors report issued based on financial statements prepared *Unmodified*

Internal control over financial reporting:

| | | | | |
|---|---|---|---|---|
| Material weakness(es) identified? | | Yes | X | No |
| Significant deficiency(ies) identified that are not considered to be material weakness(es)? | | Yes | X | None reported |
| Noncompliance material to financial statements noted? | | Yes | X | No |

***Federal Awards***

Internal control over major programs:

| | | | | |
|---|---|---|---|---|
| Material weakness(es) identified? | | Yes | X | No |
| Significant deficiency(ies) identified that are not considered to be material weakness(es)? | | Yes | X | None reported |

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

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

Identification of major programs:

| Federal Assistance Listing Number(s) | Name of Federal Program or Cluster |
|---|---|
| 84.425D, 84.425U & 84.425W | Education Stabilization Fund |

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

| | | | | |
|---|---|---|---|---|
| Auditee qualified as low-risk auditee? | X | Yes | | No |

**SECTION II –STATUS OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS**

There were no prior year financial statement findings.

**SECTION III –FINANCIAL STATEMENT FINDINGS**

There are no current year financial statement findings.

**SECTION IV – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There are no current year federal award findings and questioned costs.

**NOTE 1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Buchanan Community Schools (the "District") under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

The District did qualify for low-risk status for the year ended June 30, 2024. Management has utilized the NexSys, Cash Management System and the Grant Auditor Report in preparing the Schedule.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 3. FOOD DISTRIBUTION**

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

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

The actual Federal source expenditures amounted to $3,103,091 per the audit of the financial statements. The related expenditures are composed of the following:

| | Amount |
|---|---|
| Actual cash expenditures | $ 3,025,115 |
| Entitlement commodities used | 77,083 |
| Entitlement bonus commodities used | 893 |
| | $ 3,103,091 |

**NOTE 4.** **SCHEDULE OF RECONCILIATION OF EXPENDITURES WITH EXPENDITURES FOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS (CONCLUDED)**

The actual Federal source revenues amounts to $3,137,371 per the audit of the financial statements. The related revenues are composed of the following:

| | Amount |
|---|---|
| Financial Statement Reporting Units: | |
| General Fund | $ 2,307,166 |
| Nonmajor Fund - Food Services Fund | 830,205 |
| Total Federal Revenues in Financial Statement Audit | $ 3,137,371 |
| Less Federal Revenues that are excluded from Uniform Guidance consideration: | |
| E-rate Reimbursement program | (34,280) |
| Federal Expenditures from Schedule of Expenditures of Federal Awards | $ 3,103,091 |

**NOTE 5.** **INDIRECT COSTS**

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

**NOTE 6.** **PASS-THROUGH SUBRECIPIENTS**

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

# MANAGEMENT COMPLIANCE

# LETTERS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buchanan Community Schools (the "District"), as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 21, 2024.

**<u>Report on Internal Control Over Financial Reporting</u>**

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

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

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

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

**Report on Compliance and Other Matters**

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

**Purpose of This Report**

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

Respectfully submitted,

Kruggel, Lawton & Company, LLC

Certified Public Accountants

St. Joseph, Michigan
October 21, 2024

KRUGGEL LAWTON CPA

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

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Buchanan Community Schools' (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2024. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

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

***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

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

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

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

**Report on Internal Control Over Compliance**

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

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

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

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

Respectfully submitted,

Kruggel, Lawton & Company, LLC

Certified Public Accountants

St. Joseph, Michigan
October 21, 2024