

Ovid-Elsie Area Schools

Financial Statements

June 30, 2024



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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Ovid-Elsie Area Schools
Members of the Board of Education and Administration
June 30, 2024

Members of the Board of Education

Eric Jones – President

Josh Miller – Vice President

Brooke Wooley – Secretary

Mary Thompson – Treasurer

Dr. David Huff – Trustee

Michael Schiffer – Trustee

Kevin Nash – Trustee

Administration

Wayne Petroejle – Superintendent

Independent Auditors' Report

Management and the Board of Education
Ovid-Elsie Area Schools
Elsie, 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 Ovid-Elsie Area Schools, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Ovid-Elsie 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 Ovid-Elsie 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 Ovid-Elsie 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 Ovid-Elsie 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 Ovid-Elsie 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 Ovid-Elsie 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 Ovid-Elsie 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, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2024 on our consideration of Ovid-Elsie 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 Ovid-Elsie 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 Ovid-Elsie Area Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Alma, Michigan
September 11, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Ovid Elsie Area Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2024

The management's discussion and analysis section of Ovid Elsie Area Schools (District) annual financial report provides the District's evaluation of its own financial performance during the year ended June 30, 2024. Management's discussion and analysis should be read in conjunction with the District's financial statements immediately following this section.

Using this Annual Report

The District's annual report consists of a series of financial statements and notes related to those statements. Financial statements are organized so the reader can understand the District's financial operations as a whole. *District-wide Financial Statements* provide information about the activities of the entire District, presenting both an aggregate view of the District's finances and a long-term view of those finances. Governmental activities statements explain how services were financed in the short-term and explain how remaining funds can be used for future operations. *Fund Financial Statements* examine the District's operations in more detail than the district-wide financial statements.

The District's annual financial report includes the following financial statements and related information:

Management's Discussion and Analysis (MD&A) (required supplementary information)

Basic Financial Statements

District-wide Financial Statements

Fund Financial Statements

Notes to the Financial Statements

Required Supplementary Information

Budgetary Comparison Schedules

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

Schedule of the Agency's Pension Contributions

Schedule of the Agency's Proportionate Share of the Net OPEB Liability (Asset)

Schedule of the Agency's OPEB Contributions

Ovid Elsie Area Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2024

District-wide Financial Statements

The statement of net position and the statement of activities, which appear first in the financial statements, report information on the financial condition of the District as a result of this year's activities. These statements record all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are recognized regardless of when cash is received or paid.

The statement of net position and the statement of activities report the governmental activities of the District which encompass all the District's services including instruction, supporting services, and community services. Property taxes, state aid, and state and federal grants finance most of these activities.

The statement of net position and the statement of activities report the District's net position as the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is a measurement of the District's financial health. Over time, increases or decreases in the District's net position, as reported in the statement of activities, are indicators of whether its financial health is improving or deteriorating. The District's primary goal is to provide services to students, local districts, and constituents. As a result, one must consider many non-financial factors, such as the quality of services provided and the safety of the schools, to assess the overall health of the District.

Fund Financial Statements

The District's fund financial statements provide detailed information about the most significant funds. Some funds are required to be established by State law and by bond covenants. However, the District establishes other funds to help it control and manage money for particular purposes or to show that the District is meeting legal responsibilities for using certain taxes, grants, and other money.

The District's basic services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. Governmental funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental fund statements provide a detailed short-term view of the operations of the District and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance District programs. The relationship between governmental activities as reported in the statement of net position and the statement of activities and governmental funds is reported in a reconciliation.

Ovid Elsie Area Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2024

Financial Position and Results of Operations

Net Position

The Statement of Net Position provides a perspective of the Agency as a whole and may serve over time as a useful indicator of the Agency's financial position. In Table 1, a comparative analysis of fiscal year 2024 is made to fiscal year 2023.

Table 1 Condensed Statement of Net Position As of June 30, 2023 and 2024		
	2023	2024
Assets		
Current and other assets	\$ 7,431,308	\$ 9,431,379
Capital assets, net of depreciation	32,923,266	31,876,725
Total assets	40,354,574	41,308,104
Deferred outflows of resources	13,652,005	11,625,603
Liabilities		
Current liabilities	36,901,288	2,599,420
Non-current liabilities	31,145,972	58,662,186
Total liabilities	68,047,260	61,261,606
Deferred inflows of resources	7,459,668	9,346,691
Net Position		
Net investment in capital assets	6,495,064	3,146,708
Restricted	2,702	643,201
Unrestricted (deficit)	(27,998,115)	(21,464,499)
Total net position	\$ (21,500,349)	\$ (17,674,590)

Ovid Elsie Area Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2024

By far the most significant portion of the Agency's net position is the negative unrestricted portion caused by the net pension liability and net other post-employment benefits (OPEB) liability. The Agency also reports its investment in capital assets (e.g., land, buildings, equipment, etc.). The Agency uses these capital assets to provide services to students and residents of the community; consequently, these assets are not available for future spending.

Changes in Net Position

Similar to the Statement of Net Position, the Statement of Activities reports on the Agency as a whole. A summary of the Agency-wide results of operations for the year ended June 30, 2024, is found in Table 2, along with a comparison to the year ended June 30, 2023. The cost of the Agency's governmental activities this year was approximately \$20.32 million. The District experienced an increase in revenue of roughly \$745,000. A large portion of this was a result of the food services program. The District now offers free breakfast and lunch to all students. There was also an increase in state revenue due to accurate reporting of special education costs and unexpected categoricals. Expenditures went down nearly \$2 million. This was a result of federal COVID dollars going away as of June 30, 2023 and staffing changes in the instructional category.

The Agency experienced an increase in net position of \$3,825,759.

Ovid Elsie Area Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2024

Table 2 Condensed Statement of Net Position As of June 30, 2023 and 2024		
	2023	2024
Revenues		
Program revenues		
Charges for services	\$ 714,542	\$ 767,494
Operating grants and contributions	7,233,860	8,025,517
General revenues		
Property taxes	3,334,359	3,668,057
State School Aid - unrestricted	10,981,194	11,385,340
Other	1,143,622	300,010
Total revenues	23,407,577	24,146,418
Functions/Program Expenses		
Instruction	12,515,955	10,219,896
Supporting services	6,554,977	8,392,098
Community services	16,634	6,380
Food Services	765,839	874,617
Interest on long-term debt	2,396,457	827,668
Total expenses	22,249,862	20,320,659
Change in net position	\$ 1,157,715	\$ 3,825,759

Ovid Elsie Area Schools
Management’s Discussion and Analysis
For the Year Ended June 30, 2024

Capital Assets

At June 30, 2024, as indicated in Table 3, the Agency had nearly \$32 million invested in a broad range of capital assets, including buildings, furniture and equipment, vehicles, land and right to use assets. The values shown are net of applicable accumulated depreciation, i.e. net book value at the end of the year.

Table 4 Capital Assets As of June 30, 2023 and 2024		
	2023	2024
Buildings and additions	28,021,118	27,187,120
Site Improvements	2,726,978	2,551,544
Equipment and furniture	1,369,100	1,525,484
Vehicles	713,513	549,643
Right to use assets - equipment, furniture and other assets	92,557	62,934
Net Capital Assets	\$ 32,923,266	\$ 31,876,725

Additional information about the Agency’s capital assets is contained in Note 4 to the financial statements.

Compensated Absences

The Agency has a compensated absence liability accumulated at June 30, 2024 in the amount of \$524,359. This compares to the balance at June 30, 2023 of \$401,455.

Economic Factors and Next Year’s Budget

The Agency relies on three main sources of revenue: property taxes, state funding, and grants. We budgeted a 5% increase in taxable values for the 2024-25 fiscal year. Originally, we had budgeted for a per pupil increase but that funding has since stabilized. The foundation allowance will remain the same at \$9,608, which will be a challenge for Ovid Elsie as the district continues to decline in enrollment. The District is now on its second year of no federal Covid-19 funds, and we continue to proceed with caution as the future of all state and federal funding remains unclear. We were awarded two large state grants, 23G and 35J, to help with the costs of curriculum materials and summer school programming. In 2023-24, the Board of Education approved transferring funds into a Capital Projects fund to help ensure that adequate resources will be available for large-scale repairs and improvements.

Ovid Elsie Area Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2024

How the rate of inflation and the increased costs of operating Ovid Elsie Area Schools will financially impact the Agency remains to be seen. Volatility contributes to the challenging environment where public schools provide a broad range of services with limited and restricted funding – funding that often does not take into consideration the full cost of providing the services. The costs of infrastructure, limits on the capacity of the administration, and difficulty in recruiting and retaining talent continue to stress Ovid Elsie and all schools in Michigan.

Requests for Information

This report is designed to give an overview of the financial condition of Ovid Elsie Area Schools. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Business Office, 8989 E. Colony Rd, Elsie, MI, 48831.

BASIC FINANCIAL STATEMENTS

Ovid-Elsie Area Schools
Statement of Net Position
June 30, 2024

	<u>Governmental Activities</u>
Assets	
Cash	\$ 5,163,351
Accounts receivable	15,323
Due from other governmental units	3,520,209
Inventory	5,733
Prepaid items	237,239
Capital assets - net of accumulated depreciation	31,876,725
Net OPEB asset	<u>489,524</u>
 Total assets	 <u>41,308,104</u>
 Deferred Outflows of Resources	
Deferred amount on debt refunding	10,956
Deferred amount relating to the net pension liability	9,477,717
Deferred amount relating to the net OPEB asset	<u>2,136,930</u>
 Total deferred outflows of resources	 <u>11,625,603</u>
 Liabilities	
Accounts payable	57,269
Accrued expenditures	993,841
Accrued salaries payable	1,105,140
Unearned revenue	443,170
Long-term liabilities	
Net pension liability	29,185,932
Due within one year	3,918,845
Due in more than one year	<u>25,557,409</u>
 Total liabilities	 <u>61,261,606</u>

See Accompanying Notes to the Financial Statements

Ovid-Elsie Area Schools
Statement of Net Position
June 30, 2024

	<u>Governmental Activities</u>
Deferred Inflows of Resources	
Deferred amount on debt refunding	\$ 267,395
Deferred amount relating to the net pension liability	4,832,121
Deferred amount relating to the net OPEB asset	<u>4,247,175</u>
 Total deferred inflows of resources	 <u>9,346,691</u>
 Net Position	
Net investment in capital assets	3,146,708
Restricted for	
Food service	472,913
Debt service	170,288
Unrestricted (deficit)	<u>(21,464,499)</u>
 Total net position	 <u>\$ (17,674,590)</u>

See Accompanying Notes to the Financial Statements

Ovid-Elsie Area Schools
Statement of Activities
For the Year Ended June 30, 2024

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Functions/Programs					
Governmental activities					
Instruction	\$ 10,219,896	\$ -	\$ 4,069,655	\$ -	\$ (6,150,241)
Supporting services	8,392,098	732,594	2,835,150	-	(4,824,354)
Food services	874,617	34,900	1,119,796	-	280,079
Community services	6,380	-	916	-	(5,464)
Interest and fiscal charges on long-term debt	<u>827,668</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(827,668)</u>
Total governmental activities	<u>\$ 20,320,659</u>	<u>\$ 767,494</u>	<u>\$ 8,025,517</u>	<u>\$ -</u>	<u>(11,527,648)</u>
General revenues					
Property taxes, levied for general purposes					1,024,145
Property taxes, levied for debt service					2,643,912
State aid - unrestricted					11,385,340
Interest and investment earnings					37,541
Other					217,313
Insurance recoveries					<u>45,156</u>
Total general revenues					<u>15,353,407</u>
Change in net position					3,825,759
Net position - beginning					<u>(21,500,349)</u>
Net position - ending					<u>\$ (17,674,590)</u>

See Accompanying Notes to the Financial Statements

Ovid-Elsie Area Schools
Governmental Funds
Balance Sheet
June 30, 2024

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 3,233,102	\$ 290,281	\$ 1,639,968	\$ 5,163,351
Accounts receivable	4,781	-	10,542	15,323
Due from other funds	22,814	3,935	50,791	77,540
Due from other governmental units	3,514,140	-	6,069	3,520,209
Inventory	-	-	5,733	5,733
Prepaid items	231,849	-	5,390	237,239
	<u>7,006,686</u>	<u>294,216</u>	<u>1,718,493</u>	<u>9,019,395</u>
Total assets	<u>\$ 7,006,686</u>	<u>\$ 294,216</u>	<u>\$ 1,718,493</u>	<u>\$ 9,019,395</u>
Liabilities				
Accounts payable	\$ 48,021	\$ -	\$ 9,248	\$ 57,269
Due to other funds	53,935	-	23,605	77,540
Accrued expenditures	869,877	-	36	869,913
Accrued salaries payable	1,104,668	-	472	1,105,140
Unearned revenue	443,170	-	-	443,170
	<u>2,519,671</u>	<u>-</u>	<u>33,361</u>	<u>2,553,032</u>
Total liabilities	<u>2,519,671</u>	<u>-</u>	<u>33,361</u>	<u>2,553,032</u>

See Accompanying Notes to the Financial Statements

**Ovid-Elsie Area Schools
Governmental Funds
Balance Sheet
June 30, 2024**

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances				
Non-spendable				
Inventory	\$ -	\$ -	\$ 5,733	\$ 5,733
Prepaid items	231,849	-	5,390	237,239
Restricted for				
Food service	-	-	461,790	461,790
Debt service	-	294,216	-	294,216
Committed				
Student activities	-	-	359,479	359,479
Installment purchase agreement repayment	932,951	-	-	932,951
Assigned				
Capital projects	-	-	852,740	852,740
Future budgeted expenditures	27,915	-	-	27,915
Unassigned	3,294,300	-	-	3,294,300
Total fund balances	<u>4,487,015</u>	<u>294,216</u>	<u>1,685,132</u>	<u>6,466,363</u>
Total liabilities and fund balances	<u>\$ 7,006,686</u>	<u>\$ 294,216</u>	<u>\$ 1,718,493</u>	<u>\$ 9,019,395</u>

See Accompanying Notes to the Financial Statements

Ovid-Elsie 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	\$ 6,466,363
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 - net of accumulated depreciation	31,876,725
Net OPEB asset is not recorded as an asset in the governmental funds	489,524
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	10,956
Deferred outflows of resources resulting from the net pension liability	9,477,717
Deferred outflows of resources resulting from the net OPEB asset	2,136,930
Deferred inflows of resources resulting from debt refunding	(267,395)
Deferred inflows of resources resulting from the net pension liability	(4,832,121)
Deferred inflows of resources resulting from the net OPEB asset	(4,247,175)
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(123,928)
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	(29,185,932)
Compensated absences	(524,359)
Bonds payable	(21,699,278)
School bond loan payable	(6,368,063)
Other loans payable and liabilities	<u>(884,554)</u>
Net position of governmental activities	<u>\$ (17,674,590)</u>

See Accompanying Notes to the Financial Statements

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

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 1,566,264	\$ 2,524,575	\$ 552,314	\$ 4,643,153
State sources	16,487,311	124,651	281,619	16,893,581
Federal sources	299,784	-	708,301	1,008,085
Interdistrict sources	1,556,443	-	-	1,556,443
 Total revenues	 <u>19,909,802</u>	 <u>2,649,226</u>	 <u>1,542,234</u>	 <u>24,101,262</u>
Expenditures				
Current				
Education				
Instruction	10,613,320	-	-	10,613,320
Supporting services	8,193,432	-	517,859	8,711,291
Food services	-	-	904,310	904,310
Community services	6,380	-	-	6,380
Debt service				
Principal	139,402	3,190,000	-	3,329,402
Interest and other expenditures	30,946	849,567	-	880,513
 Total expenditures	 <u>18,983,480</u>	 <u>4,039,567</u>	 <u>1,422,169</u>	 <u>24,445,216</u>
 Excess (deficiency) of revenues over expenditures	 <u>926,322</u>	 <u>(1,390,341)</u>	 <u>120,065</u>	 <u>(343,954)</u>

See Accompanying Notes to the Financial Statements

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

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)				
Proceeds from school loan revolving fund	\$ -	\$ 1,540,757	\$ -	\$ 1,540,757
Insurance recoveries	45,156	-	-	45,156
Proceeds from sale of capital assets	2,500	-	-	2,500
Transfers in	54,012	-	850,000	904,012
Transfers out	<u>(850,000)</u>	<u>-</u>	<u>(54,012)</u>	<u>(904,012)</u>
Total other financing sources (uses)	<u>(748,332)</u>	<u>1,540,757</u>	<u>795,988</u>	<u>1,588,413</u>
Net change in fund balances	177,990	150,416	916,053	1,244,459
Fund balances - beginning	<u>4,309,025</u>	<u>143,800</u>	<u>769,079</u>	<u>5,221,904</u>
Fund balances - ending	<u>\$ 4,487,015</u>	<u>\$ 294,216</u>	<u>\$ 1,685,132</u>	<u>\$ 6,466,363</u>

See Accompanying Notes to the Financial Statements

Ovid-Elsie 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	\$ 1,244,459
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation and amortization expense	(1,393,457)
Capital outlay	349,691
Sale of capital assets (net book value)	(2,775)
Expenses are recorded when incurred in the statement of activities.	
Interest	(205,684)
Benefit claims	20,278
Compensated absences	(122,904)
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	3,364,268
Net change in deferrals of resources related to the net pension liability	(2,959,893)
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	2,469,832
Net change in deferrals of resources related to the net OPEB asset	(985,230)
Proceeds from long-term financing liabilities 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.	
Debt issued	(1,540,757)
Repayments of long-term debt	3,329,402
Amortization of premiums	226,831
Amortization of deferred amount on debt refunding	<u>31,698</u>
Change in net position of governmental activities	\$ <u>3,825,759</u>

See Accompanying Notes to the Financial Statements

Ovid-Elsie Area Schools
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2024

	<u>Private Purpose Trust Funds</u>
Assets	
Cash	\$ <u>81,401</u>
Net Position	
Assets held for scholarships	\$ <u><u>81,401</u></u>

See Accompanying Notes to the Financial Statements

Ovid-Elsie Area Schools
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2024

	<u>Private Purpose Trust Funds</u>
Additions	
Local sources	\$ 54,398
Deductions	
Scholarships	<u>50,500</u>
Change in net position	3,898
Net position - beginning	<u>77,503</u>
Net position - ending	<u>\$ 81,401</u>

See Accompanying Notes to the Financial Statements

Ovid-Elsie Area Schools
Notes to the Financial Statements
June 30, 2024

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Ovid-Elsie 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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide 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.

Ovid-Elsie Area Schools
Notes to the Financial Statements
June 30, 2024

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.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

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.

Debt Service Fund – The 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.

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 Food Service Fund and Student Activities Fund.

Capital Projects Fund - The Capital Projects Fund is used to record transfers from the General Fund or other revenue and the disbursement of invoices specifically for improving school sites, buildings, equipment, and for remodeling and repairs.

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Private-Purpose Trust Funds are funds entrusted to the School District for scholarship awards.

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	17.87950
Commercial personal property	5.87950
Debt Service Funds	7.80000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries.

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 Clinton and remitted to the School District by May 15.

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

Ovid-Elsie Area Schools
Notes to the Financial Statements
June 30, 2024

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.

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	20 - 50 years
Site improvements	10 - 20 years
Equipment and furniture	5 - 10 years
Buses and other vehicles	5 - 8 years
Right to use asset - equipment and furniture	5 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 financial 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 - The liability for compensated absences reported in the government-wide statements consists of earned but unused accumulated sick leave, and severance benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts are included both for employees who are currently eligible to receive termination payments and for other employees who are expected to become eligible in the future to receive such payments upon termination.

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.

Ovid-Elsie Area Schools
Notes to the Financial Statements
June 30, 2024

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.

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 may include 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 MPERS 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.

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

Ovid-Elsie Area Schools
Notes to the Financial Statements
June 30, 2024

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.

In the General Fund, the goal of the School District shall be to maintain a minimum unassigned fund balance of no less than 5% of the preceding year's expenditures.

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.

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.

Ovid-Elsie Area Schools
Notes to the Financial Statements
June 30, 2024

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.

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			
Added needs	\$ 3,020,518	\$ 3,057,265	\$ 36,747
General administration	273,571	277,586	4,015
School administration	1,191,558	1,192,993	1,435
Business	267,389	271,515	4,126
Operations and maintenance	2,175,681	2,188,789	13,108
Central	7,628	29,055	21,427
Athletic activities	575,402	577,471	2,069

Note 3 - Deposits and Investments

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

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	<u>\$ 5,163,351</u>	<u>\$ 81,401</u>	<u>\$ 5,244,752</u>

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 3,213,430
Investments in securities, mutual funds, and similar vehicles	<u>2,031,322</u>
Total	<u>\$ 5,244,752</u>

Ovid-Elsie 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	Organization
External investment pools:				
Michigan Liquid Asset Fund (MILAF):				
MILAF + Portfolio				
MAX Class	\$2,031,322	< 60 days	AAAm	S&P

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

MILAF + Portfolio - 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 School 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 District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter term securities, liquid asset funds, money market

mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

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

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, \$3,526,983 of the School District's bank balance of \$3,846,291 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.

Ovid-Elsie 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 being depreciated				
Buildings and additions	\$46,174,320	\$ 5,689	\$ 7,902	\$46,172,107
Site improvements	3,654,728	-	-	3,654,728
Equipment and furniture	2,815,628	316,752	17,901	3,114,479
Buses and other vehicles	2,481,486	27,250	105,172	2,403,564
Right to use asset - equipment and furniture	148,115	-	-	148,115
Total capital assets being depreciated	<u>55,274,277</u>	<u>349,691</u>	<u>130,975</u>	<u>55,492,993</u>
Less accumulated depreciation for				
Buildings and additions	18,153,202	839,687	7,902	18,984,987
Site improvements	927,750	175,434	-	1,103,184
Equipment and furniture	1,446,528	157,593	15,126	1,588,995
Buses and other vehicles	1,767,973	191,120	105,172	1,853,921
Right to use asset - equipment and furniture	55,558	29,623	-	85,181
Total accumulated depreciation	<u>22,351,011</u>	<u>1,393,457</u>	<u>128,200</u>	<u>23,616,268</u>
Net capital assets being depreciated	<u>32,923,266</u>	<u>(1,043,766)</u>	<u>2,775</u>	<u>31,876,725</u>
Net capital assets	<u>\$32,923,266</u>	<u>\$ (1,043,766)</u>	<u>\$ 2,775</u>	<u>\$31,876,725</u>

Depreciation expense of capital assets and amortization expense of right to use assets were charged to activities of the School District as follows:

Governmental activities	
Instruction	\$ 738,532
Supporting services	599,187
Food services	55,738
Total governmental activities	<u>\$ 1,393,457</u>

Construction Contracts

At year end, the School District had an uncompleted improvement contract. The remaining commitment on this contract was approximately \$56,935.

Note 6 - Interfund Receivables, Payables, and Transfers

Individual interfund receivable and payable balances at year end were:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 22,814
Debt Service Fund	General Fund	3,935
Nonmajor Governmental Funds	General Fund	50,000
Nonmajor Governmental Funds	Nonmajor Governmental Funds	791
		<u>\$ 77,540</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.

Interfund transfers consist of the following:

	Transfers Out		Total
	General Fund	Nonmajor Governmental Funds	
Transfers In			
General Fund	\$ -	\$ 54,012	\$ 54,012
Nonmajor Governmental Funds	850,000	-	850,000
	<u>\$ 850,000</u>	<u>\$ 54,012</u>	<u>\$ 904,012</u>

Ovid-Elsie Area Schools
Notes to the Financial Statements
June 30, 2024

The transfer from General Fund to the Nonmajor Governmental Funds was made to fund capital improvements in future years. The transfer from the Nonmajor Governmental Funds to the General Fund was made to cover indirect costs related to the food service program.

Note 7 - 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	<u>\$ 443,170</u>
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Note 8 - Lease Liability

The School District has the following lease liabilities:

<u>Lease</u>	<u>Commencement Date</u>	<u>Termination Date</u>	<u>Payment Frequency</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Total Lease Liability</u>	<u>Balance at June 30, 2024</u>
Copiers	August 2020	August 2025	Monthly	\$ 2,795	9.77%	\$ 132,311	\$ 38,501
Copiers	September 2022	September 2027	Monthly	\$ 307	6.00%	15,804	<u>10,824</u>
							<u>\$ 49,325</u>

Annual requirements to amortize lease liabilities and related interest are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 36,029	\$ 1,195
2026	8,871	403
2027	3,511	173
2028	914	7
Total	<u>\$ 49,325</u>	<u>\$ 1,778</u>

Note 9 - 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. The State can withhold state aid if it has to make a bond payment on behalf of the School District related to qualified bonds. For the School Loan Revolving Fund, the State may withhold state aid if the School District is in default or apply late charges in an instance of default or fails to appropriately levy debt mills. 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	\$ 23,635,000	\$ -	\$ 3,190,000	\$ 20,445,000	\$ 3,295,000
Premium on bonds	1,481,109	-	226,831	1,254,278	-
Total bonds payable	<u>25,116,109</u>	<u>-</u>	<u>3,416,831</u>	<u>21,699,278</u>	<u>3,295,000</u>
Notes from direct borrowings and direct placements					
School Loan Revolving Fund (SLRF)	4,348,989	1,540,757	-	5,889,746	-
Accrued interest (SLRF)	255,463	222,854	-	478,317	-
Installment purchase agreement	939,633	-	104,404	835,229	104,404
Total notes from direct borrowings and direct placements	<u>5,544,085</u>	<u>1,763,611</u>	<u>104,404</u>	<u>7,203,292</u>	<u>104,404</u>
Other liabilities					
Leases	84,323	-	34,998	49,325	36,029
Compensated absences	401,455	606,316	483,412	524,359	483,412
Total other liabilities	<u>485,778</u>	<u>606,316</u>	<u>518,410</u>	<u>573,684</u>	<u>519,441</u>
Total	<u>\$ 31,145,972</u>	<u>\$ 2,369,927</u>	<u>\$ 4,039,645</u>	<u>\$ 29,476,254</u>	<u>\$ 3,918,845</u>

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

Ovid-Elsie Area Schools
Notes to the Financial Statements
June 30, 2024

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

2014 Refunding Bonds – dated August 6, 2014, in the amount of \$5,195,000 with interest rate of 4% per annum, matures in 2029. Due in annual installments of \$480,000 - \$560,000.	\$ 2,605,000
2015 Refunding Bonds – dated February 26, 2015, in the amount of \$8,170,000 with interest rate of 4% per annum, matures in 2025. Due in annual installments of \$1,080,000.	1,080,000
2016 Refunding Bonds – dated January 28, 2016, in the amount of \$7,225,000 with interest rate of 4% per annum, matures in 2032. Due in annual installments of \$1,010,000 - \$1,055,000.	7,225,000
2019 Refunding Bonds - dated August 21, 2019, in the amount of \$7,510,000, bearing interest at rates varying from 2.35% to 2.55% per annum, matures in 2027. Due in annual installments of \$1,495,000 - \$ 1,715,000.	4,820,000
2019 School Building and Site Bonds and Refunding Bonds - dated August 21, 2019, in the amount of \$6,855,000, bearing interest at 4% per annum, matures in 2043. Due in annual installments of \$240,000 - \$255,000.	<u>4,715,000</u>
Total general obligation bonded debt	<u>\$ 20,445,000</u>

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

Year Ending June 30,	Bonds		Notes from direct borrowings and direct placements	
	Principal	Interest	Principal	Interest
2025	\$ 3,295,000	\$ 743,310	\$ 104,404	\$ 21,716
2026	3,405,000	636,178	104,404	19,002
2027	3,525,000	524,932	104,404	16,287
2028	1,825,000	408,800	104,404	13,573
2029	1,835,000	335,800	104,404	10,858
2030-2034	4,295,000	845,800	313,209	16,286
2035-2039	1,250,000	353,000	-	-
2040-2043	1,015,000	101,800	-	-
Total	<u>\$20,445,000</u>	<u>\$ 3,949,620</u>	<u>\$ 835,229</u>	<u>\$ 97,722</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a fund balance of \$294,216 to pay this debt. Future debt and interest will be payable from future tax levies.

Interest expenditures for the fiscal year in the General Fund and Debt Service Fund were \$30,946 and \$846,585, respectively.

State School Revolving Loan Fund Loan

The State School Revolving Loan Fund Loan consists of a borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities on the School District's bond issues. Since the monies generated by the debt mills levied are presently not sufficient to cover the entire debt service requirements of the School District, it has been necessary for the School District to borrow to meet the debt service requirements. Management of the School District anticipates that as bonds mature, the revenues provided by the debt millage will be sufficient to satisfy the future debt service requirements. The School District has agreed to repay the loan amount with interest at rates and at times to be determined by the State Treasurer.

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Compensated Absences

Accrued compensated absences at year end, consist of \$42,582 of vacation hours earned and vested and \$481,777 in accrued sick time benefits. The amount anticipated to be paid out over the next year is included within the amounts listed as due within one year.

Note 10 - Net Investment in Capital Assets

The composition of net investment in capital assets was as follows:

Capital assets	
Capital assets, net of accumulated depreciation	<u>\$ 31,876,725</u>
Related debt	
General obligation bonds	(20,445,000)
Notes from direct borrowing and direct placements	(6,724,975)
Leases	(49,325)
Unamortized bond premiums	(1,254,278)
Deferred charge on bond refunding	<u>(256,439)</u>
Total related debt	<u>(28,730,017)</u>
Net investment in capital assets	<u>\$ 3,146,708</u>

Note 11 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The School District limits its exposure to such claims through its participation in and payments to SET-SEG, Inc. Insurance Trust. The pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary. The terms of the participation agreement with the pool indicate that, should losses of the pool incur in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves,

resulting in annual premium refunds to member districts. The School District's management believes that participation in this pool provides sufficient coverage to protect the School District from any significant adverse financial impact.

The School District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2024 or any of the prior 3 years.

Note 12 - Pension Plan

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan 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.

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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, 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.

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 \$3,249,989 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 \$29,185,932 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 0.0902 percent, which was an increase of 0.0036 percent from its proportion measured as of September 30, 2022.

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For the plan year ending September 30, 2023, the School District recognized pension expense of \$3,980,287 for the measurement period. For the reporting period ending June 30, 2024, the School District recognized total pension contribution expense of \$3,249,989.

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	\$ 921,311	\$ (44,708)	\$ 876,603
Changes of assumptions	3,954,827	(2,280,263)	1,674,564
Net difference between projected and actual earnings on pension plan investments	-	(597,239)	(597,239)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>1,322,749</u>	<u>(198,638)</u>	<u>1,124,111</u>
Total to be recognized in future	6,198,887	(3,120,848)	3,078,039
School District contributions subsequent to the measurement date	<u>3,278,830</u>	<u>(1,711,273)</u>	<u>1,567,557</u>
Total	<u>\$ 9,477,717</u>	<u>\$ (4,832,121)</u>	<u>\$ 4,645,596</u>

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 School 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)	
2023	\$ 980,071
2024	827,771
2025	1,586,538
2026	<u>(316,341)</u>
	<u>\$ 3,078,039</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:

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- 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 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.

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%	5.8%
Private Equity Pools	16%	9.6%
International Equity	15%	6.8%
Fixed Income Pools	13%	1.3%
Real Estate and Infrastructure Pools	10%	6.4%
Absolute Return Pools	9%	4.8%
Real Return/Opportunistic Pools	10%	7.3%
Short Term Investment Pools	2%	0.3%
	100%	

**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.

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Discount Rate

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

Sensitivity of the 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, 6.00% 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%
\$ 39,430,109	\$ 29,185,932	\$ 20,657,284

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 13 - 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.

Ovid-Elsie Area Schools
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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 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.

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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 \$674,099 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 \$489,524 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 liability or 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 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 0.0865 percent, which was a decrease of 0.0070 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 (\$840,527) for the measurement period. For the reporting period ending June 30, 2024, the School District recognized total OPEB contribution expense of \$674,099.

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	\$ -	\$(3,699,093)	\$(3,699,093)
Changes of assumptions	1,089,765	(131,228)	958,537
Net difference between projected and actual earnings on OPEB plan investments	1,493	-	1,493
Changes in proportion and differences between the School District contributions and proportionate share of contributions	461,480	(416,854)	44,626
Total to be recognized in future	1,552,738	(4,247,175)	(2,694,437)
School District contributions subsequent to the measurement date	584,192	-	584,192
Total	\$ 2,136,930	\$(4,247,175)	\$(2,110,245)

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.

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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)

	2023	\$ (874,432)
	2024	(808,594)
	2025	(317,213)
	2026	(272,689)
	2027	(271,739)
	Thereafter	(149,770)
		\$(2,694,437)

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
- 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.

Ovid-Elsie Area Schools
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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%	5.8%
Private Equity Pools	16%	9.6%
International Equity	15%	6.8%
Fixed Income Pools	13%	1.3%
Real Estate and Infrastructure Pools	10%	6.4%
Absolute Return Pools	9%	4.8%
Real Return/Opportunistic Pools	10%	7.3%
Short Term Investment Pools	2%	0.3%
	<u>100%</u>	

*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 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 point higher:

1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
\$ 507,489	\$ (489,524)	\$ (1,346,359)

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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
\$ (1,348,495)	\$ (489,524)	\$ 440,165

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

Note 14 - 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.

Note 15 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by cities and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities. The taxes abated for the General Fund operating millage is considered by the State of Michigan when determining the School District’s section 22 funding of the State School Aid Act.

For the fiscal year ended June 30, 2024, the School District’s property tax revenues were reduced by \$18,037 under these programs.

There are no significant abatements made by the School District.

Ovid-Elsie 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	\$ 1,185,602	\$ 1,510,149	\$ 1,566,264	\$ 56,115
State sources	14,976,987	16,567,472	16,487,311	(80,161)
Federal sources	422,654	312,854	299,784	(13,070)
Interdistrict sources	<u>1,610,277</u>	<u>1,505,792</u>	<u>1,556,443</u>	<u>50,651</u>
Total revenues	<u>18,195,520</u>	<u>19,896,267</u>	<u>19,909,802</u>	<u>13,535</u>
Expenditures				
Instruction				
Basic programs	8,076,466	7,637,814	7,556,055	(81,759)
Added needs	2,913,094	3,020,518	3,057,265	36,747
Supporting services				
Pupil	877,690	1,012,085	1,009,030	(3,055)
Instructional staff	1,292,712	1,554,205	1,523,786	(30,419)
General administration	322,785	273,571	277,586	4,015
School administration	1,183,246	1,191,558	1,192,993	1,435
Business	273,702	267,389	271,515	4,126
Operations and maintenance	2,016,287	2,175,681	2,188,789	13,108
Pupil transportation services	1,072,450	1,139,684	1,123,207	(16,477)
Central	-	7,628	29,055	21,427
Athletic activities	480,038	575,402	577,471	2,069
Community services	13,422	13,664	6,380	(7,284)
Debt service				
Principal	140,665	145,757	139,402	(6,355)
Interest and fiscal charges	<u>25,399</u>	<u>24,593</u>	<u>30,946</u>	<u>6,353</u>
Total expenditures	<u>18,687,956</u>	<u>19,039,549</u>	<u>18,983,480</u>	<u>(56,069)</u>
Excess (deficiency) of revenues over expenditures	<u>(492,436)</u>	<u>856,718</u>	<u>926,322</u>	<u>69,604</u>

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Insurance recoveries	\$ -	\$ -	\$ 45,156	\$ 45,156
Proceeds from sale of capital assets	-	2,500	2,500	-
Transfers in	-	54,500	54,012	(488)
Transfers out	-	(850,000)	(850,000)	-
	<u>-</u>	<u>(793,000)</u>	<u>(748,332)</u>	<u>44,668</u>
Total other financing sources (uses)				
Net change in fund balances	(492,436)	63,718	177,990	114,272
Fund balance - beginning	<u>4,309,025</u>	<u>4,309,025</u>	<u>4,309,025</u>	<u>-</u>
Fund balance - ending	<u>\$ 3,816,589</u>	<u>\$ 4,372,743</u>	<u>\$ 4,487,015</u>	<u>\$ 114,272</u>

Ovid-Elsie 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 the net pension liability (%)	0.09020%	0.08655%	0.08379%	0.08482%	0.08434%	0.08500%	0.08544%	0.08774%	0.08971%	0.08761%
B. School District's proportionate share of the net pension liability	\$ 29,185,932	\$ 32,550,200	\$ 19,838,158	\$ 29,137,609	\$ 27,929,890	\$ 25,553,097	\$ 22,140,639	\$ 21,889,232	\$ 21,911,049	\$ 19,297,968
C. School District's covered payroll	\$ 8,652,586	\$ 9,110,080	\$ 7,507,083	\$ 7,582,872	\$ 7,366,061	\$ 7,227,139	\$ 7,082,993	\$ 7,321,058	\$ 7,480,824	\$ 7,423,862
D. School District's proportionate share of the net pension liability as a percentage of its covered payroll	337.31%	357.30%	264.26%	384.26%	379.17%	353.57%	312.59%	298.99%	292.90%	259.95%
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.

Ovid-Elsie 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	\$ 3,249,989	\$ 2,945,791	\$ 2,515,964	\$ 2,331,045	\$ 2,240,470	\$ 2,314,619	\$ 2,003,977	\$ 1,998,729	\$ 1,730,572	\$ 1,360,674
B. Contributions in relation to statutorily required contributions	<u>3,249,989</u>	<u>2,945,791</u>	<u>2,515,964</u>	<u>2,331,045</u>	<u>2,240,470</u>	<u>2,314,619</u>	<u>2,003,977</u>	<u>1,998,729</u>	<u>1,730,572</u>	<u>1,360,674</u>
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
D. School District's covered payroll	\$ 8,625,340	\$ 8,719,919	\$ 8,682,685	\$ 7,567,177	\$ 7,587,200	\$ 7,321,886	\$ 7,176,523	\$ 7,112,740	\$ 7,359,097	\$ 7,520,142
E. Contributions as a percentage of covered payroll	37.68%	33.78%	28.98%	30.80%	29.53%	31.61%	27.92%	28.10%	23.52%	18.09%

Ovid-Elsie 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) (%)	0.086500%	0.093490%	0.082980%	0.085370%	0.084160%	0.084890%	8.540000%			
B. School District's proportionate share of the net OPEB liability (asset)	\$ (489,524)	\$ 1,980,308	\$ 1,266,512	\$ 4,573,578	\$ 6,041,109	\$ 6,748,084	\$ 7,562,134			
C. School District's covered payroll	\$ 8,652,586	\$ 9,110,080	\$ 7,507,083	\$ 7,582,872	\$ 7,366,061	\$ 7,227,139	\$ 7,082,993			
D. School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-5.66%	21.74%	16.87%	60.31%	82.01%	93.37%	106.76%			
E. Plan fiduciary net position as a percentage of total OPEB liability (asset)	105.04%	83.09%	87.33%	59.44%	36.39%	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.

Ovid-Elsie 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	\$ 674,099	\$ 712,192	\$ 615,960	\$ 603,171	\$ 577,879	\$ 551,036	\$ 664,836			
B. Contributions in relation to statutorily required contributions	<u>674,099</u>	<u>712,192</u>	<u>615,960</u>	<u>603,171</u>	<u>577,879</u>	<u>551,036</u>	<u>664,836</u>			
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			
D. School District's covered payroll	\$ 8,625,340	\$ 8,719,919	\$ 8,682,685	\$ 7,567,177	\$ 7,587,200	\$ 7,321,886	\$ 7,176,523			
E. Contributions as a percentage of covered payroll	7.82%	8.17%	7.09%	7.97%	7.62%	7.53%	9.26%			

Ovid-Elsie Area Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2024

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Food Service	Student Activities	Capital Projects	
Assets				
Cash	\$ 463,659	\$ 373,569	\$ 802,740	\$ 1,639,968
Accounts receivable	10,542	-	-	10,542
Due from other funds	791	-	50,000	50,791
Due from other governmental units	6,069	-	-	6,069
Inventory	5,733	-	-	5,733
Prepaid items	5,390	-	-	5,390
	<u>5,390</u>	<u>-</u>	<u>-</u>	<u>5,390</u>
Total assets	<u>\$ 492,184</u>	<u>\$ 373,569</u>	<u>\$ 852,740</u>	<u>\$ 1,718,493</u>
Liabilities				
Accounts payable	\$ 1,056	\$ 8,192	\$ -	\$ 9,248
Due to other funds	17,707	5,898	-	23,605
Accrued expenditures	36	-	-	36
Accrued salaries payable	472	-	-	472
	<u>472</u>	<u>-</u>	<u>-</u>	<u>472</u>
Total liabilities	<u>19,271</u>	<u>14,090</u>	<u>-</u>	<u>33,361</u>
Fund Balances				
Non-spendable				
Inventory	5,733	-	-	5,733
Prepaid items	5,390	-	-	5,390
Restricted for				
Food service	461,790	-	-	461,790
Committed	-	359,479	-	359,479
Assigned	-	-	852,740	852,740
	<u>-</u>	<u>-</u>	<u>852,740</u>	<u>852,740</u>
Total fund balances	<u>472,913</u>	<u>359,479</u>	<u>852,740</u>	<u>1,685,132</u>
Total liabilities and fund balances	<u>\$ 492,184</u>	<u>\$ 373,569</u>	<u>\$ 852,740</u>	<u>\$ 1,718,493</u>

Ovid-Elsie 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

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	<u>Food Service</u>	<u>Student Activities</u>	<u>Capital Projects</u>	
Revenues				
Local sources	\$ 38,924	\$ 510,650	\$ 2,740	\$ 552,314
State sources	281,619	-	-	281,619
Federal sources	708,301	-	-	708,301
 Total revenues	<u>1,028,844</u>	<u>510,650</u>	<u>2,740</u>	<u>1,542,234</u>
 Expenditures				
Current				
Education				
Supporting services	-	517,859	-	517,859
Food services	904,310	-	-	904,310
 Total expenditures	<u>904,310</u>	<u>517,859</u>	<u>-</u>	<u>1,422,169</u>
 Excess (deficiency) of revenues over expenditures	<u>124,534</u>	<u>(7,209)</u>	<u>2,740</u>	<u>120,065</u>
 Other Financing Sources (Uses)				
Transfers in	-	-	850,000	850,000
Transfers out	(54,012)	-	-	(54,012)
 Total other financing sources (uses)	<u>(54,012)</u>	<u>-</u>	<u>850,000</u>	<u>795,988</u>
 Net change in fund balances	70,522	(7,209)	852,740	916,053
 Fund balances - beginning	<u>402,391</u>	<u>366,688</u>	<u>-</u>	<u>769,079</u>
 Fund balances - ending	<u>\$ 472,913</u>	<u>\$ 359,479</u>	<u>\$ 852,740</u>	<u>\$ 1,685,132</u>

Ovid-Elsie Area Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2024

Year Ending June 30,	2014 School Building and Site Bonds	2015 Refunding Bonds	2016 Refunding Bonds	2019 Refunding Bonds	2019 School Building and Site Bonds	Total
2025	\$ 480,000	\$ 1,080,000	\$ -	\$ 1,495,000	\$ 240,000	\$ 3,295,000
2026	500,000	-	1,055,000	1,610,000	240,000	3,405,000
2027	520,000	-	1,045,000	1,715,000	245,000	3,525,000
2028	545,000	-	1,035,000	-	245,000	1,825,000
2029	560,000	-	1,030,000	-	245,000	1,835,000
2030	-	-	1,030,000	-	245,000	1,275,000
2031	-	-	1,020,000	-	245,000	1,265,000
2032	-	-	1,010,000	-	245,000	1,255,000
2033	-	-	-	-	250,000	250,000
2034	-	-	-	-	250,000	250,000
2035	-	-	-	-	250,000	250,000
2036	-	-	-	-	250,000	250,000
2037	-	-	-	-	250,000	250,000
2038	-	-	-	-	250,000	250,000
2039	-	-	-	-	250,000	250,000
2040	-	-	-	-	250,000	250,000
2041	-	-	-	-	255,000	255,000
2042	-	-	-	-	255,000	255,000
2043	-	-	-	-	255,000	255,000
Total	\$ 2,605,000	\$ 1,080,000	\$ 7,225,000	\$ 4,820,000	\$ 4,715,000	\$ 20,445,000
Principal payments due the first day of	May	May	May	May	May	
Interest payments due the first day of	May and November	May and November	May and November	May and November	May and November	
Interest rate	4.00%	4.00%	4.00%	2.15% - 2.55%	4.00%	
Original issue	\$ 5,195,000	\$ 8,170,000	\$ 7,225,000	\$ 7,510,000	\$ 6,855,000	

Ovid-Elsie Area Schools

Single Audit

June 30, 2024



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

Management and the Board of Education
Ovid-Elsie Area Schools
Elsie, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ovid-Elsie Area Schools, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Ovid-Elsie Area Schools's basic financial statements, and have issued our report thereon dated September 11, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Yeo & Yeo, P.C.

Alma, Michigan
September 11, 2024

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditors' Report

Management and the Board of Education
Ovid-Elsie Area Schools
Elsie, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Ovid-Elsie Area Schools's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Ovid-Elsie Area Schools's major federal programs for the year ended June 30, 2024. Ovid-Elsie Area Schools's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Ovid-Elsie Area Schools's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Ovid-Elsie Area Schools's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Ovid-Elsie Area Schools's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ovid-Elsie Area Schools, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Ovid-Elsie Area Schools's basic financial statements. We issued our report thereon dated September 11, 2024, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Alma, Michigan
September 11, 2024

Ovid-Elsie Area Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Grant/ Project Number	Approved Grant Amount	Accrued (Unearned) Revenue July 1, 2023	Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Accrued (Unearned) Revenue June 30, 2024
U.S. Department of Agriculture								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
School Breakfast Program	10.553	231970	\$ 169,316	\$ -	\$ 145,941	\$ 23,375	\$ 23,375	\$ -
School Breakfast Program	10.553	241970	142,135	-	-	142,135	142,135	-
Total School Breakfast Program				-		165,510	165,510	-
National School Lunch Program	10.555	231960	124,618	-	59,174	65,444	65,444	-
National School Lunch Program	10.555	241960	383,129	-	-	383,129	383,129	-
National School Lunch Program - Supply Chain Assistance	10.555	240910	36,940	-	-	36,940	36,940	-
				-		485,513	485,513	-
Non-cash assistance (commodities)								
National School Lunch Program - Entitlement Commodities	10.555	N/A	57,071	-	-	57,071	57,071	-
National School Lunch Program - Bonus Commodities	10.555	N/A	207	-	-	207	207	-
Total non-cash assistance				-		57,278	57,278	-
Total National School Lunch Program				-		542,791	542,791	-
Total Child Nutrition Cluster				-		708,301	708,301	-
Total U.S. Department of Agriculture / Child Nutrition Cluster				-		708,301	708,301	-
U.S. Department of Education								
Passed through Michigan Department of Education								
Title I Grants to Local Educational Agencies	84.010	241530-2324	231,462	-	-	230,962	-	230,962
English Language Acquisition State Grants	84.365	240570-2324	1,050	-	-	1,050	-	1,050
Supporting Effective Instruction State Grants	84.367	240520-2324	38,077	-	-	38,077	-	38,077
Student Support and Academic Enrichment Program	84.424	240750-2324	18,716	-	-	18,716	-	18,716
COVID-19 ESSER III Formula	84.425U	213723-2122	95,256	-	87,222	8,034	8,034	-
Total U.S. Department of Education				-		296,839	8,034	288,805
U.S. Department of Health and Human Services								
Passed through Clinton County RESA								
Medicaid Cluster								
Medicaid Assistance Program	93.778	N/A	2,945	-	-	2,945	2,945	-
Total Federal awards				\$ -		\$ 1,008,085	\$ 719,280	\$ 288,805

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Ovid-Elsie Area Schools
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2024

Note 1 - Basis of Presentation

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

Note 2 - Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

Ovid-Elsie Area Schools has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Subrecipients

No amounts were provided to subrecipients.

Note 4 - Michigan Department of Education Disclosures

The amounts reported on the recipient entitlement balance report agree with the schedule of expenditures of federal awards for U.S.D.A donated food commodities. The amounts reported on the Grant Auditor Report are in agreement with the schedule of expenditure of federal awards except the differences listed below as a result of timing difference of when the deposits were received:

		Receipts per GAR	Receipts per SEFA	Difference
Title I Grants to Local Educational Agencies	84.010	\$ 179,887	\$ -	\$ (179,887)
English Language Acquisition State Grants	84.365	1,050	-	(1,050)
Supporting Effective Instruction State Grants	84.367	28,229	-	(28,229)
Student Support and Academic Enrichment Program	84.424	16,303	-	(16,303)
		<u>\$ 225,469</u>	<u>\$ -</u>	<u>\$ (225,469)</u>

Ovid-Elsie Area Schools
Schedule of Findings and Questioned Costs
June 30, 2024

Section II – *Government Auditing Standards* Findings

There were no *Government Auditing Standards* findings for the year ended June 30, 2024.

Section III – Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2024.

Ovid-Elsie Area Schools
Summary Schedule of Prior Audit Findings
June 30, 2024

Section IV – Prior Audit Findings

Government Auditing Standards Findings

There were no *Government Auditing Standards* findings for the year ended June 30, 2023.

Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2023.



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September 11, 2024

Management and the Board of Education
Ovid-Elsie Area Schools
Elsie, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ovid-Elsie Area Schools (the School District) as of and for the year ended June 30, 2024. We are required to communicate certain matters to you in accordance with generally accepted auditing standards that are related to internal control and the audit.

Our communication includes the following:

- I. Auditors' Communication of Significant Matters with Those Charged with Governance
- II. Matters for Management's Consideration

Matters for management's consideration are not required to be communicated but we believe are valuable for management.

We discussed these matters with various personnel in the School District during the audit and with management. We would also be pleased to meet with you to discuss these matters at your convenience.

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

Yeo & Yeo, P.C.

Alma, Michigan

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 28, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in the footnotes of the financial statements. The School District has adopted the following Governmental Accounting Standards Board Statements effective July 1, 2023:

- 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.

We noted no transactions entered into by the School District during the year for which there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Net other postemployment benefits (OPEB) liability (asset), and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Disclosures in the financial statements are neutral, consistent and clear.

We have identified the following significant risks of material misstatement as part of our audit planning:

- Management override of controls
- Improper revenue recognition
- Accounting software conversion

Accounting Standards and Regulatory Updates

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in the footnotes of the financial statements.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no known misstatements detected as a result of audit procedures, with the exception of the uncorrected misstatements discussed below.

Management has determined that the effects of the uncorrected misstatements summarized below are immaterial both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

- Review of capital asset listings identified two timing discrepancies in the June 30, 2023 capital asset calculation. Construction-in-progress amounting to \$141,167 at June 30, 2023 was not accounted for in construction-in-progress, but was instead fully capitalized in the June 30, 2024 fiscal year. Additionally, another asset was capitalized as of June 30, 2023, despite having \$69,488 of work not completed until the fiscal year ending June 30, 2024. The net effect of these two assets causes Governmental Activities' beginning net position and current year capital outlay to be understated by \$71,679.
- For the purposes of GASB 96, the impact of one subscription-based information technology agreement entered into in the current year was not recorded on the financial statements for the year ended June 30, 2024. This resulted in the General Fund's revenues and expenditures being understated by \$28,200 and had no impact on fund balance. The associated right-to-use asset and liability is considered to be an immaterial amount for Governmental Activities. Future transactions related to this agreement will include recording the annual required payment which the School District will process and record as a part of the normal disbursement process.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

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

Other Audit Findings or Issues

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

Other Reports

Other information that is required to be reported to you is included in the: Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Grant Guidance; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

Report on Required Supplementary Information

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

Report on Other Supplementary Information

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

Appendix II

Matters for Management’s Consideration

In planning and performing our audit of the financial statements of the School District as of and for the year ended June 30, 2024, we considered the School District’s internal control over financial reporting (internal control) as a basis for designing audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School District’s internal control.

However, during our audit we became aware of the following matters for management’s consideration that are opportunities for strengthening internal controls and correcting noncompliance. This letter does not affect our report dated September 11, 2024, on the financial statements of the School District.

Cash Receipts

During our review of internal controls, it was identified that one administrative employee is responsible for opening mail, receiving checks and cash, and also depositing those collections at the bank. We recommend implementing proper segregation of duties to ensure that one individual is not solely responsible for both the receipting and depositing of cash. Introducing a second individual in this process will further mitigate the risks associated with cash handling.

Written Procedures Over Federal Awards

Uniform Grant Guidance requires written procedures covering the following: financial management systems, cash management, payments, allowable costs, period of performance, federal timekeeping, matching or cost sharing, program income, procurement, equipment and real property, supplies, copyrights, subawards to debarred and suspended parties, monitoring and reporting program performance, financial reporting, retention and access requirements for records, and subrecipient monitoring.

During our audit procedures, we noted that the School District has procedures in place, however, the written policies are still in the process of being drafted and contains multiple references to another school district. We recommend that management finalize the written procedures to ensure compliance with the Uniform Grant Guidance.

Net Cash Resources

As a result of the changes in the food service program including the introduction of the Michigan School Meals program, meal claim revenues were in excess of anticipated amounts. A proportional increase to expenditures did not occur, resulting in a growth in net cash resources in an amount that exceeded the three-month average expenditure requirement included in the federal regulations. The noncompliance has not been determined to be material to the federal program or the financial statements, as it has not resulted in questioned costs, or negatively impacted the program; as the School District is actively working on using the funds to enhance the program. However, the School District must continue to take action to return to compliance. Districts may improve food quality or take other action designed to improve the program. We recommend that the School District look at possible enhancements to the program in order to return to compliance with this requirement.