

**Farwell Area Schools**  
Farwell, Michigan

Financial Statements  
With Supplementary Information  
June 30, 2024



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To the Members of the Board  
Farwell Area Schools  
Farwell, Michigan

### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Farwell Area 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 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 for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinions***

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

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

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

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

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

#### ***Required Supplementary Information***

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

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 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 District's internal control over financial reporting and compliance.

Sincerely,

*Roslund, Prestage & Company, P.C.*

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

November 27, 2024

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**



**Farwell Area Schools  
Management’s Discussion and Analysis  
Year Ended June 30, 2024**

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The following discussion and analysis of the Farwell Area Schools’ financial performance provides an overall review of the District’s financial activities and position for the fiscal year ended June 30, 2023. Readers should also review the financial statements, the notes to the financial statements and the supplementary information to enhance their understanding of the District’s financial performance.

**Overview of Financial Statements**

The audit consists of four parts: management’s discussion and analysis (this section), the basic financial statements, the required supplementary information and other supplemental information. Generally Accepted Accounting Principles (GAAP) requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

**District Wide Financial Statements:**

The district wide financial statements are full accrual basis statements. They report all of the District’s assets and liabilities, both short and long term, regardless if they are “currently available” or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Position of the 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 that are to be paid with current financial resources are recognized. These statements focus on individual parts of the District rather than the District as a whole.

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 support activities are reported in the General Fund. Additional activities are reported in their relevant funds. These funds include Debt and School Service Funds that are comprised of Food Service and Student Activity Athletics and various Agency Accounts.

**Farwell Area Schools  
Management's Discussion and Analysis  
Year Ended June 30, 2024**

**SUMMARY OF NET POSITION:**

The following summarizes the net position:

	Year Ended	
	June 30,	
	2024	2023
<b>Assets</b>		
Current assets	\$ 7,303,799	\$ 5,960,971
Non-current assets	358,038	
Capital assets-net of accumulated depreciation	20,705,851	22,295,200
<b>Total assets</b>	<b>28,367,688</b>	<b>28,256,171</b>
Deferred Outflows of Resources	8,145,579	8,950,489
<b>Liabilities</b>		
Current liabilities	3,931,159	3,365,673
Long-term liabilities	37,142,563	42,143,188
<b>Total liabilities</b>	<b>41,073,722</b>	<b>45,508,861</b>
Deferred Inflows of Resources	6,919,102	6,029,141
<b>Net position</b>		
Investment in capital assets net of related debt	4,074,992	4,760,150
Restricted for debt service	827,480	558,595
Restricted for net other post-employment benefit assets	358,038	
Assigned for next fiscal year budget		
Unrestricted	(16,740,067)	(19,650,087)
<b>Total net position</b>	<b>\$ (11,479,557)</b>	<b>\$ (14,331,342)</b>

**Analysis of Financial Position:**

The preceding table focuses on net position. The School District's net position was \$(11,479,557) at June 30, 2024. During the fiscal year ended June 30, 2023, the District's net position increased by \$2,851,785.

Significant factors are discussed below:

Effective for fiscal years beginning after June 15, 2017, GASB Statement 75 requires all reporting units in a multi-employer cost sharing pension plan (like MPERS) to record a balance sheet liability for their proportionate share of the net liability for other postemployment benefits (OPEB) of the plan. The School District was required to implement GASB 75 in the year ended June 30, 2018 financial statements. Preliminary unaudited estimates from the State for fiscal year 2017 indicate a potential OPEB liability exceeding \$6,700,000 for the School District, which is referenced in the Statement of Net Position and the Notes to the Financial Statements. It is highly unlikely the School District would ever be held

**Farwell Area Schools  
Management’s Discussion and Analysis  
Year Ended June 30, 2024**

responsible to pay the potential OPEB amount, but the potential liability, however unlikely to materialize, must be reported to satisfy the new GASB Statement 75 requirements.

As with the previous 6 years, the District is still required to record a balance sheet liability for their proportionate share of the net pension liability of the plan per GASB Statement 68. Preliminary unaudited estimates from the State for fiscal year 2024 indicate a potential pension liability not exceeding \$21,000,000 for the School District, which is referenced in the Statement of Net Position and the Notes to the Financial Statements. As with GASB Statement 75, it is highly unlikely the School District would ever be held responsible to pay the potential pension amount, but the potential liability, however unlikely to materialize, must be reported to satisfy the GASB Statement 68 requirements.

Additional Federal COVID-19 grants in 2023/24 which accounts for the increase in net position. These funds are one-time grants and the COVID-19 funding expires on September 30,2024

**Net Changes in Fund Balances**

The District’s governmental fund balances decreased by \$153,051 this fiscal year. The most vital to our school district is the General Fund. Expenditures from General Fund operations exceeded revenues by \$711,168 for the fiscal year ended June 30, 2024. See the section entitled Results of Operations, below, for further discussion on General Fund operations.

	2024	2023
General Fund	\$ (711,168)	\$ (767,704)
2020 Bond Construction Fund	(83,150)	(663,124)
Student Activities Fund	25,802	15,863
Food Service Fund	69,021	4,229
Debt Retirement Fund	268,885	148,020
Capital Projects Fund I	-	-
Capital Projects Fund II	277,559	-
Total change in		
governmental fund balances	\$ (153,051)	\$ (1,262,716)

The 2020 Bond Construction fund balance decreased by \$83,150. The district issued \$18,955,000 of building and site bonds in February 2020 to fund a construction project consisting of repairs, additions and upgrades to district facilities that began in fiscal year 2021 and will continue into 2024.

Food Service fund balance increased by \$69,021. Farwell Area Schools continues to operate the food service program very efficiently. Food Service Revenues increased by \$44,090 and expenses increased by \$34,967. The increase in revenues is attributed to federal sources. The increase in expenses is attributed to the increased cost of food and supplies.

Debt Retirement fund balance increased by \$268,885. This leaves the fund balance at \$827,480. Fund balance is required due to possible board of review and Tax Tribunal decisions that result in mid-year payments and interest payments that are due in November before the collection of the tax levy. Current debt levy for 2023/24 was 3 mills on all properties.

**Farwell Area Schools  
Management’s Discussion and Analysis  
Year Ended June 30, 2024**

Capital Projects Fund II increased by \$277,559 due to a Sinking Fund millage that was approved on November 18, 2022. Current debt levy for 2023/24 was .50 mills on all properties.

**Debt, Principal Payments**

The District made principal payments on bonded, long-term debt obligations that reduced the amount of the District’s long-term liabilities by \$905,000.

At June 30, 2024, the District had \$15,490,000 in general obligation bonds outstanding for capital projects. During the 2023/24 fiscal year, the District levied a debt millage of 3.00 mills that generated revenue of \$1,666,948 and was based on the taxable value of all properties within the District. The revenue raised by the debt levy is used to pay maturities on the general obligation bonds.

**Net Investment in Capital Assets**

During 2023/24, the District’s net investment in capital assets decreased by \$637,392. This can be summarized as follows:

	Balance June 30, 2023 (as restated)	Increases	Decreases	Balance June 30, 2024
Capital Assets	\$ 40,528,352	\$ 334,853	\$ (26,150)	\$ 40,837,055
Accumulated Depreciation	(18,280,918)	(1,876,436)	26,150	(20,131,204)
Capital related Debt	(17,535,050)	904,191	-	(16,630,859)
 Net Investment in Capital Assets	 \$ 4,712,384	 \$ (637,392)	 \$ -	 \$ 4,074,992

**Farwell Area Schools**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2024**

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**Results of Operations:**

**Revenues:**

	June 30,	
	2024	2023
General Revenues:		
Property taxes levied	\$ 7,041,701	\$ 6,121,087
State aid- unrestricted	8,569,071	6,423,406
Investment earnings	30,321	29,055
Other	119,338	468,458
Total general revenues	15,760,431	13,042,006
Operating Grants and Contributions		
Instruction	2,393,408	2,398,611
Food service	1,048,107	989,760
Long Term Debt	-	-
Total operating grants	3,441,515	3,388,371
Charges for Services		
Supporting services	163,329	112,236
Student Activities	42,743	126,311
Community Services	120,311	211,431
Food service	116,104	50,014
Total charges for services	442,487	499,992
Total Revenues	\$ 19,644,433	\$ 16,930,369

**Expenses:**

Instruction	\$ 9,031,617	\$ 9,138,996
Supporting services	6,174,603	6,378,482
Community services	20,226	2,043
Food services	1,017,632	1,012,458
Student Activities	94,509	110,448
Interest on long- term debt	406,295	442,519
Total Expenses	16,744,882	17,084,946
Change in net position	2,899,551	(154,577)
Prior Period Adjustment	(47,766)	
Net position - beginning	(14,331,342)	(14,176,765)
Net position - ending	\$ (11,479,557)	\$ (14,331,342)

**Farwell Area Schools  
Management’s Discussion and Analysis  
Year Ended June 30, 2024**

**Revenues:**

**I. State of Michigan Unrestricted Aid (State Foundation Grant)**

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

- a) State of Michigan State Aid Act per student foundation allowance.
- b) Student Enrollment – Blended at 90% current year’s fall count and 10% of prior year’s spring count
- c) The District’s non-principal residence exemption tax levy based on 18.000 mills.

**Per Student, Foundation Allowance:**

Annually, the State of Michigan establishes the per student foundation allowance. The Farwell Area Schools foundation allowance for 2023/24 was \$9,608 per pupil.

**Student Enrollment:**

The blended student count is based on enrollment from 2023 and 2024. Farwell Area School’s blended student count for the last five years is detailed below.

2023/2024	1,003.04
2022/2023	1,000.81
2021/2022	976.14
2020/2021	1,049.98
2019/2020	1,068.27
2018/2019	1,147.12

Blended student enrollment is expected to decrease by 28 student FTEs for the 2024/25 fiscal year, which will decrease revenue by approximately \$269,024.

**II. Property Taxes levied for General Operations and Debt Service**

A significant portion of local revenue is provided from property taxes for the General Fund and Debt Retirement Fund. Farwell Area Schools levied 18.000 mills against the non-principal residence exemption property in the District for general fund operations. Under Michigan law, the tax levy is based on the taxable valuation of properties. Farwell also levied 3.000 mills on all property for principal and interest payments on the 2020 bond issue; and 0.500 mills on all property for principal and interest payments on the 2023 Sinking Fund.

<u>Fiscal Year</u>	<u>Non- Homestead Taxable Values</u>	<u>All Property Taxable Values</u>
2023/2024	\$280,664,571	\$547,510,962
2022/2023	\$249,388,769	\$511,071,236
2021/2022	\$242,983,668	\$478,552,489
2020/2021	\$231,739,264	\$445,209,173
2019/2020	\$220,890,229	\$430,489,478

**III. Operating Grants**

The District’s federal funds, when combined with Food Service, decreased by \$895,393 from last fiscal year. This decrease in federal funds is largely due to the ending of ESSER III funding and unavailable revenue at June 30, 2024.

**IV. Charges for Services**

Services experienced a \$57,505 decrease in revenue during 2023/24. This decrease can be attributed to a reduction in Medicaid Funds.

**Farwell Area Schools  
Management’s Discussion and Analysis  
Year Ended June 30, 2024**

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**Expenses:**

Expenses totaled \$16,744,882. Farwell Area Schools spent \$340,064 less than 2022/23. This represents a 2% decrease in spending. The decrease is due to expenses incurred from recording the changes in the districts portion of the pension and other post-employment benefits as well as the phase out of federal categorical funds related to assisting Districts with the challenges of COVID-19.

**General Fund Budget vs. Actual Revenues & Expenditures**

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.

Typically, the District amends the budget twice per fiscal year. Once in the spring to incorporate the staffing changes and student count numbers and also a second time, usually in June. During 2023/24 the District amended the budget in February 2024 and in June 2024.

**General fund revenues**

Total revenues original budget	\$ 15,744,195
Total revenues final budget	16,966,244
Total revenues actual	15,076,479

The District’s actual general fund revenues were less than the final budget by \$1,889,765 a variance on overall revenues of 11%. A majority of the variance is from federal sources. At June 30, 2024, the District has \$948,537 in unavailable revenue related to federal sources.

**General Fund Expenditures**

Total expenditures original budget	\$ 15,572,010
Total expenditures final budget	16,874,739
Total expenditures actual	15,787,647

The District’s actual general fund expenditures were less than the final budget by \$1,087,092 a variance of 6%. A significant portion of the variance was related to a formula error in the High School budget that included the majority of the expenses being included in the total budget twice.

***Economic Factors and Next Year’s Budget and Rates***

Since most of the District’s revenue is derived from the per pupil foundation allowance, student enrollment as reported in the *blended count* is one of the key factors in forecasting revenue. Once the final student count is known in late October, State law requires the District to amend the budget if actual revenues will vary significantly from those originally appropriated.

Actual revenue received depends on the State’s ability to collect revenues to fund its appropriation to school districts. “Pro rata” reductions were enacted in the past. Similar reductions remain a possibility for 2024/25 if state revenues fall short of projections. The District is in the process of amending the budget for 2024/25 to determine the impact of the approved State budget on the projections approved in June 2024. The Board of Education and Administrative Staff will take the necessary steps to adjust any structural losses to maintain a sufficient fund equity. The District anticipates future short term cash flows borrowings to ensure adequate cash reserves until winter taxes are distributed from the local townships.

**Farwell Area Schools  
Management's Discussion and Analysis  
Year Ended June 30, 2024**

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Farwell Area Schools saw a decrease in enrollment of 14 students in Fall 2024 (as compared to a projected loss of 28 students for the original FY 2025 budget). Past years have shown a significant decrease in student enrollment which results in a significant decrease in funding for Farwell Area Schools.

**Contacting the District's Financial Management**

This 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 would like additional information, contact the Business Office, Farwell Area Schools.

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**



Farwell Area Schools  
Statement of Net Position  
June 30, 2024

**Assets**

Cash and cash equivalents	\$ 4,153,465
Investments	94,256
Accounts receivable	2,481
Due from other governmental units	3,053,597
Noncurrent assets	
Net other post-employment benefit assets	358,038
Capital assets not being depreciated	403,634
Capital asset being depreciated, net	20,302,217
Total assets	28,367,688

**Deferred outflows of resources**

Related to pension	6,664,514
Related to other post-employment benefits	1,481,065
Total deferred outflows of resources	8,145,579

**Liabilities**

Accounts payable	302,800
Accrued expenses	891,197
Due to other governmental units	228,844
Unearned revenue	1,345,556
Accrued interest on long-term debt	75,766
General obligation bonds due within one year	935,000
Compensated absences due within one year	45,513
Retirement incentives due within one year	106,483
Noncurrent liabilities	
General obligation bonds due beyond one year	14,555,000
Premium on bonds, net	1,235,115
Compensated absences due beyond one year	257,906
Retirement incentives due beyond one year	603,404
Net pension liability	20,491,138
Total liabilities	41,073,722

**Deferred inflows of resources**

Related to pension	2,567,090
Related to other post-employment benefits	3,093,939
Related to 147c allocation	1,258,073
Total deferred inflows of resources	6,919,102

**Net position**

Net investment in capital assets	4,074,992
Restricted for debt service	827,480
Restricted for net other post-employment benefit assets	358,038
Unrestricted	(16,740,067)
Total net position	\$ (11,479,557)

Farwell Area Schools  
Statement of Activities  
For the Year Ended June 30, 2024

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes Net Position
		Charges for Services	Operating Grants and Contributions	
<b>Governmental activities:</b>				
Instruction	\$ 9,031,617	\$ -	\$ 2,393,408	\$ (6,638,209)
Support services	6,174,603	163,329	-	(6,011,274)
Food service	1,017,632	42,743	1,048,107	73,218
Student activities	94,509	120,311	-	25,802
Community services	20,226	116,104	-	95,878
Interest and fees on long-term debt	406,295	-	-	(406,295)
Total governmental activities	<u>\$ 16,744,882</u>	<u>\$ 442,487</u>	<u>\$ 3,441,515</u>	<u>(12,860,880)</u>
<b>General revenues:</b>				
Property taxes				7,041,701
State sources				8,569,071
Interest and investment earnings				30,321
Other general revenues				119,338
Total general revenues				<u>15,760,431</u>
<b>Change in net position</b>				2,899,551
<b>Net position - beginning</b>				(14,331,342)
<b>Prior period adjustment</b>				<u>(47,766)</u>
<b>Net position - ending</b>				<u><u>\$ (11,479,557)</u></u>

## FUND FINANCIAL STATEMENTS



Farwell Area Schools  
Balance Sheet - Governmental Funds  
June 30, 2024

	Formerly Non-major		Total Non-Major Funds	Totals
	Major Funds General	Debt Service		
<b>Assets</b>				
Cash and cash equivalents	\$ 2,390,013	\$ 786,666	\$ 976,786	\$ 4,153,465
Investments	-	-	94,256	94,256
Accounts receivable	-	-	2,481	2,481
Due from other governmental units	3,047,576	-	6,021	3,053,597
Due from other funds	-	40,814	-	40,814
<b>Total assets</b>	<b>\$ 5,437,589</b>	<b>\$ 827,480</b>	<b>\$ 1,079,544</b>	<b>\$ 7,344,613</b>
<b>Liabilities</b>				
Accounts payable	\$ 286,071	\$ -	\$ 16,729	\$ 302,800
Accrued expenditures	885,989	-	5,208	891,197
Due to other governmental units	225,023	-	3,821	228,844
Due to other funds	40,814	-	-	40,814
Unearned revenue	1,345,556	-	-	1,345,556
<b>Total liabilities</b>	<b>2,783,453</b>	<b>-</b>	<b>25,758</b>	<b>2,809,211</b>
Deferred inflows of resources				
Related to unavailable revenues	948,537	-	-	948,537
<b>Total deferred inflows of resources</b>	<b>948,537</b>	<b>-</b>	<b>-</b>	<b>948,537</b>
<b>Fund balance</b>				
Restricted	-	827,480	1,053,786	1,881,266
Unassigned	1,705,599	-	-	1,705,599
<b>Total fund balance</b>	<b>1,705,599</b>	<b>827,480</b>	<b>1,053,786</b>	<b>3,586,865</b>
<b>Total liabilities, deferred inflows, and fund balance</b>	<b>\$ 5,437,589</b>	<b>\$ 827,480</b>	<b>\$ 1,079,544</b>	<b>\$ 7,344,613</b>

Farwell Area Schools  
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds  
to Net Position of Governmental Activities on the Statement of Net Position  
June 30, 2024

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Total fund balance - governmental funds \$ 3,586,865

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, therefore, are not reported in the funds:

Add:	Cost of capital assets	40,837,055
Deduct:	Accumulated depreciation	(20,131,204)

Governmental funds do not report revenues unless collected or collectible within 60 days of year-end. However, in the statement of activities, revenues are recorded when earned, regardless of the timing of cash flows.

Add:	Deferred inflows related to unavailable revenues	948,537
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Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds. Those liabilities consist of:

Deduct:	2020 Bonds	(15,490,000)
Deduct:	Premium on 2020 Bonds	(1,235,115)

Other amounts reported in the statement of activities that do not require current financial resources consist of:

Deduct:	Accrued interest on long-term liabilities	(75,766)
Deduct:	Compensated absences payable	(303,419)
Deduct:	Retirement incentives	(709,887)
Add:	Deferred outflow - related to pension	6,664,514
Add:	Deferred outflow - related to other post-employment benefits	1,481,065
Deduct:	Net pension liability	(20,491,138)
Add:	Net other post-employment benefit assets	358,038
Deduct:	Deferred inflow - related to pension	(2,567,090)
Deduct:	Deferred inflow - related to other post-employment benefits	(3,093,939)
Deduct:	Deferred inflow - 147c allocation	(1,258,073)

Total net position - governmental activities \$ (11,479,557)

Farwell Area Schools  
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds  
For the Year Ended June 30, 2024

	Formerly Non-major		Total Non-Major Funds	Totals
	Major Funds			
	General	Debt Service		
<b>Revenues</b>				
Local sources	\$ 5,509,587	\$ 1,666,948	\$ 447,761	\$ 7,624,296
State sources	8,057,066	-	41,132	8,098,198
Federal sources	1,444,871	-	1,048,107	2,492,978
Other sources	9,552	-	-	9,552
Total revenues	15,021,076	1,666,948	1,537,000	18,225,024
<b>Expenditures</b>				
Instruction				
Basic programs	6,434,645	-	-	6,434,645
Added needs	2,654,615	-	-	2,654,615
Total instruction	9,089,260	-	-	9,089,260
Support services				
Pupil	505,888	-	-	505,888
Instructional staff	434,087	-	-	434,087
General administration	370,754	-	-	370,754
School administration	923,321	-	-	923,321
Business services	401,407	-	52	401,459
Operation and maintenance	2,086,146	-	-	2,086,146
Pupil transportation	1,087,180	-	-	1,087,180
Central	513,530	-	-	513,530
Other	296,998	-	-	296,998
Total support services	6,619,311	-	52	6,619,363
Community services	27,110	-	-	27,110
Food service	-	-	1,010,242	1,010,242
Student activities	-	-	94,509	94,509
Facilities acquisition and improvements	49,468	-	90,060	139,528
Debt service				
Principal payments	-	905,000	-	905,000
Interest, fees and other	-	493,063	-	493,063
Total expenditures	15,785,149	1,398,063	1,194,863	18,378,075
<b>Revenues over/(under) expenditures</b>	(764,073)	268,885	342,137	(153,051)
<b>Other financing sources (uses)</b>				
Transfers in	55,403	-	2,498	57,901
Transfers (out)	(2,498)	-	(55,403)	(57,901)
Total other financing sources (uses)	52,905	-	(52,905)	-
<b>Net change in fund balances</b>	(711,168)	268,885	289,232	(153,051)
<b>Fund balances - beginning</b>				
Beginning, as previously presented	2,472,436	-	1,267,480	3,739,916
Adjustment to beginning fund balance	-	558,595	(558,595)	-
Beginning, as restated	2,472,436	558,595	708,885	3,739,916
<b>Prior period adjustment</b>	(55,669)	-	55,669	-
<b>Fund balances - ending</b>	\$ 1,705,599	\$ 827,480	\$ 1,053,786	\$ 3,586,865

Farwell Area Schools  
Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2024

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Net change in fund balances - total governmental funds \$ (153,051)

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

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

Add: Capital outlay	334,853
Deduct: Depreciation expense	(1,876,436)

Governmental funds do not report revenues unless collected or collectible within 60 days of year-end. However, in the statement of activities, revenues are recorded when earned, regardless of the timing of cash flows.

Add: Recognize revenues reported as unavailable on the governmental fund statements	948,537
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Long-term debt proceeds are reported as other financing sources in the governmental funds, thereby increasing fund balances. In the statement of net position, however, issuing long-term debt increases liabilities and has no effect on net position. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Add: 2020 Bond payment	905,000
Add: Premium on 2020 Bonds - amortization	82,341

Revenue in support of pension contributions made subsequent to the measurement date:

Add: Change in deferred inflow - 147c allocation	470,873
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add: Change in accrued interest on long-term liabilities	4,427
Deduct: Change in compensated absences payable	(16,700)
Add: Change in retirement incentives	66,225
Deduct: Change in deferred outflow - related to pension	(454,170)
Deduct: Change in deferred outflow - related to other post-employment benefits	(350,740)
Add: Change in net pension liability	2,590,679
Add: Change in net other post-employment benefit assets	1,708,547
Deduct: Change in deferred inflow - related to pension	(1,448,079)
Add: Change in deferred inflow - related to other post-employment benefits	87,245

Change in net position - governmental activities	\$ 2,899,551
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**NOTES TO THE FINANCIAL STATEMENTS**



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Reporting Entity**

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

**Description of Government-wide Financial Statements**

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

**Basis of Presentation - Government-wide Financial Statements**

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

**Basis of Presentation - Fund Financial Statements**

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

The District reports the following major governmental funds:

- The general fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
  
- The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The District reports the following non-major governmental funds:

- The *special revenue funds* accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and student activities in the special revenue funds.
  
- The *capital projects fund* accounts for the receipt of bond proceeds, transfers from the general fund (as applicable), and the acquisition of fixed assets or construction of capital projects. The District accounts for the Capital Projects I and II activity and the 2020 Bond Construction activity in the capital projects funds.

The Capital Projects I and II Funds record capital project activities funded with sinking fund millage. For this activity, the school district has complied with the applicable provisions of Section 1212 of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2023-1.

The 2020 Bond Construction Fund includes capital project activities funded with bonds. For this capital project, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code.

Beginning with the year of bond issuance, the school district reported the annual construction activity in the Capital Projects Fund. The project for which the 2020 School Building and Site Bonds, Series I (or more series if applicable), were issued was considered complete on June 30, 2024, and the cumulative expenditures recognized for the construction period were \$20,530,500.

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

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

### **Measurement Focus and Basis of Accounting**

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

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

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

### **Budgetary Information**

#### Budgetary Basis of Accounting

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

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

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

- The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures

Farwell Area Schools  
Notes to the Financial Statements  
June 30, 2024

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shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted below as well as in the required supplementary information section.

- Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- The budget was amended during the year with supplemental appropriations, the last one approved prior to year ended June 30. Although the district does consider these amendments to be significant, they were deemed necessary due to considerable uncertainty at the time the original budget was adopted.

**Excess of Expenditures Over Appropriations**

At June 30<sup>th</sup>, expenditures exceeded appropriations in the general fund as follows:

Function	Original Budget	Final Budget	Actual	Variance
Added needs	2,241,290	2,476,774	2,654,615	(177,841)
Instructional staff	189,893	140,705	434,089	(293,382)
General administration	322,704	364,154	370,754	(6,600)
School administration	538,488	917,254	923,321	(6,067)
Business services	317,133	363,978	401,407	(37,429)
Pupil transportation	911,432	921,114	1,087,180	(166,066)
Central	619,300	509,058	513,530	(4,472)
Community services	3,345	13,732	27,110	(13,378)

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

**Cash and Cash Equivalents**

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

**Investments**

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

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

Farwell Area Schools  
Notes to the Financial Statements  
June 30, 2024

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

Accounts Receivable/Payable

Accounts receivable/payable in all funds report amounts that have arisen in the ordinary course of business. Accounts receivable are stated net of allowances for uncollectible amounts, if any.

Due from/Due to Other Governmental Units

Due from/due to other governmental units consist primarily of amounts due from/to grantors and the State of Michigan.

Inventories

The District does not recognize supplies inventory as an asset. The cost of these supplies is considered immaterial to the financial statements and the quantities are not prone to wide fluctuation from year to year. The costs of such supplies are expensed when purchased.

Prepaid items

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

Capital Assets

Capital assets, as detailed in the table below, are reported in the government-wide financial statements. Capital assets are tangible and intangible assets 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 (except for intangible right-to-use lease assets, the measurement of which is discussed in the leases note below). Group purchases are evaluated on a case-by-case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible capital assets in the appropriate capital asset class.

The costs of normal maintenance and repairs that do not increase the asset's capacity or efficiency or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Land and construction in progress, if any, are not depreciated. The other tangible and intangible property, plant, equipment, and the right to use assets of the District are depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	5 - 50
Furniture and equipment	5 - 20
Vehicles	6 - 15

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

Accrued Expenses

Accrued expenses relate to salaries and wages earned prior to year-end but not paid until after year-end.

Unearned Revenue

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

Compensated Absences

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

Defined Benefit Plans

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

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The deferred amounts related to pension and other postemployment benefits relate to differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and other postemployment benefit related changes. These amounts are recognized in the plan year in which they apply.

Deferred Inflows of Resources

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

Long-term Obligations

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

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

### Net Position

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

- *Net investment in capital assets* consist of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- *Restricted* net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- *Unrestricted* net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

### Fund Balance

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

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

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

## **Revenues**

### Program Revenues

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

### Property Tax Revenue

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

The District levied the following amounts per \$1,000 of assessed valuation. The District levied 18.00 mills for school general operations on the non-homestead taxable value. The District also levied an additional 3.00 mills on all property in the District for the purpose of debt service and 0.5 mills for sinking fund resources.

### State Aid Revenue

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

The state portion of the Foundation is provided primarily by a state education property tax millage of 6.00 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the Foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

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

## **NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS**

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

The District utilizes a pooled cash concept for all its cash and cash equivalent funds to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested.

Farwell Area Schools  
Notes to the Financial Statements  
June 30, 2024

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

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of year-end, \$4,086,401 of the District’s bank balance of \$4,336,401 was exposed to custodial credit risk because it was uninsured and uncollateralized. The above amounts include interest bearing accounts.

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

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

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

Investment Type	Amortized Cost	Weighted Average Maturity
MILAF External Investment pool-MAX Class	94,256	N/A
One day maturity equals 0.0027, one year equals 1		

Concentration of credit risk: The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Investment Type	Amortized Cost	Standard & Poor’s Rating	Rating Agency
MILAF External Investment pool-MAX Class	94,256	AAAm	Standard & Poor’s

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

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

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

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in pricing an investment and would be based on the best information available.

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

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

Investment Type	Amortized Cost
MILAF External Investment pool- MAX Class	94,256

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

Description	Amount
Cash and cash equivalents	4,153,465
Investments	94,256
Total	4,247,721

**NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES**

The detail of interfund balances as of June 30<sup>th</sup>, are as follows:

Description	Due from Other Funds	Due to Other Funds
General Fund	-	40,814
Debt Service Fund	40,814	-
Total	40,814	40,814

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

**NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS**

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

Description	Amount
State aid	1,505,989
Federal grants and other pass-through agencies	1,304,183
Other	243,425
Total	3,053,597

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

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**NOTE 5 - CAPITAL ASSETS**

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

	Beginning Balance *	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated					
Land	403,634	-	-	-	403,634
Total capital assets not being depr.	403,634	-	-	-	403,634
Capital assets being depreciated					
Buildings and improvements	38,705,971	183,692	-	-	38,889,663
Furniture and equipment	1,216,173	95,897	-	-	1,312,070
Vehicles	202,574	55,264	(26,150)	-	231,688
Total capital assets being depr.	40,124,718	334,853	(26,150)	-	40,433,421
Accumulated depreciation					
Buildings and improvements	(17,643,746)	(1,760,027)	-	-	(19,403,773)
Furniture and equipment	(501,509)	(92,730)	-	-	(594,239)
Vehicles	(135,663)	(23,679)	26,150	-	(133,192)
Total accumulated depreciation	(18,280,918)	(1,876,436)	26,150	-	(20,131,204)
Net capital assets being depreciated	21,843,800	(1,541,583)	-	-	20,302,217
Net capital assets	22,247,434	(1,541,583)	-	-	20,705,851

\*See NOTE 13 – PRIOR PERIOD ADJUSTMENT for capital asset related adjustment.

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

Governmental Activities	Amount
Instruction	1,607,149
Support services	155,222
Food services	114,065
Total depreciation	1,876,436

**NOTE 6 - ACCRUED EXPENSES**

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

**NOTE 7 - DEBT**

Premiums and Discounts

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

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

	Beginning Balance	Additions	(Deletions)	Ending Balance
Premium on 2020 bonds	1,317,456	-	(82,341)	1,235,115

Retirement Incentives

The District offers incentives for teachers to continue working in the District. Beginning with the eleventh year of service and continuing through the teacher's last year of service, any tenured teacher who chooses to leave the District will be entitled to a severance payment equal to two hundred dollars per year of teaching.

For bargaining unit members hired prior to September 1, 2005, the District will pay a percentage (between 55% and 35%) of the employee's wage for retirement after thirty years of service and less than forty years of service. The final twelve years must be served in the Farwell Area Schools. These payments shall be made to a 403(b) plan account designated by the teacher. The total estimated liability of retirement incentives at June 30<sup>th</sup> is \$709,887.

Long-Term Debt

	Original Borrowing	Interest Rates	Final Maturity	Outstanding at Year-end
General Obligations				
2020 school building & site bonds	18,955,000	2.00%-3.00%	2041	15,490,000
Total general obligation bonds				15,490,000

Summary of Long-Term Debt

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

Description	Beginning Balance	Additions	(Deletions)	Ending Balance	Due within one year
Compensated absences	286,719	59,708	(43,008)	303,419	45,513
Retirement incentive	776,112	-	(66,225)	709,887	106,483
General obligation bonds	16,395,000	-	(905,000)	15,490,000	935,000
Total long-term debt	17,457,831	59,708	(1,014,233)	16,503,306	1,086,996

The requirements to pay principal and interest on the long-term debt outstanding at June 30<sup>th</sup>, are shown below:

Year Ended June 30	General Obligation Bonds	
	Principal	Interest
2025	935,000	464,700
2026	960,000	436,650
2027	990,000	407,850
2028	1,020,000	378,150
2029	1,050,000	347,550
2030-2034	5,260,000	1,265,100
2035-2039	5,275,000	474,750
Total long-term debt	15,490,000	3,774,750

**NOTE 8 - RETIREMENT BENEFITS**

**Plan Description**

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

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

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

**Benefits Provided**

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

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

**Contributions**

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the Sept. 30, 2022 valuation will be amortized over an 16-year period beginning Oct. 1, 2022 and ending Sept. 30, 2038.

The schedule below summarizes pension contribution rates in effect for plan year ended Sept. 30, 2023.

<b>Pension Contribution Rates</b>		
<b>Benefit Structure</b>	<b>Member</b>	<b>Employer</b>
Basic	0.0 - 4.0%	20.16%
Member Investment Plan	3.0 - 7.0%	20.16%
Pension Plus	3.0 - 6.4%	17.24%
Pension Plus 2	6.2%	19.95%
Defined Contribution	0.0%	13.75%

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Required contributions to the pension plan from the District were \$2,281,783 for the year ended Sept. 30, 2023.

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

At September 30, 2023, the District reported a liability of \$20,491,138 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of Sept. 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2022. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At Sept. 30, 2023, the District's proportion was 0.0633106%, which was an increase of 0.00194% from its proportion measured as of Sept. 30, 2022.

For the plan year ending September 30, 2023, the District recognized pension expense of \$2,264,261. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	2,776,642	1,600,949
Net difference between projected and actual earnings on pension plan investments	-	419,315
Differences between actual and expected experience	646,843	31,389
Changes in proportion and differences between employer contributions and proportionate share of contributions	869,851	515,437
Employer contributions subsequent to the measurement date	2,371,178	
<b>Total</b>	<b>6,664,514</b>	<b>2,567,090</b>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Plan Year (To Be Recognized in Future Pension Expenses)	
2024	385,341
2025	502,890
2026	1,081,357
2027	(243,342)

**Actuarial Assumptions**

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

Additional information as of the latest actuarial valuation follows:

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**Summary of Actuarial Assumptions**

Valuation Date:	Sept. 30, 2022
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans:	6.00% net of investment expenses
- Pension Plus Plan:	6.00% net of investment expenses
- Pension Plus 2 Plan:	6.00% net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality (Retirees):	PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Mortality (Active):	PubT-2010 Male and Female Employee Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

**Notes:**

- Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total pension liability as of September 30, 2023, is based on the results of an actuarial valuation date of September 30, 2022, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4406
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2023 MPSERS Annual Comprehensive Financial Report found on the ORS website at <a href="http://Michigan.gov/ORSSchools">Michigan.gov/ORSSchools</a> .

**Long-Term Expected Return on Plan Assets**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of Sept. 30, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.8%
Private Equity Pools	16.0%	9.6%
International Equity	15.0%	6.8%
Fixed Income Pools	13.0%	1.3%
Real Estate and Infrastructure Pools	10.0%	6.4%
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 the plan year ended September 30, 2023, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 8.29%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate**

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.00% (6.00% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
27,683,467	20,491,138	14,503,264

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS ACFR, available on the ORS website at [Michigan.gov/ORSSchools](http://Michigan.gov/ORSSchools).

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

The District reported payables to the defined benefit pension plan in the amount of \$399,838 as of June 30, 2024.

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

**Plan Description**

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

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

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

The System's financial statements are available on the ORS website at [Michigan.gov/ORSSchools](http://Michigan.gov/ORSSchools).

**Benefits Provided**

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug,

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dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning Jan. 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

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

**Contributions**

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the Sept. 30, 2022 valuation will be amortized over a 16-year period beginning Oct. 1, 2022 and ending Sept. 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for plan year ended Sept. 30, 2023.

<b>OPEB Contribution Rates</b>		
<b>Benefit Structure</b>	<b>Member</b>	<b>Employer</b>
Premium Subsidy	3.00%	8.07%
Personal Healthcare Fund (PHF)	0.00%	7.21%

Required contributions to the OPEB plan from the District were \$493,037 for the year ended September 30, 2023.

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

At September 30, 2023, the District reported an asset of \$358,038 for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of Sept. 30, 2023, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2022. The District's proportion of the net OPEB asset was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At Sept. 30, 2023, the District's proportion was 0.06329135%, which was a decrease of -0.000470% from its proportion measured as of September 30, 2022.

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For the plan year ending September 30, 2023, the District recognized OPEB expense of \$(759,449). At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	797,055	95,981
Net difference between projected and actual earnings on OPEB plan investments	1,092	-
Differences between actual and expected experience	-	2,705,520
Changes in proportion and differences between employer contributions and proportionate share of contributions	217,441	292,438
Employer contributions subsequent to the measurement date	465,477	
Total	1,481,065	3,093,939

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB (asset)/liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Plan Year (To Be Recognized in Future OPEB Expenses)	
2024	(734,674)
2025	(660,764)
2026	(224,200)
2027	(191,722)
2028	(173,153)
Thereafter	(93,838)

**Actuarial Assumptions**

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

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Additional information as of the latest actuarial valuation follows:

**Summary of Actuarial Assumptions**

Valuation Date:	Sept. 30, 2022
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.00% net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	Pre-65: 7.50% Year 1 graded to 3.5% Year 15 Post-65: 6.25% Year 1 graded to 3.5% Year 15
Mortality (Retirees):	PubT-2010 Male and Female Retiree Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Mortality (Active):	PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Other Assumptions (Opt-Out Assumption):	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Other Assumptions (Survivor Coverage):	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Other Assumptions (Coverage Election at Retirement):	75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents.

**Notes:**

- Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual valuations beginning with the Sept. 30, 2023 valuation. The total OPEB liability as of Sept. 30, 2023, is based on the results of an actuarial valuation date of Sept. 30, 2022, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.5099
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2023 MPSEERS Annual Comprehensive Financial Report found on the ORS website at [Michigan.gov/ORSSchools](http://Michigan.gov/ORSSchools).

**Long-term Expected Return on Plan Assets**

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

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Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of Sept. 30, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.8%
Private Equity Pools	16.0%	9.6%
International Equity	15.0%	6.8%
Fixed Income Pools	13.0%	1.3%
Real Estate and Infrastructure Pools	10.0%	6.4%
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 the plan year ended Sept. 30, 2023, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 7.94%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate**

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

**Sensitivity of the District's proportionate share of the net OPEB (asset)/liability to changes in the discount rate**

The following presents the District's proportionate share of the net OPEB (asset)/liability calculated using the discount rate of 6.00%, as well as what the District's proportionate share of the net OPEB (asset)/liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
371,178	(358,038)	(984,728)

**Sensitivity of the District's proportionate share of the net OPEB (asset)/liability to Healthcare Cost Trend Rate**

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
(986,290)	(358,038)	321,937

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued

Farwell Area Schools  
Notes to the Financial Statements  
June 30, 2024

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2023 MPSERS ACFR, available on the ORS website at [Michigan.gov/ORSSchools](http://Michigan.gov/ORSSchools).

**Payables to the OPEB Plan**

The District reported payables to the defined benefit OPEB plan in the amount of \$55,766 as of June 30, 2024.

**NOTE 10 - NET INVESTMENT IN CAPITAL ASSETS**

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

Net investment in capital assets	Amount
Capital assets not being depreciated	403,634
Capital assets being depreciated, net	20,302,217
Capital related general obligation bonds	(15,490,000)
Unspent capital project funds	94,256
Unamortized premium on bond	(1,235,115)
Net investment in capital assets	4,074,992

**NOTE 11 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The District participates in commercial insurance for claims relating to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The District has also purchased commercial insurance for medical claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. There was no reduction in coverage obtained through commercial insurance during the past year.

**NOTE 12 - TRANSFERS**

During the year the following transfers were made between funds:

- The transfer of \$2,498 from the general fund to the food service fund was for the required At-Risk school breakfast program supplement.
- The transfer of \$55,403 from the food service fund to the general fund for the purpose of recovering indirect costs allowable for the food service fund.

**NOTE 13 - PRIOR PERIOD ADJUSTMENT**

The prior period adjustment in the government wide statements consists of the following item:

Description	Amount
Removal of duplicate assets	(47,766)

The prior period adjustment in the fund financial statements consists of the following item:

Description	Amount
General Fund – correction of prior year indirect transfer from Food Service Fund	(55,669)
Food Service Fund – correction of prior year indirect transfer to General Fund	55,669
Total fund financial statements	-

**NOTE 14 - TAX ABATEMENTS**

The District is required to disclose significant tax abatements as required by GASB Statement No. 77 (*Tax Abatements*). For the year ended June 30, 2024, the District did not receive reduced property tax revenues as a result of tax abatements from taxing authorities within its district boundaries. Additionally, there are no abatements made by the District.

**NOTE 15 – RETIREMENT INCENTIVE PLAN**

Certain teachers and administrators of the District have elected to participate in a retirement incentive program established by the District for those meeting various eligibility requirements. The District deposits funds into a special pay plan created in accordance with Section 403b of the Internal Revenue Code on behalf of the qualifying employee. The employee may utilize such funds in a manner specified by the special pay plan. The expenditures for this plan were \$66,225 for the year ended June 30. The outstanding long-term liability under this plan at year-end is included in NOTE 7 – DEBT.

**NOTE 16 – CONTINGENT LIABILITIES**

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

**NOTE 17 – ECONOMIC DEPENDENCE**

The District receives over 50% of its General Fund revenues from the Michigan Department of Education. Due to the significance of this revenue source, the District is considered to be economically dependent.

**NOTE 18 – ADJUSTMENTS TO BEGINNING FUND BALANCES**

During fiscal year 2024, change to or within the financial reporting entity resulted in adjustments to beginning fund balances, as follows:

	Reporting Units Affected by Adjustments to Beginning Balances	
	Debt Service Fund	Nonmajor Governmental Funds
Fund balance - beginning as previously presented	-	1,267,480
Change from major to nonmajor fund	558,595	(558,595)
Fund balance – beginning as restated	558,595	708,885

**NOTE 19 - FUND BALANCE – NON SPENDABLE, COMMITTED, AND RESTRICTED**

Fund balance in the Food Service Fund is restricted for food service activities. Fund balance in the Student Activities Fund is restricted for student activities. Fund balance in the Debt Service Fund is restricted for debt service. Fund balance in the Capital Projects Funds is restricted for future capital outlay.

**NOTE 20 – SUBSEQUENT EVENT**

On September 9, 2024 (after the end of the fiscal year), the District received a notice from the IRS that required forms had not yet been filed. The letter indicates that the IRS levied penalties against the District for failure to file in the amount of \$106,120. The District is working to gather and file the required forms.

It is the District’s intent to borrow \$700,000 in December of 2024 (after the end of the fiscal year), from Isabella Bank in the form of a State Aid Anticipation note for the purpose of providing funds for school operations. The anticipated interest rate is stated at 4.00% and is expected to be payable on March 31, 2025. This loan was acquired after the end of the fiscal year and, therefore, is not shown as a current liability.

**NOTE 21 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 101, *Compensated Absences*, was issued by the GASB in June 2022 and will be effective for fiscal year 2025. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

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 requires that a liability for certain types of compensated

absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. 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.

GASB Statement No. 102, *Certain Risk Disclosures*, was issued by the GASB in December of 2023 and will be effective for fiscal year 2025. 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.

GASB Statement No. 103, *Financial Reporting Model Improvements*, was issued by the GASB in April of 2024 and will be effective for fiscal year 2026. 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:
    - 1) Overview of the Financial Statements,
    - 2) Financial Summary,
    - 3) Detailed Analyses,
    - 4) Significant Capital Asset and Long-Term Financing Activity,
    - 5) 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.

**REQUIRED SUPPLEMENTARY INFORMATION**



Budgetary Comparison Schedule for the General Fund  
For the Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 5,475,595	\$ 5,553,472	\$ 5,509,587	\$ (43,885)
State sources	7,403,878	8,635,156	8,057,066	(578,090)
Federal sources	2,775,514	2,688,408	1,444,871	(1,243,537)
Other sources	-	-	9,552	9,552
<b>Total revenues</b>	<b>15,654,987</b>	<b>16,877,036</b>	<b>15,021,076</b>	<b>(1,855,960)</b>
<b>Expenditures</b>				
Instruction				
Basic programs	7,082,114	7,952,165	6,434,645	1,517,520
Added needs	2,241,290	2,476,774	2,654,615	(177,841)
<b>Total instruction</b>	<b>9,323,404</b>	<b>10,428,939</b>	<b>9,089,260</b>	<b>1,339,679</b>
Support services				
Pupil	451,630	548,183	505,888	42,295
Instructional staff	189,893	140,705	434,087	(293,382)
General administration	322,704	364,154	370,754	(6,600)
School administration	538,488	917,254	923,321	(6,067)
Business services	317,133	363,978	401,407	(37,429)
Operation and maintenance	1,918,952	2,215,772	2,086,146	129,626
Pupil transportation	911,432	921,114	1,087,180	(166,066)
Central	619,300	509,058	513,530	(4,472)
Other	467,227	299,882	296,998	2,884
<b>Total support services</b>	<b>5,736,759</b>	<b>6,280,100</b>	<b>6,619,311</b>	<b>(339,211)</b>
Community services	3,345	13,732	27,110	(13,378)
Facilities acquisition and improvements	306,002	49,468	49,468	-
<b>Total expenditures</b>	<b>15,369,510</b>	<b>16,772,239</b>	<b>15,785,149</b>	<b>987,090</b>
<b>Revenues over/(under) expenditures</b>	<b>285,477</b>	<b>104,797</b>	<b>(764,073)</b>	<b>(868,870)</b>
<b>Other financing sources (uses)</b>				
Transfers in	89,208	89,208	55,403	(33,805)
Transfers (out)	(202,500)	(102,500)	(2,498)	100,002
<b>Total other financing sources (uses)</b>	<b>(113,292)</b>	<b>(13,292)</b>	<b>52,905</b>	<b>66,197</b>
<b>Net change in fund balances</b>	<b>172,185</b>	<b>91,505</b>	<b>(711,168)</b>	<b>(802,673)</b>
<b>Fund balances - beginning</b>	<b>2,472,436</b>	<b>2,472,436</b>	<b>2,472,436</b>	<b>-</b>
<b>Prior period adjustment</b>	<b>-</b>	<b>-</b>	<b>(55,669)</b>	<b>(55,669)</b>
<b>Fund balances - ending</b>	<b>\$ 2,644,621</b>	<b>\$ 2,563,941</b>	<b>\$ 1,705,599</b>	<b>\$ (858,342)</b>

Farwell Area Schools  
Required Supplemental Information  
Michigan Public School Employees Retirement Plan  
10-year trend information - Pension

<b>Schedule of the District's Proportionate Share of the Net Pension Liability</b>	<b>Plan year Sept 30, 2014</b>	<b>Plan year Sept 30, 2015</b>	<b>Plan year Sept 30, 2016</b>	<b>Plan year Sept 30, 2017</b>	<b>Plan year Sept 30, 2018</b>
Reporting unit's proportion of net pension liability (%)	0.07727%	0.07678%	0.07460%	0.07249%	0.06987%
Reporting unit's proportionate share of net pension liability	\$ 17,019,183	\$ 18,753,638	\$ 18,612,162	\$ 18,784,113	\$ 21,003,684
Reporting unit's covered employee payroll	\$ 6,566,005	\$ 6,412,898	\$ 6,166,149	\$ 6,003,801	\$ 5,789,884
Reporting unit's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	259.20%	292.44%	301.84%	312.87%	362.77%
Plan fiduciary net position as a percentage of total pension liability	66.20%	62.92%	63.01%	63.27%	62.36%

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

<b>Schedule of the District's Pension Contributions</b>	<b>Fiscal year June 30, 2015</b>	<b>Fiscal year June 30, 2016</b>	<b>Fiscal year June 30, 2017</b>	<b>Fiscal year June 30, 2018</b>	<b>Fiscal year June 30, 2019</b>
Statutorily required pension contributions	\$ 1,632,483	\$ 1,786,261	\$ 1,765,753	\$ 1,826,021	\$ 1,826,021
Pension contributions in relation to statutorily required contributions	1,632,483	1,786,261	1,765,753	1,826,021	1,826,021
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Reporting unit's covered-employee payroll	\$ 6,425,260	\$ 6,150,137	\$ 6,095,591	\$ 5,791,211	\$ 5,726,451
Pension contributions as a percentage of covered-employee payroll	25.41%	29.04%	28.97%	31.53%	31.89%

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

**Notes to the Required Supplementary Information**

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

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

Farwell Area Schools  
Required Supplemental Information  
Michigan Public School Employees Retirement Plan  
10-year trend information - Pension

<b>Schedule of the District's Proportionate Share of the Net Pension Liability</b>	<b>Plan year Sept 30, 2019</b>	<b>Plan year Sept 30, 2020</b>	<b>Plan year Sept 30, 2021</b>	<b>Plan year Sept 30, 2022</b>	<b>Plan year Sept 30, 2023</b>
Reporting unit's proportion of net pension liability (%)	0.06626%	0.06216%	0.05884%	0.06137%	0.06331%
Reporting unit's proportionate share of net pension liability	\$ 21,942,743	\$ 21,353,306	\$ 13,930,435	\$ 23,081,817	\$ 20,491,138
Reporting unit's covered employee payroll	\$ 5,704,348	\$ 5,368,987	\$ 5,287,205	\$ 6,188,326	\$ 6,472,055
Reporting unit's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	384.67%	397.72%	263.47%	372.99%	316.61%
Plan fiduciary net position as a percentage of total pension liability	60.31%	59.72%	72.60%	60.77%	65.91%

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

<b>Schedule of the District's Pension Contributions</b>	<b>Fiscal year June 30, 2020</b>	<b>Fiscal year June 30, 2021</b>	<b>Fiscal year June 30, 2022</b>	<b>Fiscal year June 30, 2023</b>	<b>Fiscal year June 30, 2024</b>
Statutorily required pension contributions	\$ 1,639,830	\$ 1,628,715	\$ 2,053,828	\$ 2,454,877	\$ 2,564,576
Pension contributions in relation to statutorily required contributions	1,639,830	1,628,715	2,053,828	2,454,877	2,564,576
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Reporting unit's covered-employee payroll	\$ 5,442,385	\$ 5,190,320	\$ 5,909,194	\$ 6,216,470	\$ 6,761,410
Pension contributions as a percentage of covered-employee payroll	30.13%	31.38%	34.76%	39.49%	37.93%

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

**Notes to the Required Supplementary Information**

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

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

Farwell Area Schools  
Required Supplemental Information  
Michigan Public School Employees Retirement Plan  
Prospective 10-year trend information - OPEB

<b>Schedule of the District's Proportionate Share of the Net OPEB (Asset)/Liability</b>	<b>Plan year Sept 30, 2017</b>	<b>Plan year Sept 30, 2018</b>	<b>Plan year Sept 30, 2019</b>	<b>Plan year Sept 30, 2020</b>	<b>Plan year Sept 30, 2021</b>
Reporting unit's proportion of net OPEB (asset)/liability (%)	0.07243%	0.06807%	0.06531%	0.06062%	0.05848%
Reporting unit's proportionate share of net OPEB (asset)/liability	\$ 6,414,349	\$ 5,410,554	\$ 4,687,768	\$ 3,247,767	\$ 892,601
Reporting unit's covered employee payroll	\$ 6,003,801	\$ 5,789,884	\$ 5,704,348	\$ 5,368,987	\$ 5,287,205
Reporting unit's proportionate share of net OPEB (asset)/liability as a percentage of its covered employee payroll (%)	106.84%	93.45%	82.18%	60.49%	16.88%
Plan fiduciary net position as a percentage of total OPEB liability	36.39%	42.95%	48.46%	59.44%	87.33%

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

<b>Schedule of the District's OPEB Contributions</b>	<b>Fiscal year June 30, 2018</b>	<b>Fiscal year June 30, 2019</b>	<b>Fiscal year June 30, 2020</b>	<b>Fiscal year June 30, 2021</b>	<b>Fiscal year June 30, 2022</b>
Statutorily required OPEB contributions	\$ 505,386	\$ 441,816	\$ 434,995	\$ 400,426	\$ 502,784
OPEB contributions in relation to statutorily required contributions	505,386	441,816	434,995	400,426	502,784
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Reporting unit's covered-employee payroll	\$ 5,791,211	\$ 5,726,451	\$ 5,442,385	\$ 5,190,320	\$ 5,909,194
OPEB contributions as a percentage of covered-employee payroll	8.73%	7.72%	7.99%	7.71%	8.51%

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

**Notes to the Required Supplementary Information**

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

Changes of assumptions: The Healthcare cost trend rate pre 65 decreased to 7.50% for year one graded to 3.50% for year fifteen from 7.75% for year one graded to 3.50% for year fifteen. The Healthcare cost trend rate post 65 increased to 6.25% for year one and graded to 3.5% for year fifteen from 5.25% for year one and graded to 3.5% 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.

Farwell Area Schools  
Required Supplemental Information  
Michigan Public School Employees Retirement Plan  
Prospective 10-year trend information - OPEB

<b>Schedule of the District's Proportionate Share of the Net OPEB (Asset)/Liability</b>	<b>Plan year Sept 30, 2022</b>	<b>Plan year Sept 30, 2023</b>
Reporting unit's proportion of net OPEB (asset)/liability (%)	0.06376%	0.06329%
Reporting unit's proportionate share of net OPEB (asset)/liability	\$ 1,350,509	\$ (358,038)
Reporting unit's covered employee payroll	\$ 6,188,326	\$ 6,472,055
Reporting unit's proportionate share of net OPEB (asset)/liability as a percentage of its covered employee payroll (%)	21.82%	-5.53%
Plan fiduciary net position as a percentage of total OPEB liability	83.09%	105.04%

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

<b>Schedule of the District's OPEB Contributions</b>	<b>Fiscal year June 30, 2023</b>	<b>Fiscal year June 30, 2024</b>
Statutorily required OPEB contributions	\$ 321,652	\$ 538,240
OPEB contributions in relation to statutorily required contributions	321,652	538,240
Contribution deficiency (excess)	\$ -	\$ -
Reporting unit's covered-employee payroll	\$ 6,216,470	\$ 6,761,410
OPEB contributions as a percentage of covered-employee payroll	5.17%	7.96%

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

**Notes to the Required Supplementary Information**

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

Changes of assumptions: The Healthcare cost trend rate pre 65 decreased to 7.50% for year one graded to 3.50% for year fifteen from 7.75% for year one graded to 3.50% for year fifteen. The Healthcare cost trend rate post 65 increased to 6.25% for year one and graded to 3.5% for year fifteen from 5.25% for year one and graded to 3.5% 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.

**OTHER SUPPLEMENTARY INFORMATION**



Farwell Area Schools  
Combining Balance Sheet - Non-Major Governmental Funds  
June 30, 2024

	Food Service	Student Activities	Formerly Non-major Debt Service	Capital Projects I	2020 Bond Construction	Capital Projects II	Total Non-Major Funds
<b>Assets</b>							
Cash and cash equivalents	\$ 383,256	\$ 209,970	\$ -	\$ 106,001	\$ -	\$ 277,559	\$ 976,786
Investments	-	-	-	-	94,256	-	94,256
Accounts receivable	2,481	-	-	-	-	-	2,481
Due from other governmental units	6,021	-	-	-	-	-	6,021
<b>Total assets</b>	<b>\$ 391,758</b>	<b>\$ 209,970</b>	<b>\$ -</b>	<b>\$ 106,001</b>	<b>\$ 94,256</b>	<b>\$ 277,559</b>	<b>\$ 1,079,544</b>
<b>Liabilities</b>							
Accounts payable	\$ 16,566	\$ 163	\$ -	\$ -	\$ -	\$ -	\$ 16,729
Accrued expenditures	5,208	-	-	-	-	-	5,208
Due to other governmental units	3,821	-	-	-	-	-	3,821
<b>Total liabilities</b>	<b>25,595</b>	<b>163</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,758</b>
<b>Fund balance</b>							
Restricted	366,163	209,807	-	106,001	94,256	277,559	1,053,786
<b>Total fund balance</b>	<b>366,163</b>	<b>209,807</b>	<b>-</b>	<b>106,001</b>	<b>94,256</b>	<b>277,559</b>	<b>1,053,786</b>
<b>Total liabilities and fund balance</b>	<b>\$ 391,758</b>	<b>\$ 209,970</b>	<b>\$ -</b>	<b>\$ 106,001</b>	<b>\$ 94,256</b>	<b>\$ 277,559</b>	<b>\$ 1,079,544</b>

Farwell Area Schools  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds  
For the Year Ended June 30, 2024

	Food Service	Student Activities	Formerly Non-major Debt Service	Capital Projects I	2020 Bond Construction	Capital Projects II	Total Non-Major Funds
<b>Revenues</b>							
Local sources	\$ 42,929	\$ 120,311	\$ -	\$ -	\$ 6,910	\$ 277,611	\$ 447,761
State sources	41,132	-	-	-	-	-	41,132
Federal sources	1,048,107	-	-	-	-	-	1,048,107
Total revenues	1,132,168	120,311	-	-	6,910	277,611	1,537,000
<b>Expenditures</b>							
Support services							
Business services	-	-	-	-	-	52	52
Food service	1,010,242	-	-	-	-	-	1,010,242
Student activities	-	94,509	-	-	-	-	94,509
Facilities acquisition and improvements	-	-	-	-	90,060	-	90,060
Total expenditures	1,010,242	94,509	-	-	90,060	52	1,194,863
<b>Revenues over/(under) expenditures</b>	121,926	25,802	-	-	(83,150)	277,559	342,137
<b>Other financing sources (uses)</b>							
Transfers in	2,498	-	-	-	-	-	2,498
Transfers (out)	(55,403)	-	-	-	-	-	(55,403)
Total other financing sources (uses)	(52,905)	-	-	-	-	-	(52,905)
<b>Net change in fund balances</b>	69,021	25,802	-	-	(83,150)	277,559	289,232
<b>Fund balances - beginning</b>							
Beginning, as previously presented	241,473	184,005	558,595	106,001	177,406	-	1,267,480
Adjustment to beginning fund balance	-	-	(558,595)	-	-	-	(558,595)
Beginning, as restated	241,473	184,005	-	106,001	177,406	-	708,885
<b>Prior period adjustment</b>	55,669	-	-	-	-	-	55,669
<b>Fund balances - ending</b>	\$ 366,163	\$ 209,807	\$ -	\$ 106,001	\$ 94,256	\$ 277,559	\$ 1,053,786



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

To the Members of the Board  
Farwell Area Schools  
Farwell, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Farwell Area Schools (the District) for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you during planning. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Matters

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

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

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

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

#### *Difficulties Encountered in Performing the Audit*

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

#### *Corrected and Uncorrected Misstatements*

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

#### *Disagreements with Management*

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

#### *Management Representations*

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

#### *Management Consultations with Other Independent Accountants*

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

#### *Other Audit Findings or Issues*

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

The school district is required to limit its net cash resources to an amount that does not exceed 3 months of its average expenditures of the non-profit food service fund per 7 CFR Part 210.14(b). As of year-end, the district's food service fund balance exceeded the 3 months operating expenses by approximately \$10,950.

#### Other Matters

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

#### Restriction on Use

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

Sincerely,



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