

Birch Run Area Schools

Financial Statements

June 30, 2024



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

Table of Contents

Section	Page
1 Members of the Board of Education and Administration	1 - 1
2 Independent Auditors' Report	2 - 1
3 Management's Discussion and Analysis	3 - 1
4 Basic Financial Statements	
District-wide Financial Statements	
Statement of Net Position	4 - 1
Statement of Activities	4 - 3
Fund Financial Statements	
Governmental Funds	
Balance Sheet	4 - 4
Reconciliation of the Balance Sheet of	
Governmental Funds to the Statement of Net Position	4 - 6
Statement of Revenues, Expenditures and Changes in Fund Balances	4 - 7
Reconciliation of the Statement of Revenues, Expenditures and	
Changes in Fund Balances of Governmental Funds to the Statement of Activities	4 - 8
Notes to the Financial Statements	4 - 9

Section	Page
5 Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	5 - 1
Budgetary Comparison Schedule - Food Service Fund	5 - 2
Schedule of the School District's Proportionate Share of the Net Pension Liability	5 - 3
Schedule of the School District's Pension Contributions	5 - 4
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)	5 - 5
Schedule of the School District's OPEB Contributions	5 - 6
6 Other Supplementary Information	
Nonmajor Governmental Funds	
Combining Balance Sheet	6 - 1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	6 - 2
General Fund	
Comparative Balance Sheet	6 - 3
Schedule of Outstanding Bonded Indebtedness	6 - 5

Birch Run Area Schools
Members of the Board of Education and Administration
June 30, 2024

Members of the Board of Education

Katie Barnum	President
Tom White	Vice President
Cindy Parker	Secretary
Ryan Rigda	Treasurer
Kristy Albrecht	Trustee
Lee Engelhardt	Trustee
Christina Young	Trustee

Administration

Diane Martindale	Superintendent
Rod Livingston	Business Manager

Independent Auditors' Report

Management and the Board of Education
Birch Run Area Schools
Birch Run, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Birch Run Area Schools, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Birch Run Area Schools' basic financial statements as listed in the table of contents.

In our opinion, based on our audit, 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 Birch Run Area Schools, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Birch Run Area Schools, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' 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 Birch Run Area Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Birch Run Area Schools' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, and schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability (asset), and schedule of the school district's OPEB contributions 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.

Other Supplementary Information

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

Prior Year Supplementary Information

We also have previously audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, Birch Run Area Schools' basic financial statements as of and for the year ended June 30, 2023, which are not presented with the accompanying basic financial statements. In our report dated October 22, 2023, we expressed unmodified opinions on the respective basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise Birch Run Area Schools' basic financial statements as a whole. The 2023 information in the comparative supplementary schedules is presented for purposes of additional analysis and is not a required part of the 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 2023 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 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 2023 information in the comparative supplementary schedules is fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2024 on our consideration of Birch Run Area Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Birch Run Area Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Birch Run Area Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Saginaw, Michigan
September 27, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

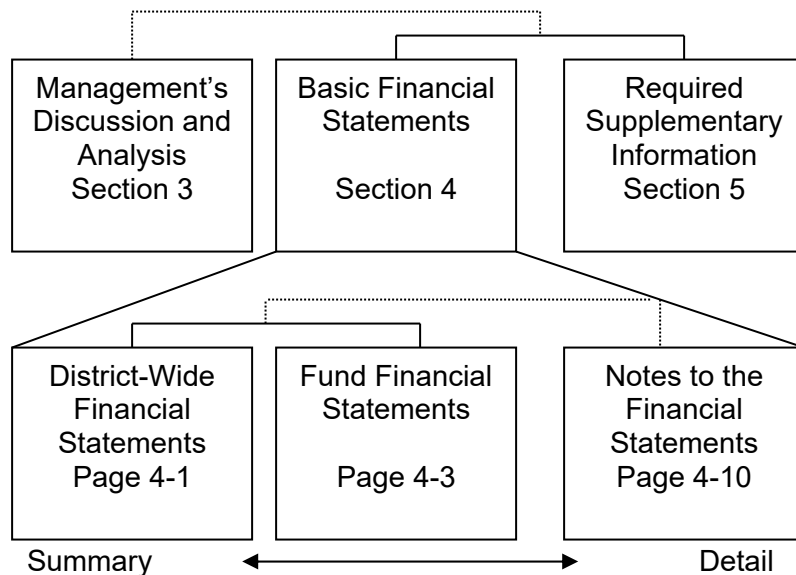
Birch Run Area Schools

Management's Discussion and Analysis

Year Ended June 30, 2024

This financial report is presented in the format required by the Governmental Accounting Standards Board (GASB). The overall organization of this report is shown in Figure A-1.

Figure A-1
Birch Run Area Schools
Organization of Annual Financial Report



District –Wide Financial Statements

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

The Statement of Net Position (page 4-1) combines and consolidates the governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations, regardless of whether they are currently available or not.

Consistent with the full accrual basis method of accounting, the Statement of Activities (page 4-3) accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various district services.

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

Fund Financial Statements

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

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's *Public School Accounting Manual*. In the State of Michigan, the District's

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

major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds. The funds used by Birch Run Area Schools include Debt Service Funds, Capital Projects Fund, Fiduciary Funds and a Special Revenue Fund for Food Service.

Birch Run Area Schools is the trustee, or fiduciary, for its student activity funds and for a number of scholarships established for the benefit of our students. These fiduciary activities are reported in separate statements of fiduciary net position. They are excluded from the other financial statements because the District may not use the assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Financial Analysis of the District as a Whole

Summary of Net Position

	Governmental Activities	
	June 30, 2024	June 30, 2023
Assets and Deferred Outflows		
Current assets	\$ 12,945,923	\$ 10,574,329
Capital assets	43,932,212	43,717,102
Less accumulated depreciation	(25,509,923)	(24,586,874)
Capital assets, net	18,422,289	19,130,228
Deferred outflows of resources	11,779,265	13,245,364
Total assets and deferred outflows	<u>\$ 43,147,477</u>	<u>\$ 42,949,921</u>
Liabilities and Deferred Inflows		
Current liabilities	\$ 2,925,238	\$ 2,893,882
Long-term liabilities	36,338,565	44,282,369
Deferred inflows of resources	9,560,158	6,079,391
Total liabilities and deferred inflows	<u>\$ 48,823,961</u>	<u>\$ 53,255,642</u>
Net position		
Total Capital Assets	\$ 13,679,998	\$ 13,039,042
Restricted	667,434	762,743
Unrestricted	(20,023,916)	(24,067,506)
Total Net Position	<u>\$ (5,676,484)</u>	<u>\$ (10,265,721)</u>

The *Summary of Net Position* and the *Statement of Net Position from Operating Results* on the next page show the changes in the District's net position. Unrestricted net position is similar but not identical to fund balance. Other assets are restricted for capital projects and food service operations. A reconciliation of the difference between changes in net position and changes in fund balance is on page 4-9.

Birch Run Area Schools
Management's Discussion and Analysis
Year Ended June 30, 2024

The net position for the District increased by \$4,589,237 during the 202/24 year. This is primarily due to the District's portion of the net pension liability increasing as well as the District now recognizing its portion of the net OPEB liability. The *Statement of Activities* (below) shows the details of this change.

Statement of Activities

	Governmental Activities	
	June 30, 2024	June 30, 2023
Revenues		
Program revenues		
Charges for services	\$ 693,512	\$ 517,703
Operating grants and contributions	8,474,333	8,749,228
General revenues		
Property taxes	4,307,215	4,071,324
State foundation allowance	14,429,972	13,858,001
Other	342,685	176,558
Total Revenues	28,247,717	27,372,814
Expenses		
Instruction	13,540,732	13,447,911
Support services	8,503,290	8,917,221
Food services	1,336,993	1,241,790
Student and school activities	-	584,462
Other transactions	277,465	472,226
Total expenses	23,658,480	24,663,610
Change in net position	\$ 4,589,237	\$ 2,709,204

The School District's Funds

As the School District completed this year, the governmental funds reported a combined fund balance of \$9,494,904, which is an increase of \$1,880,659 from last year. The primary reasons for the increase are:

- In the General Fund, our unassigned fund, the fund balance increased by \$1,966,503. The increase was the result of responsible spending, conservative budgeting and increased grant revenue.
- The fund balance of our Food Service Fund decreased by \$108,889. This was the result of increased food quality, new equipment purchases and employee compensation.

Approximately 73% of the District's revenues are received from State sources. The Net State Foundation Grant is based on three variables:

1. The State of Michigan State Aid Act per student foundation allowance.
2. Student enrollment calculated by blending 90 percent of the current year's fall count and 10 percent of the prior year's winter count.
3. The amount raised by the District's non-homestead property tax levy of 18 mills.

Per Student Foundation Allowance

Annually, the State of Michigan establishes the per student foundation allowance. The Birch Run Area Schools' foundation allowance was \$9,608 per student.

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

Student Enrollment

The District's blended student count for 2023/24 was 1,765 students. This is thirty-nine students less than the blended count of the prior year. The following summarizes the blended student count in the past five years:

Enrollment History

	Student FTE	FTE Change from Prior Year
2023/24	1,765	(39)
2022/23	1,804	(32)
2021/22	1,836	(25)
2020/21	1,861	(5)
2019/20	1,866	5

Preliminary student enrollment projections for 2024/25 indicate that enrollments are likely to be similar to 2023/24.

Property Taxes Levied for General Operations

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead properties. Under Michigan law, the tax levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at lesser of the rate of the prior year's Consumer Price Index increase or 5 percent. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, theoretically 50 percent of the market value. The following summarizes the local tax revenues as a percent of all general fund revenues for the past five years:

Local Property Tax History

Local Property Tax Revenue	% of General Fund Revenue
2,887,246	15.1%
2,725,393	15.1%
2,879,952	16.5%
2,432,409	14.8%
2,417,196	15.2%

Local revenues in the table include the receipt of delinquent taxes from prior years.

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

Capital Assets

At June 30, 2024, the District had the following invested in capital assets including land, buildings, furniture, and equipment.

Assets	2024	2023
Land	\$ 40,000	\$ 40,000
Site Improvements	5,035,155	5,035,155
Building and improvements	35,416,290	35,416,290
Furniture and equipment	3,265,657	3,242,162
Subtotal	43,757,102	43,733,607
Less accumulated depreciation	(24,586,874)	(23,477,516)
	<u>\$ 19,170,228</u>	<u>\$ 20,256,091</u>

Long-Term Debt

The long-term obligations for the District decreased from \$6,732,900 to \$5,381,649. Total decrease of \$1,553,121 represent bond payments and payment of compensated absences.

Original versus Revised Budget

The Uniform Budget Act of the State of Michigan requires that a local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The budget for 2023/24 was approved on 5/15/2023 and amended on 5/20/2024.

General Fund Revenues

Total Revenues Revised Budget	\$ 24,574,300
Total Revenues Original Budget	<u>23,532,500</u>
	<u>\$ 1,041,800</u>

Some of the significant revenue budget adjustments for the year include:

- Additional federal and state grant funding

The District's actual general fund revenues were more than the revised budget by \$688,448 a variance of 2.8%.

General Fund Expenditures

Total Expenditures Revised Budget	\$ 24,173,700
Total Expenditures Original Budget	<u>23,343,500</u>
	<u>\$ 830,200</u>

Some of the significant expenditure budget adjustments for the year include:

- Planned capital improvements
- Grant spending on existing positions

The District's actual general fund expenditures were less than the revised budget by \$877,455 a variance of 3.7%.

Birch Run Area Schools

Management's Discussion and Analysis

Year Ended June 30, 2024

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 September, 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. During 2023/24 State funding decreased at \$9,608. Further, changes in pupil accounting which allow for interim claims of students have made student count variable between Fall and Spring counts. That variation makes budgeting revenue accurately impossible until after the Spring count in February.

In the 2024/25 school year the foundation grant will remain the same. This increase will leave funding below that of the 2006/07 year by the rate of inflation.

The state mandated retirement rate (MPSERS) will be 31.34%. The MPSERS rate in the 2006/07 year was only 17.74% to compare with the foundation grant. Thus, while inflation is 54.6% over this time period, the MPSERS rate has increased by 76.7% and the foundation allowance has increased by only 35.6%. Despite the changes in the retirement system in the 2011/12 school year, the rates have not decreased, but has instead created a complex system with dozens of different options and rates for employees/the district. Further, while the state is helping fund the unfunded liability, it has created a convoluted accounting system for that funding.

With the decreases in state aid and the increases in MPSERS, salaries, health insurance benefits, and general inflation, it is difficult

to maintain a balanced budget while still providing an adequate educational program. Birch Run has controlled costs by implementing insurance hard caps in all collective bargaining agreements and tying salary schedule increases to the increase/decrease in foundation grant, while also contracting services for custodial, transportation and the business office. However, it is exceedingly difficult to manage a 59% increase in retirement and 55% increase in inflation.

Requests for Information

This financial report is designed to give our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning this report or requests for additional information should be addressed to: Birch Run Area Schools, 12450 Church Street, Suite 2, Birch Run, Michigan, 48415.

BASIC FINANCIAL STATEMENTS

Birch Run Area Schools
Statement of Net Position
June 30, 2024

	Governmental Activities
Assets	
Cash	\$ 1,727,631
Taxes receivable	800
Accounts receivable	39,722
Due from other governmental units	5,423,400
Inventory	28,393
Investments	4,953,533
Prepaid items	224,397
Capital assets not being depreciated	118,991
Capital assets - net of accumulated depreciation	18,303,298
Net OPEB asset	<u>548,047</u>
 Total assets	 <u>31,368,212</u>
 Deferred Outflows of Resources	
Deferred amount on debt refunding	23,951
Deferred amount relating to the net pension liability	9,534,643
Deferred amount relating to the net OPEB asset	<u>2,220,671</u>
 Total deferred outflows of resources	 <u>11,779,265</u>

See Accompanying Notes to the Financial Statements

Birch Run Area Schools
Statement of Net Position
June 30, 2024

	Governmental Activities
Liabilities	
Accounts payable	\$ 401,139
Due to other governmental units	346,804
Payroll deductions and withholdings	588,060
Accrued expenditures	347,381
Accrued salaries payable	1,178,407
Unearned revenue	63,447
Long-term liabilities	
Net pension liability	30,956,916
Due within one year	1,536,691
Due in more than one year	<u>3,844,958</u>
 Total liabilities	 <u>39,263,803</u>
 Deferred Inflows of Resources	
Deferred amount relating to the net pension liability	5,171,716
Deferred amount relating to the net OPEB asset	<u>4,388,442</u>
 Total deferred inflows of resources	 <u>9,560,158</u>
 Net Position	
Net investment in capital assets	13,679,998
Restricted for:	
Food service	431,437
Debt service	237,646
Capital projects	20,051
Unrestricted	<u>(20,045,616)</u>
 Total net position	 <u><u>\$ (5,676,484)</u></u>

See Accompanying Notes to the Financial Statements

See Accompanying Notes to the Financial Statements
4 - 3

Birch Run Area Schools
Governmental Funds
Balance Sheet
June 30, 2024

	General Fund	Food Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 1,067,352	\$ 150	\$ 660,129	\$ 1,727,631
Taxes receivable	-	-	800	800
Accounts receivable	39,722	-	-	39,722
Due from other funds	91,043	539,761	263,053	893,857
Due from other governmental units	5,386,619	36,781	-	5,423,400
Inventory	-	28,393	-	28,393
Investments	4,953,533	-	-	4,953,533
Prepaid items	224,397	-	-	224,397
Total assets	<u>\$ 11,762,666</u>	<u>\$ 605,085</u>	<u>\$ 923,982</u>	<u>\$ 13,291,733</u>
Liabilities				
Accounts payable	\$ 243,001	\$ 148,617	\$ 9,521	\$ 401,139
Due to other funds	762,164	-	131,693	893,857
Due to other governmental units	346,479	325	-	346,804
Payroll deductions and withholdings	587,325	735	-	588,060
Accrued expenditures	325,115	-	-	325,115
Accrued salaries payable	1,176,483	1,924	-	1,178,407
Unearned revenue	41,400	22,047	-	63,447
Total liabilities	<u>3,481,967</u>	<u>173,648</u>	<u>141,214</u>	<u>3,796,829</u>

See Accompanying Notes to the Financial Statements

Birch Run Area Schools
Governmental Funds
Balance Sheet
June 30, 2024

	General Fund	Food Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances				
Non-spendable				
Inventory	\$ -	\$ 28,393	\$ -	\$ 28,393
Prepaid items	224,397	-	-	224,397
Restricted for				
Food service	-	403,044	-	403,044
Debt service	-	-	259,912	259,912
Capital projects	-	-	20,535	20,535
Committed	-	-	502,321	502,321
Assigned for capital projects	887,107	-	-	887,107
Unassigned	<u>7,169,195</u>	<u>-</u>	<u>-</u>	<u>7,169,195</u>
 Total fund balances	 <u>8,280,699</u>	 <u>431,437</u>	 <u>782,768</u>	 <u>9,494,904</u>
 Total liabilities and fund balances	 <u>\$ 11,762,666</u>	 <u>\$ 605,085</u>	 <u>\$ 923,982</u>	 <u>\$ 13,291,733</u>

See Accompanying Notes to the Financial Statements

Birch Run Area Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2024

Total fund balances for governmental funds	\$ 9,494,904
Total net position for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	118,991
Capital assets - net of accumulated depreciation	18,303,298
Net OPEB asset is not recorded as an asset in the governmental funds	548,047
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	23,951
Deferred outflows of resources resulting from the net pension liability	9,534,643
Deferred outflows of resources resulting from the net OPEB asset	2,220,671
Deferred inflows of resources resulting from the net pension liability	(5,171,716)
Deferred inflows of resources resulting from the net OPEB asset	(4,388,442)
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(22,266)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Net pension liability	(30,956,916)
Compensated absences	(614,923)
Bonds payable	<u>(4,766,726)</u>
Net position of governmental activities	<u>\$ (5,676,484)</u>

See Accompanying Notes to the Financial Statements

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

	General Fund	Food Service Fund	Formerly Major Fund Sinking Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 3,485,422	\$ 62,916	\$ -	\$ 1,795,074	\$ 5,343,412
State sources	20,557,899	249,027	-	-	20,806,926
Federal sources	1,074,210	1,067,213	-	-	2,141,423
Interdistrict sources	50,917	-	-	-	50,917
Total revenues	25,168,448	1,379,156	-	1,795,074	28,342,678
Expenditures					
Current					
Education					
Instruction	14,079,877	-	-	-	14,079,877
Supporting services	8,470,895	-	-	372,907	8,843,802
Food services	-	1,393,745	-	-	1,393,745
Community services	191,545	-	-	-	191,545
Capital outlay	322,049	-	-	140,234	462,283
Debt service					
Principal	191,691	-	-	1,185,000	1,376,691
Interest and other expenditures	40,188	-	-	73,888	114,076
Total expenditures	23,296,245	1,393,745	-	1,772,029	26,462,019
Excess (deficiency) of revenues over expenditures	1,872,203	(14,589)	-	23,045	1,880,659
Other Financing Sources (Uses)					
Transfers in	94,300	-	-	-	94,300
Transfers out	-	(94,300)	-	-	(94,300)
Total other financing sources (uses)	94,300	(94,300)	-	-	-
Net change in fund balances	1,966,503	(108,889)	-	23,045	1,880,659
Fund balances - beginning of year, as previously presented	6,314,196	540,326	74,100	685,623	7,614,245
Change within financial reporting entity (major to nonmajor fund)	-	-	(74,100)	74,100	-
Fund balances - beginning of year, as adjusted	6,314,196	540,326	-	759,723	7,614,245
Fund balances - ending	\$ 8,280,699	\$ 431,437	\$ -	\$ 782,768	\$ 9,494,904

See Accompanying Notes to the Financial Statements

Birch Run 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

Net change in fund balances - Total governmental funds	\$ 1,880,659
Total change in net position reported for governmental activities in the statement of activities is different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Operating grants	(94,961)
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 and reported as depreciation expense.	
Depreciation and amortization expense	(1,099,936)
Capital outlay	351,997
Expenses are recorded when incurred in the statement of activities.	
Interest	6,493
Compensated absences	(52,745)
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	4,605,370
Net change in deferrals of resources related to the net pension liability	(4,095,756)
The statement of net position reports the net OPEB asset and deferred outflows of resources and deferred inflows related to the net OPEB asset and OPEB changes. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB asset	2,535,230
Net change in deferrals of resources related to the net OPEB asset	(836,009)
Bond and note proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Repayments of long-term debt	1,376,691
Deferred amount on debt refunding	(15,101)
Amortization of premiums	27,305
Change in net position of governmental activities	\$ 4,589,237

See Accompanying Notes to the Financial Statements

Birch Run Area Schools
Notes to the Financial Statements
June 30, 2024

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Birch Run Area Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross

expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

Fund Financial Statements

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

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

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Birch Run Area Schools
Notes to the Financial Statements
June 30, 2024

The School District reports the following major governmental funds:

General Fund - The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Food Service Fund - The Food Service Fund is used to record all transactions associated with food service activities administered by the School District.

Additionally, the School District reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include the Student/School Activity Fund. Operating deficits generated by these activities are generally transferred from the General Fund.

Debt Service Funds - Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Capital Projects Funds – The Sinking Fund is used to record the sinking fund property tax levy and other revenue and the disbursement of invoices specifically for acquiring new school sites, construction, or repair of school buildings. The 2020 School Building and Site Bonds is used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, and equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

Assets, Liabilities and Net Position or Fund Balance

Receivables and Payables - Generally, outstanding amounts owed between funds are classified as "due from/to other funds." These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2024, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	18.00000
Commercial personal property	6.00000
Debt Service Funds	2.85000
Sinking Fund	0.90000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. Approximately 98.6% of the School District's tax roll lies within the County of Saginaw and the training 1.4% lies within the County of Genesee.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Saginaw and Genesee and remitted to the School District.

Investments - Investments are stated at fair value. Certificates of deposit are stated at cost which approximates fair value.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed, rather than when purchased.

Birch Run Area Schools
Notes to the Financial Statements
June 30, 2024

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets - Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	7 - 50 years
Site improvements	20 years
Equipment and furniture	5 - 20 years

Deferred Outflows of Resources - A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities (assets) are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities (assets) in the following year.

Compensated Absences - Employees receive accumulated sick leave up to a maximum of 102 days upon retirement with a minimum of 6 to 10 years of service.

Long-term Obligations - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

Pension - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. 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.

Postemployment Benefits Other Than Pensions - For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. 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.

Birch Run Area Schools
Notes to the Financial Statements
June 30, 2024

Deferred Inflows of Resources - A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Deferred inflow for leases is related to leases receivable and is being amortized to recognize lease revenue in a systematic and rational manner over the term of the lease. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities (assets) are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Balance - In the fund financial statements, governmental funds report fund balances in the following categories:

Non-spendable - amounts that are not available in a spendable form.

Restricted - amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed - amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned - amounts intended to be used for specific purposes, as determined by the Board of Education. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature. In the current year, the School District has assigned \$887,107 for the purpose of capital improvements that will be expended in the next fiscal year.

Unassigned - all other resources; the remaining fund balances after non-spendable, restrictions, commitments, and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Use of Estimates

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

Birch Run Area Schools
Notes to the Financial Statements
June 30, 2024

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections.

Upcoming Accounting and Reporting Changes

Statement No. 101, *Compensated Absences*, updates 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 is effective for the year ending June 30, 2025.

Statement No. 102, *Certain Risk Disclosures*, requires organizations to provide users of the financial statements with essential information about risks related to the organization’s vulnerabilities due to certain concentrations or constraints. This statement is effective for the year ending June 30, 2025.

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing an organization’s accountability while also addressing certain application issues. This statement includes changes

to management’s discussion and analysis, unusual or infrequent items, presentation of the proprietary fund statements of revenues, expenses, and changes in fund net position, major component unit information, and budgetary comparison information. This statement is effective for the year ending June 30, 2026.

The School District is evaluating the impact that the above GASBs will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations.

Birch Run Area Schools
Notes to the Financial Statements
June 30, 2024

Excess of Expenditures over Appropriations

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Basic programs	\$ 11,204,600	\$ 11,758,296	\$ 553,696
Added needs	2,127,100	2,321,581	194,481
Instructional staff	556,900	877,826	320,926
General administration	503,300	730,529	227,229
School administration	1,506,800	1,591,363	84,563
Community services	177,300	191,545	14,245
Student/School Activity Fund	305,000	372,907	67,907

Compliance - Sinking Funds

The Capital Project Fund records capital project activities funded with Sinking Fund millage. For this fund, management believes the School District has complied, in all material respects, with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2004-4.

Note 3 - Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Total Primary Government
Cash	\$ 1,727,631
Investments	<u>4,953,533</u>
	<u>\$ 6,681,164</u>
The breakdown between deposits and investments for the School District is as follows:	
Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 868,872
Investments in securities, mutual funds, and similar vehicles	5,811,642
Petty cash and cash on hand	<u>650</u>
Total	<u>\$ 6,681,164</u>

Birch Run Area Schools
Notes to the Financial Statements
June 30, 2024

As of year end, the School District had the following investments:

Investment	Carrying Value	Maturities	Rating	Rating Organization
External investment pools:				
Michigan Liquid Asset Fund (MILAF):				
MILAF + Portfolio				
Cash Management Class	\$5,304,370	6 months average	AAAm	Standard & Poor's
MAX Class	<u>507,272</u>	6 months average	AAAm	Standard & Poor's
	<u>\$5,811,642</u>			

The valuation method for investments measured at net asset value (NAV) per share (or its equivalent) is discussed below.

As of June 30, 2024, the net asset value of the School District's investment in MILAF + Portfolio was \$5,811,642. Participation in the investment pool has not resulted in any unfunded commitments. Shares are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made provided the District has sufficient shares to meet the redemption request. In the event of an emergency that would make the determination of net asset value not reasonably practical, the Trust's Board of Trustee's may suspend the right of withdrawal or postpone the date of payment. The net asset value ("NAV") per share of the MILAF+ Portfolio is calculated as of the close of business each business day by dividing the net position of that Portfolio by the number of its outstanding shares. It is the MILAF+ Portfolio's objective to maintain a NAV of \$1.00 per share, however, there is no assurance that this objective will be achieved. The exact price for share transactions will be determined based on the NAV next calculated after receipt of a properly executed order. The number of shares purchased or redeemed will be determined by the NAV.

Interest rate risk - In accordance with its investment policy, the School District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than 12 months.

Credit risk - State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of credit risk - The District's investment policy allows a maximum of 100% of available funds to be invested in the Michigan Liquid Asset Fund (MILAF+) and any of its affiliated programs.

Custodial credit risk - deposits - In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year end, \$634,765 of the School District's bank balance of \$884,765 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year end, none of the School District's investments were exposed to custodial credit risk.

Birch Run Area Schools
Notes to the Financial Statements
June 30, 2024

Note 4 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 40,000	\$ -	\$ -	\$ 40,000
Construction-in-progress	-	78,991	-	78,991
Total capital assets not being depreciated	<u>40,000</u>	<u>78,991</u>	<u>-</u>	<u>118,991</u>
Capital assets being depreciated				
Buildings and additions	35,416,290	81,075	102,151	35,395,214
Site improvements	5,035,155	-	-	5,035,155
Equipment and furniture	<u>3,265,657</u>	<u>191,931</u>	<u>74,736</u>	<u>3,382,852</u>
Total capital assets being depreciated	<u>43,717,102</u>	<u>273,006</u>	<u>176,887</u>	<u>43,813,221</u>
Less accumulated depreciation for				
Buildings and additions	18,437,250	887,922	102,151	19,223,021
Site improvements	3,515,635	151,664	-	3,667,299
Equipment and furniture	<u>2,633,989</u>	<u>60,350</u>	<u>74,736</u>	<u>2,619,603</u>
Total accumulated depreciation	<u>24,586,874</u>	<u>1,099,936</u>	<u>176,887</u>	<u>25,509,923</u>
Net capital assets being depreciated	<u>19,130,228</u>	<u>(826,930)</u>	<u>-</u>	<u>18,303,298</u>
Net capital assets	<u>\$19,170,228</u>	<u>\$ (747,939)</u>	<u>\$ -</u>	<u>\$18,422,289</u>

Depreciation expense of capital assets were charged to activities of the School District as follows:

Governmental activities

Instruction	\$ 626,964
Supporting services	395,977
Food services	65,996
Community services	<u>10,999</u>

Total governmental activities \$ 1,099,936

Note 5 - Interfund Receivables, Payables, and Transfers

Individual interfund receivable and payable balances at year end were:

Payable Fund	Receivable Fund	Amount
General Fund	Food Service Fund	\$ 539,761
General Fund	Nonmmajor Governmental	222,403
Nonmmajor Governmental	General Fund	91,043
Nonmmajor Governmental	Nonmmajor Governmental	<u>40,650</u>
		<u>\$ 893,857</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Birch Run Area Schools
Notes to the Financial Statements
June 30, 2024

Interfund transfers consist of the following:

	<u>Transfers Out</u>
	Food Service Fund
<u>Transfers in</u>	
General Fund	<u>\$ 94,300</u>

Transfers were made from the Food Service Fund to the General Fund for indirect costs.

Note 6 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

Grant and categorical aid payments received prior to meeting all eligibility requirements	\$ 41,400
Student meals	<u>22,047</u>
 Total	 <u>\$ 63,447</u>

Note 7 - State Aid Anticipation Note

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th. The School District is required to pledge 100% of their state school aid, October through August, or until the note is repaid, whichever is longer. The State has discretion to accelerate repayment terms if they have cause for concern. If the note is in default status, there is a penalty interest rate that may apply.

Short-term debt activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Ending Balance</u>
State aid anticipation note	<u>\$ 127,472</u>	<u>\$ -</u>	<u>\$ 127,472</u>	<u>\$ -</u>

Note 8 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Bonds and notes payable					
General obligation bonds	\$6,076,764	\$ -	\$1,376,691	\$4,700,073	\$1,386,691
Premium on bonds	<u>93,958</u>	<u>-</u>	<u>27,305</u>	<u>66,653</u>	<u>-</u>
Total bonds payable	6,170,722	-	1,403,996	4,766,726	1,386,691
Other liabilities					
Compensated absences	<u>562,178</u>	<u>201,870</u>	<u>149,125</u>	<u>614,923</u>	<u>150,000</u>
Total	<u>\$6,732,900</u>	<u>\$201,870</u>	<u>\$1,553,121</u>	<u>\$5,381,649</u>	<u>\$1,536,691</u>

For governmental activities, compensated absences are primarily liquidated by the General Fund.

Birch Run Area Schools
Notes to the Financial Statements
June 30, 2024

General obligation bonds payable at year end, consist of the following:

\$4,805,000 serial bond due in annual installments of \$945,000 to \$960,000 through May 1, 2027, interest at 1.00% to 1.25%	\$ 2,875,000
\$2,875,357 serial bond due in annual installments of \$191,690 and \$191,961 through August 17, 2026, interest at 5.99%	575,073
\$2,100,000 serial bond due in annual installments of \$200,000 to \$265,000 through May 1, 2029, interest at 2% to 3%	<u>1,250,000</u>
Total general obligation bonded debt	<u>\$ 4,700,073</u>

Future principal and interest requirements for bonded debt and direct borrowings and direct placements are as follows:

Year Ending June 30,	Bonds	
	Principal	Interest
2025	\$ 1,386,691	\$ 87,493
2026	1,391,691	61,711
2027	1,396,691	35,829
2028	260,000	13,150
2029	<u>265,000</u>	<u>7,950</u>
Total	<u>\$ 4,700,073</u>	<u>\$ 206,133</u>

The general obligation bonds are payable from the Debt Service Fund. As of year end, the fund had a balance of \$259,912 to pay this debt. Future debt and interest will be payable from future tax levies.

Compensated Absences

Accrued compensated absences at year end, consist of \$83,861 of vacation hours earned and vested and \$531,062 in accrued sick time benefits. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year. The amount anticipated to be paid out over the next year is included within the amounts listed as due within one year.

Deferred Amount on Refunding

The 2021 refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$75,819. The balance as of June 30, 2024 is \$23,951. This amount is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2027.

Note 9 - Risk Management

The School District participates in a public entity risk pool through the School Employers Group. With the exception of unemployment described below, this program provides substantially all the insurance needs of the School District. The possibility of additional liabilities in excess of current year contributions exists, however, since the amounts are indeterminable and believed to be immaterial, no contingent liabilities or assets have been recognized on the School District's financial statements.

The possibility of additional claims exists but the amount of liability to the School District would be immaterial by the time the aggregate stoploss coverage is triggered. There also is a possibility of a refund due the School District. Therefore, neither contingent liabilities nor assets have been recognized on the School District's financial statements. The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. The School District had unemployment compensation expense of \$0 for the year. No provision has been made for possible future claims. School District. Therefore, neither contingent liabilities nor assets have been recognized on the School District's financial statements.

Birch Run Area Schools
Notes to the Financial Statements
June 30, 2024

Note 10 - Pension Plan

Plan Description

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

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

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

The System's financial statements are available on the ORS website at www.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 September 30, 2022 valuation will be amortized over a 16-year period beginning October 1, 2022 and ending September 30, 2038.

Birch Run Area Schools
Notes to the Financial Statements
June 30, 2024

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

Pension Contribution Rates		
Benefit Structure	Member	Employer
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%

Required contributions to the pension plan from the School District were \$3,447,196 for the year ending September 30, 2023.

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

At June 30, 2024, the School District reported a liability of \$30,956,916 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2022. The School 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 September 30, 2023, the School District's proportion was 0.0956 percent, which was an increase of 0.0011 percent from its proportion measured as of September 30, 2022.

For the plan year ending September 30, 2023, the School District recognized pension expense of \$4,155,988 for the measurement period. For the reporting period ending June 30, 2024, the School District recognized total pension contribution expense of \$4,041,394.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ 977,215	\$ (47,421)	\$ 929,794
Changes of assumptions	4,194,803	(2,418,628)	1,776,175
Net difference between projected and actual earnings on pension plan investments	-	(633,479)	(633,479)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>500,571</u>	<u>(167,411)</u>	<u>333,160</u>
Total to be recognized in future	5,672,589	(3,266,939)	2,405,650
School District contributions subsequent to the measurement date	<u>3,862,054</u>	<u>(1,904,777)</u>	<u>1,957,277</u>
Total	<u>\$ 9,534,643</u>	<u>\$(5,171,716)</u>	<u>\$ 4,362,927</u>

Birch Run Area Schools
Notes to the Financial Statements
June 30, 2024

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. The District will offset the contribution expense in the year ended June 30, 2025 with the 147c supplemental income received subsequent to the measurement date which is included in the deferred inflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year
 (To Be Recognized in Future Pension Expenses)

2024	\$ 887,135
2025	537,567
2026	1,400,492
2027	<u>(419,544)</u>
	<u>\$ 2,405,650</u>

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 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 Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
 - Active: PubT-2010 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

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 is 4.4406 years.

Recognition period for assets is 5 years.

Birch Run Area Schools
Notes to the Financial Statements
June 30, 2024

Full actuarial assumptions are available in the 2023 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

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 September 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%
	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, 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.

Birch Run Area Schools
Notes to the Financial Statements
June 30, 2024

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School 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 School 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 Single Discount Rate Assumption 6.00%	1% Increase 7.00%
<u>\$ 41,822,702</u>	<u>\$ 30,956,916</u>	<u>\$ 21,910,755</u>

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orsschools.

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

There were no significant payables to the pension plan that are not ordinary accruals to the School District.

Note 11 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

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

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

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

The System's financial statements are available on the ORS website at www.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 with fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who

Birch Run Area Schools
Notes to the Financial Statements
June 30, 2024

first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. 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 September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions 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 OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2022 valuation will be amortized over a 16-year period beginning October 1, 2022 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for plan year 2023.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.07%
Personal Healthcare Fund (PHF)	0.0%	7.21%

Required contributions to the OPEB plan from the School District were \$754,688 for the year ended September 30, 2023.

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

At June 30, 2024, the School District reported an asset of \$548,047 for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2023 and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2022. The School District's proportion of the net OPEB asset was determined by dividing

Birch Run Area Schools
Notes to the Financial Statements
June 30, 2024

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 September 30, 2023 the School District's proportion was 0.0969 percent, which was an increase of 0.0031 percent from its proportion measured as of September 30, 2022.

For the plan year ending September 30, 2023, the School District recognized OPEB expense of \$(899,083) for the measurement period. For the reporting period ending June 30, 2024, the School District recognized total OPEB contribution expense of \$802,599.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ -	\$(4,141,324)	\$(4,141,324)
Changes of assumptions	1,220,048	(146,917)	1,073,131
Net difference between projected and actual earnings on OPEB plan investments	1,671	-	1,671
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>270,909</u>	<u>(100,201)</u>	<u>170,708</u>
Total to be recognized in future	1,492,628	(4,388,442)	(2,895,814)
School District contributions subsequent to the measurement date	<u>728,043</u>	<u>-</u>	<u>728,043</u>
Total	<u>\$ 2,220,671</u>	<u>\$(4,388,442)</u>	<u>\$(2,167,771)</u>

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 an addition to the OPEB asset 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 during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2024	\$ (934,644)
2025	(861,838)
2026	(369,427)
2027	(346,757)
2028	(254,759)
Thereafter	<u>(128,389)</u>
	<u><u>\$(2,895,814)</u></u>

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2022
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.00% net of investment expenses

Birch Run Area Schools
Notes to the Financial Statements
June 30, 2024

- Projected Salary Increases: 2.75 – 11.55%, including wage inflation of 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 Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
 - Active: PubT-2010 Male and Female 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.
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

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 OPEB liability or asset 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 is 6.5099.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2023 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 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%
	100.0%	

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

Birch Run Area Schools
Notes to the Financial Statements
June 30, 2024

Rate of Return

For the plan year ended September 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 or asset. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that 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 or asset.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability or Asset to Changes in the Discount Rate

The following presents the School District's proportionate share of the net OPEB liability or asset calculated using the discount rate of 6.00%, as well as what the School District's proportionate share of the net OPEB liability or asset 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%
<u>\$ 568,160</u>	<u>\$ (548,047)</u>	<u>\$ (1,507,317)</u>

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability or Asset to Healthcare Cost Trend Rate

The following presents the School District's proportionate share of the net OPEB liability or asset calculated using assumed trend rates, as well as what the School District's proportionate share of net OPEB liability or asset 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
<u>\$ (1,509,709)</u>	<u>\$ (548,047)</u>	<u>\$ 492,787</u>

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2023 MPSERS Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.
OR add as necessary see below

Note 12 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2024.

Birch Run Area Schools
Notes to the Financial Statements
June 30, 2024

Note 13 - Changes Within Financial Reporting Entity

For the year ended June 30, 2024, the Sinking Fund changed from a major fund to a nonmajor fund.

The implementation had the following effect on fund balance as reported June 30, 2024:

	June 30, 2023 As Previously Reported	Adjustments	June 30, 2023 As Adjusted
Governmental Funds			
Major Funds:			
General Fund	\$ 6,314,196	\$ -	\$ 6,314,196
Food Service Fund	540,326	-	540,326
Sinking Fund	74,100	(74,100)	-
Nonmajor Funds	<u>685,623</u>	<u>74,100</u>	<u>759,723</u>
Total Governmental Funds	<u>\$ 7,614,245</u>	<u>\$ -</u>	<u>\$ 7,614,245</u>

REQUIRED SUPPLEMENTARY INFORMATION

Birch Run Area Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2024

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
Revenues				
Local sources	\$ 3,052,800	\$ 3,253,100	\$ 3,485,422	\$ 232,322
State sources	18,943,600	20,225,700	20,557,899	332,199
Federal sources	1,398,300	974,500	1,074,210	99,710
Interdistrict sources	104,800	51,000	50,917	(83)
Total revenues	<u>23,499,500</u>	<u>24,504,300</u>	<u>25,168,448</u>	<u>664,148</u>
Expenditures				
Instruction				
Basic programs	10,966,300	11,204,600	11,758,296	553,696
Added needs	2,534,600	2,127,100	2,321,581	194,481
Supporting services				
Pupil	1,119,500	1,412,000	1,016,550	(395,450)
Instructional staff	654,100	556,900	877,826	320,926
General administration	558,700	503,300	730,529	227,229
School administration	1,533,900	1,506,800	1,591,363	84,563
Business	372,300	372,000	321,995	(50,005)
Operations and maintenance	2,511,900	2,693,100	1,880,861	(812,239)
Pupil transportation services	1,190,700	1,191,800	1,073,019	(118,781)
Central	394,000	453,800	416,846	(36,954)
Athletic activities	549,500	628,000	561,906	(66,094)
Community services	165,400	177,300	191,545	14,245
Capital outlay	572,100	893,300	322,049	(571,251)
Debt service				
Principal	191,700	384,800	191,691	(193,109)
Interest and fiscal charges	28,800	68,900	40,188	(28,712)
Total expenditures	<u>23,343,500</u>	<u>24,173,700</u>	<u>23,296,245</u>	<u>(877,455)</u>
Excess of revenues over expenditures	156,000	330,600	1,872,203	1,541,603
Other Financing Sources				
Transfers in	33,000	70,000	94,300	24,300
Net change in fund balances	189,000	400,600	1,966,503	1,565,903
Fund balance - beginning	<u>6,314,196</u>	<u>6,314,196</u>	<u>6,314,196</u>	<u>-</u>
Fund balance - ending	<u>\$ 6,503,196</u>	<u>\$ 6,714,796</u>	<u>\$ 8,280,699</u>	<u>\$ 1,565,903</u>

Birch Run Area Schools
Required Supplementary Information
Budgetary Comparison Schedule - Food Service Fund
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>			<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Local sources	\$ 226,200	\$ 69,000	\$ 62,916	\$ (6,084)
State sources	23,061	277,500	249,027	(28,473)
Federal sources	<u>834,600</u>	<u>1,270,700</u>	<u>1,067,213</u>	<u>(203,487)</u>
Total revenues	1,083,861	1,617,200	1,379,156	(238,044)
Expenditures				
Current				
Education				
Food services	<u>1,152,900</u>	<u>1,644,900</u>	<u>1,393,745</u>	<u>(251,155)</u>
Excess (deficiency) of revenues over expenditures	(69,039)	(27,700)	(14,589)	13,111
Other Financing Uses				
Transfers out	<u>(33,000)</u>	<u>(70,000)</u>	<u>(94,300)</u>	<u>(24,300)</u>
Net change in fund balances	(102,039)	(97,700)	(108,889)	(11,189)
Fund balance - beginning	<u>540,326</u>	<u>540,326</u>	<u>540,326</u>	<u>-</u>
Fund balance - ending	<u>\$ 438,287</u>	<u>\$ 442,626</u>	<u>\$ 431,437</u>	<u>\$ (11,189)</u>

Birch Run Area Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. School District's proportion of net pension liability (%)	0.0956%	0.0946%	0.0953%	0.0938%	0.0906%	0.0910%	0.0915%	0.0911%	0.0877%	0.0844%
B. School District's proportionate share of net pension liability	\$ 30,956,916	\$ 35,562,286	\$ 22,567,652	\$ 32,228,558	\$ 30,018,229	\$ 27,364,651	\$ 23,706,336	\$ 22,725,848	\$ 21,424,092	\$ 18,589,281
C. School District's covered payroll	\$ 9,630,224	\$ 9,051,595	\$ 8,551,290	\$ 8,460,041	\$ 7,874,251	\$ 7,725,991	\$ 7,601,772	\$ 7,791,414	\$ 7,305,815	\$ 7,201,792
D. School District's proportionate share of net pension liability as a percentage of its covered payroll	321.46%	392.88%	263.91%	380.95%	381.22%	354.19%	311.85%	291.68%	293.25%	258.12%
E. Plan fiduciary net position as a percentage of total pension liability	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2023.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2023.

Birch Run Area Schools
Required Supplementary Information
Schedule of the School District's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. Statutorily required contributions	\$ 4,041,394	\$ 3,478,220	\$ 3,204,186	\$ 2,843,757	\$ 2,558,798	\$ 2,440,428	\$ 2,484,052	\$ 1,442,406	\$ 1,442,134	\$ 1,630,605
B. Contributions in relation to statutorily required contributions	<u>4,041,394</u>	<u>3,478,220</u>	<u>3,204,186</u>	<u>2,843,757</u>	<u>2,558,798</u>	<u>2,440,428</u>	<u>2,484,052</u>	<u>1,442,406</u>	<u>1,442,134</u>	<u>1,630,605</u>
C. Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D. School Districts's covered payroll	\$ 10,159,785	\$ 9,809,765	\$ 8,938,837	\$ 8,461,828	\$ 8,334,222	\$ 7,817,396	\$ 7,683,764	\$ 7,579,523	\$ 7,495,015	\$ 7,323,415
E. Contributions as a percentage of covered payroll	39.78%	35.46%	35.85%	33.61%	30.70%	31.22%	32.33%	19.03%	19.24%	22.27%

Birch Run Area Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. School District's proportion of the net OPEB liability (asset) (%)	0.0969%	0.0938%	0.0953%	0.0960%	0.0904%	0.0909%	0.0915%			
B. School District's proportionate share of the net OPEB liability (asset)	\$ (548,047)	\$ 1,987,183	\$ 1,455,119	\$ 5,140,637	\$ 6,488,795	\$ 7,227,117	\$ 8,099,602			
C. School District's covered payroll	\$ 9,630,224	\$ 9,051,595	\$ 8,551,290	\$ 8,460,041	\$ 7,874,282	\$ 7,725,991	\$ 7,601,772			
D. School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-5.69%	21.95%	17.02%	60.76%	82.40%	93.54%	106.55%			
E. Plan fiduciary net position as a percentage of total OPEB liability (asset)	105.04%	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%			

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2023.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2023.

Birch Run Area Schools
Required Supplementary Information
Schedule of the School District's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. Statutorily required contributions	\$ 802,599	\$ 767,426	\$ 714,660	\$ 170,754	\$ 675,042	\$ 632,604	\$ 532,757			
B. Contributions in relation to statutorily required contributions	<u>802,599</u>	<u>767,426</u>	<u>714,660</u>	<u>170,754</u>	<u>675,042</u>	<u>632,604</u>	<u>532,757</u>			
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			
D. School Districts's covered payroll	\$ 10,159,785	\$ 9,809,765	\$ 8,938,837	\$ 8,461,828	\$ 8,334,222	\$ 7,817,396	\$ 7,683,764			
E. Contributions as a percentage of covered payroll	7.90%	7.82%	7.99%	2.02%	8.10%	8.09%	6.93%			

OTHER SUPPLEMENTARY INFORMATION

Birch Run Area Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2024

	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Student/School Activity Fund</u>	<u>Debt Service Fund</u>	<u>Sinking Fund</u>	<u>School Building and Site Bond</u>	
Assets					
Cash	\$ 504,722	\$ 103,588	\$ 51,335	\$ 484	\$ 660,129
Taxes receivable	-	608	192	-	800
Due from other funds	-	193,743	69,310	-	263,053
Total assets	<u>\$ 504,722</u>	<u>\$ 297,939</u>	<u>\$ 120,837</u>	<u>\$ 484</u>	<u>\$ 923,982</u>
Liabilities					
Accounts payable	\$ 2,401	\$ -	\$ 7,120	\$ -	\$ 9,521
Due to other funds	-	38,027	93,666	-	131,693
Total liabilities	<u>2,401</u>	<u>38,027</u>	<u>100,786</u>	<u>-</u>	<u>141,214</u>
Fund Balances					
Restricted for					
Debt service	-	259,912	-	-	259,912
Capital projects	-	-	20,051	484	20,535
Committed	502,321	-	-	-	502,321
Total fund balances	<u>502,321</u>	<u>259,912</u>	<u>20,051</u>	<u>484</u>	<u>782,768</u>
Total liabilities and fund balances	<u>\$ 504,722</u>	<u>\$ 297,939</u>	<u>\$ 120,837</u>	<u>\$ 484</u>	<u>\$ 923,982</u>

Birch Run Area Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2024

	Special Revenue Funds		Capital Projects Funds		Total Nonmajor Governmental Funds
	Student/School Activity Fund	Debt Service Fund	Formerly Major Fund Sinking Fund	School Building and Site Bond	
Revenues					
Local sources	\$ 367,165	\$ 1,084,574	\$ 343,335	\$ -	\$ 1,795,074
Expenditures					
Current					
Education					
Supporting services	372,907	-	-	-	372,907
Capital outlay	-	-	140,234	-	140,234
Debt service					
Principal	-	960,000	225,000	-	1,185,000
Interest and other expenditures	-	41,738	32,150	-	73,888
Total expenditures	372,907	1,001,738	397,384	-	1,772,029
Net change in fund balances	(5,742)	82,836	(54,049)	-	23,045
Fund balances - beginning of year, as previously presented	508,063	177,076	-	484	685,623
Change within financial reporting entity (major to nonmajor fund)	-	-	74,100	-	74,100
Fund balances - beginning of year, as adjusted	508,063	177,076	74,100	484	759,723
Fund balances - ending	\$ 502,321	\$ 259,912	\$ 20,051	\$ 484	\$ 782,768

Birch Run Area Schools
Other Supplementary Information
General Fund
Comparative Balance Sheet
June 30, 2024

	<u>2024</u>	<u>2023</u>
Assets		
Cash	\$ 1,067,352	\$ 1,145,897
Taxes receivable	-	32,861
Accounts receivable	39,722	42,822
Due from other funds	91,043	17,702
Due from other governmental units	5,386,619	5,914,890
Interest receivable	-	12,314
Inventory	-	695
Investments	4,953,533	2,698,386
Prepaid items	<u>224,397</u>	<u>4,000</u>
 Total assets	 <u>\$ 11,762,666</u>	 <u>\$ 9,869,567</u>
Liabilities		
Accounts payable	\$ 243,001	\$ 265,167
State aid anticipation note payable	-	127,472
Due to other funds	762,164	623,550
Due to other governmental units	346,479	461,144
Payroll deductions and withholdings	587,325	492,010
Accrued expenditures	325,115	324,999
Accrued salaries payable	1,176,483	1,100,576
Unearned revenue	<u>41,400</u>	<u>160,453</u>
 Total liabilities	 <u>3,481,967</u>	 <u>3,555,371</u>

Birch Run Area Schools
Other Supplementary Information
General Fund
Comparative Balance Sheet
June 30, 2024

	<u>2024</u>	<u>2023</u>
Fund Balances		
Non-spendable		
Inventory	-	695
Prepaid items	224,397	4,000
Assigned for capital projects	887,107	887,107
Unassigned	<u>7,169,195</u>	<u>5,422,394</u>
 Total fund balances	 <u>8,280,699</u>	 <u>6,314,196</u>
 Total liabilities and fund balances	 <u><u>\$ 11,762,666</u></u>	 <u><u>\$ 9,869,567</u></u>

Birch Run Area Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2024

Year Ending June 30,	2011 School Building and Site Bonds	2021 School Refunding Bonds	2020 School Building and Site Bonds	Total
2025	\$ 191,691	\$ 960,000	\$ 235,000	\$ 1,386,691
2026	191,691	960,000	240,000	1,391,691
2027	191,691	955,000	250,000	1,396,691
2028	-	-	260,000	260,000
2029	-	-	265,000	265,000
Total	<u>\$ 575,073</u>	<u>\$ 2,875,000</u>	<u>\$ 1,250,000</u>	<u>\$ 4,700,073</u>
Principal payments due the first day of	August 17th	May 1st	November 1st	
Interest payments due the first day of	August 17th and February 17th	May 1st and November 1st	May 1st and November 1st	
Interest rate	5.99%	1.00% - 2.00%	2.00% - 3.00%	
Original issue	<u>\$ 2,875,357</u>	<u>\$ 4,805,000</u>	<u>\$ 2,100,000</u>	