

Beaver Island Community School

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

June 30, 2024



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INDEPENDENT AUDITOR'S REPORT

Board of Education
Beaver Island Community School

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 **Beaver Island Community School** (the "School District") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9, budgetary comparison information on page 40, pension contribution schedule on page 41 and OPEB contribution schedule on page 42 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major fund financial statements are fairly stated, in all material respect, 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 August 30, 2024, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan
August 30, 2024



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Management's Discussion and Analysis

Overview of the Basic Financial Statements

Beaver Island Community School's (the "School District") basic financial statements include government-wide statements, fund financial statements and notes to the financial statements. This report also contains required and other supplemental information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements report information on all of the School District's non-fiduciary funds. The government-wide statements are designed to provide readers with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The Statement of Net Position displays all of the School District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All long-term assets and debt obligations are presented.

The Statement of Activities focuses on the gross and net cost of the various functions within the School District (instruction, support services, etc.), which are supported by the School District's general revenues (property taxes, unrestricted State aid, etc.).

Fund Financial Statements

The fund financial statements report on the government funds, with an emphasis on major funds. Major funds are determined by the level of activity within the various funds. The focus of the fund financial statements is on the sources and uses of funds during the current year.

Beaver Island Community School maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and Public Improvement Fund, which are considered major funds. Data from the Food Service Fund, School Activities Fund and 2016 Refunding Bond Fund is presented in the non-major governmental funds column.

Financial Highlights

The overall conditions of all funds remain very strong for the School District. All goals related to financial activities have been met in the past year. If current revenue and expenditure patterns can be maintained, the resources for the following year will be available to meet the School District's financial needs.

The liabilities and deferred inflows of resources of the School District exceeded its assets and deferred outflows of resources at the close of the recent fiscal year by \$990,344 (net position).

The School District's total net position has increased by \$990 thousand this fiscal year.

At the end of the current fiscal year, the aggregated fund balance for the School District's operational funds was \$1,687,927.

Government-Wide Financial Analysis

Table 1 provides a summary of the School District's net position as of June 30, 2024 and 2023:

<u>Governmental Activities</u>		
(in millions)		
	<u>2024</u>	<u>2023</u>
Assets		
Current assets	\$ 2.47	\$ 1.98
Non-current assets	<u>3.97</u>	<u>3.80</u>
Total assets	<u>6.44</u>	<u>5.78</u>
Deferred outflows of resources	<u>1.49</u>	<u>1.57</u>
Liabilities		
Current liabilities	1.00	1.01
Non-current liabilities	<u>5.07</u>	<u>5.75</u>
Total liabilities	<u>6.07</u>	<u>6.76</u>
Deferred inflows of resources	<u>0.87</u>	<u>0.59</u>
Net position		
Net investment in capital assets	2.17	1.86
Restricted	0.68	0.33
Unrestricted (deficit)	<u>(1.86)</u>	<u>(2.19)</u>
Total net position	<u><u>\$ 0.99</u></u>	<u><u>\$ (0.00)</u></u>

The School District currently reports positive balances in each category of net position, except unrestricted net position which has a deficit balance.

Operations for the School District as a whole are presented in the Statement of Activities. The following summary shows the changes in the net position for the fiscal years 2024 and 2023.

<u>Governmental Activities</u>		
(in millions)		
	<u>2024</u>	<u>2023</u>
Revenue		
Program revenue		
Charges for services	\$ 0.005	\$ 0.007
Operating grants and contributions	1.047	0.935
General revenue		
Property taxes	1.884	1.764
State school aid	0.686	0.237
Other	0.085	0.159
Total revenue	<u>3.707</u>	<u>3.102</u>
Functions/program expenses		
Instruction	1.538	1.512
Supporting services	1.047	1.103
Food service	0.089	0.063
Interest on long-term debt	0.043	0.047
Total expenses	<u>2.717</u>	<u>2.725</u>
Increase in net position	0.990	0.377
Beginning net position	<u>(0.000)</u>	<u>(0.377)</u>
Ending net position	<u>\$ 0.990</u>	<u>\$ (0.000)</u>

As recorded above, the School District recorded \$2.717 million of expenses. The majority of the School District's activities were funded by property taxes, grants and contributions.

The School District experienced an increase in net position of \$.990 million. In the fund financial statements debt and capital outlay payments represent expenditures of available spendable resources, however, in the government-wide statements, as noted above, they are not current expenses. Depreciation is used to ratably expense these costs over the estimated life to be benefited by the School District.

Fund Financial Analysis

The June 30, 2024 General Fund balance increased by \$175,535 during the fiscal year. The fund balance of \$990,894 is approximately 39% of reported expenditures over the same fiscal year. The School District has a goal of maintaining a 15% fund balance.

Capital Assets

At June 30, 2024, the School District had \$3,907,283 invested in capital assets. The following table summarizes the capital asset activity for the year.

	<u>2024</u>	<u>2023</u>
Capital assets not being depreciated		
Land	\$ 217,588	\$ 217,588
Capital assets being depreciated		
Building and improvements	5,768,183	5,582,218
Furniture and fixtures	93,406	93,406
Vehicles	55,842	17,522
Equipment	<u>197,995</u>	<u>192,816</u>
Total capital assets	6,333,014	6,103,550
Less accumulated depreciation	<u>(2,425,731)</u>	<u>(2,300,027)</u>
Total capital assets, net	<u><u>\$ 3,907,283</u></u>	<u><u>\$ 3,803,523</u></u>

Long-Term Debt

At June 30, 2024, the School District had \$1,809,938 in long-term debt. The following table summarizes the long-term debt activity for the year.

	<u>2024</u>	<u>2023</u>
General obligation bonds	\$ 1,780,000	\$ 1,985,000
Premium on bonds payable	<u>29,938</u>	<u>33,681</u>
Total long-term debt	<u><u>\$ 1,809,938</u></u>	<u><u>\$ 2,018,681</u></u>

Factors Bearing on the School District's Future

At the time these financial statements were prepared and audited, the School District was aware of the following factors that have had an impact on finances and could continue to impact the School District's financial stability in the future:

- Pupil count is projected to be consistent for the upcoming school year.
- Taxable values are projected to increase by 5.41% based on preliminary figures provided by the county in May 2024. The School District receives a majority of operational funding from property taxes.
- In July the state budget was passed with maintaining the funding increase for the Sec 22d Isolated District funds. For 2023-2024 the School District received an additional \$463,000 in Sec 22d funding.
- The School District will continue to look at building and grounds projects such as a drainage projects, and classroom improvements.
- Staffing continues to be a challenge for the School District. Finding certified staff has forced the superintendent to explore alternative ways for newer teachers to be employed through the School District with such programs a Grow Your Own and Talent Together. These programs provide alternative paths to teacher certification while the employee is teaching in the classroom.

Financial Contact

The School District's financial statements are designed to present users with a general overview of the School District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Business Office of Beaver Island Community School.

Beaver Island Community School

STATEMENT OF NET POSITION

June 30, 2024

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 268,129
Investments	1,979,923
Due from other governments	218,290
Prepaid expenses	2,705
Inventory	1,312
Total current assets	2,470,359
Capital assets, net of accumulated depreciation	3,907,283
Net OPEB asset	61,473
Total assets	<u>6,439,115</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow of resources for pension liability	1,136,298
Deferred outflow of resources for OPEB asset	287,252
Deferred loss on debt refunding	68,412
Total deferred outflows of resources	<u>1,491,962</u>
Total assets and deferred outflows of resources	<u><u>\$ 7,931,077</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
LIABILITIES	
Current liabilities	
Accounts payable	\$ 2,993
Accrued salaries and related expenses	208,113
Accrued interest	6,550
Unearned revenue	571,326
Current portion of long-term liabilities	208,743
Total current liabilities	997,725
Non-current portion of long-term liabilities	1,601,195
Net pension liability	3,472,759
Total liabilities	<u>6,071,679</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow of resources for pension liability	366,875
Deferred inflow of resources for OPEB asset	502,179
Total deferred inflows of resources	<u>869,054</u>
NET POSITION	
Net investment in capital assets	2,165,757
Restricted for	
Debt service	100,573
Capital projects	572,400
Food service	3,842
Unrestricted (deficit)	(1,852,228)
Total net position	<u>990,344</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 7,931,077</u></u>

The accompanying notes are an integral part of these financial statements.

Beaver Island Community School

STATEMENT OF ACTIVITIES

Year Ended June 30, 2024

Functions/Program	Expenses	Program Revenues		Net Revenue (Expense) and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities				
Instruction	\$ 1,537,655	\$ -	\$ 488,704	\$ (1,048,951)
Supporting services	1,047,489	-	515,438	(532,051)
Community services	309	-	-	(309)
Food service	88,264	4,740	43,487	(40,037)
Other	500	-	-	(500)
Interest on long-term debt	42,717	-	-	(42,717)
Total governmental activities	<u>\$ 2,716,934</u>	<u>\$ 4,740</u>	<u>\$ 1,047,629</u>	<u>(1,664,565)</u>
General purpose revenues				
Property taxes				
Levied for general purposes				1,605,846
Levied for debt service				278,302
State school aid - unrestricted				686,416
Unrestricted investment earnings				75,623
Other				8,696
Total general purpose revenues				<u>2,654,883</u>
Change in net position				990,318
Net position, beginning of year				<u>26</u>
Net position, end of year				<u>\$ 990,344</u>

The accompanying notes are an integral part of these financial statements.

Beaver Island Community School

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2024

	Major Funds		Total	Total
	General	Public	Non-Major	Total
	Fund	Improvement	Governmental	Governmental
	Fund	Fund	Funds	Funds
ASSETS				
Cash and cash equivalents	\$ 138,069	\$ -	\$ 130,060	\$ 268,129
Investments	1,407,523	572,400	-	1,979,923
Due from other funds	8,151	-	1,013	9,164
Due from other governments	217,347	-	943	218,290
Prepaid expenditures	2,705	-	-	2,705
Inventory	-	-	1,312	1,312
Total assets	<u>\$ 1,773,795</u>	<u>\$ 572,400</u>	<u>\$ 133,328</u>	<u>\$ 2,479,523</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 2,949	\$ -	\$ 44	\$ 2,993
Salaries payable and related	207,613	-	500	208,113
Due to other funds	1,013	-	8,151	9,164
Unearned revenues	571,326	-	-	571,326
Total liabilities	<u>782,901</u>	<u>-</u>	<u>8,695</u>	<u>791,596</u>
FUND BALANCES				
Nonspendable	2,705	-	1,312	4,017
Restricted:				
Food service	-	-	2,530	2,530
Debt service	-	-	107,123	107,123
Public improvement	-	572,400	-	572,400
Committed:				
School activities	-	-	13,668	13,668
Unassigned	988,189	-	-	988,189
Total fund balances	<u>990,894</u>	<u>572,400</u>	<u>124,633</u>	<u>1,687,927</u>
Total liabilities and fund balances	<u>\$ 1,773,795</u>	<u>\$ 572,400</u>	<u>\$ 133,328</u>	
Reconciliation of Governmental Fund Balances to District-Wide Government Activities Net Position				
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$6,333,014 and the accumulated depreciation is \$2,425,731.				3,907,283
Deferred outflows of resources are not a financial resource and, therefore, are not reported as an asset in governmental funds. Deferred outflows of resources at year-end consisted of:				
		Pension liability	1,136,298	
		OPEB asset	287,252	
		Deferred loss on refunding	68,412	
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of:				
		Bonds payable	(1,780,000)	
		Premium on bonds payable	(29,938)	
		Accrued interest payable	(6,550)	
		Net pension liability	(3,472,759)	
		Net OPEB asset	61,473	
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported as a liability in governmental funds. Deferred inflow of resources at year-end consisted of:				
		Pension liability	(366,875)	
		OPEB asset	(502,179)	
		Total net position - governmental activities	<u>\$ 990,344</u>	

The accompanying notes are an integral part of these financial statements.

Beaver Island Community School

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended June 30, 2024

	Major Funds		Total	Total
	General	Public	Non-Major	Total
	Fund	Improvement	Governmental	Governmental
	Fund	Fund	Funds	Funds
Revenues				
Local sources				
Property taxes	\$ 1,605,846	\$ -	\$ 278,302	\$ 1,884,148
Charges for services	-	-	4,740	4,740
Interest	57,093	17,034	1,496	75,623
Other local revenue	500,072	-	24,061	524,133
State sources	1,149,528	-	14,712	1,164,240
Federal sources	24,587	-	29,781	54,368
Total revenues	3,337,126	17,034	353,092	3,707,252
Expenditures				
Instruction	1,458,526	-	-	1,458,526
Supporting services	1,041,380	-	-	1,041,380
Community services	309	-	-	309
Food service	-	-	88,264	88,264
Other	-	-	39,160	39,160
Debt service				
Principal	-	-	205,000	205,000
Interest	-	-	43,400	43,400
Other	-	-	500	500
Capital outlays	314,880	-	6,062	320,942
Total expenditures	2,815,095	-	382,386	3,197,481
REVENUES OVER (UNDER)				
EXPENDITURES	522,031	17,034	(29,294)	509,771
Other financing sources (uses)				
Operating transfers in	-	300,000	46,496	346,496
Operating transfers out	(346,496)	-	-	(346,496)
Total other financing sources (uses)	(346,496)	300,000	46,496	-
REVENUES OVER (UNDER) EXPENDITURES				
AND OTHER FINANCING SOURCES (USES)	175,535	317,034	17,202	509,771
Fund balance, beginning of year	815,359	255,366	107,431	1,178,156
Fund balance, end of year	\$ 990,894	\$ 572,400	\$ 124,633	\$ 1,687,927

The accompanying notes are an integral part of these financial statements.

Beaver Island Community School

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE DISTRICT-WIDE STATEMENT OF ACTIVITIES

Year Ended June 30, 2024

Total Net Change in Fund Balance - Governmental Funds	\$	509,771
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized outlays exceed depreciation in the period.

Capitalized outlays	\$	251,695	
Depreciation expense		<u>(144,180)</u>	107,515

In the statement of activities, only the gain or loss on the disposition of capital assets is reported; whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus the change in net position differs from the change in fund balance by costs of the capital assets sold less any accumulated depreciation.

Asset disposals	\$	(22,231)	
Accumulated depreciation		<u>18,476</u>	(3,755)

Change in deferred outflows of resources for:

Pension liability		25,562
OPEB asset		(91,299)

Amortization of deferred loss on refunding		(8,552)
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Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.		205,000
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Amortization of bond premium		3,743
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Accrued interest expense on long-term debt is reported in the district-wide statement of activities, but does not require the use of current financial resources. Therefore, accrued interest expense is not reported as an expenditure in government funds.		683
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Decrease in net pension liability		237,796
Decrease in net OPEB liability		284,268

Change in deferred inflows of resources for:

Pension liability		(280,620)
OPEB asset		<u>206</u>

Changes in Net Position of Governmental Activities	\$	<u>990,318</u>
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Beaver Island Community School

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

Beaver Island Community School (the "School District") operates under a Board-Superintendent form of government and provides education services to Beaver Island residents. The accounting policies of the School District conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units.

The accounting and reporting framework and the more significant accounting principles and practices of Beaver Island Community School are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the School District's financial activities for the fiscal year ended June 30, 2024.

The Financial Reporting Entity

Beaver Island Community School is a special purpose government and considered to be a primary government because it has separately elected governing body, is legally separate and is fiscally independent of other state and local governments. The financial reporting entity of Beaver Island Community School includes the School District as the primary government and its component units; i.e., legally separate organizations for which the primary government is financially accountable and any other organizations which management has determined, based on the nature and significance of their relationship with the School District, must be included to prevent the School District's financial statements from being misleading. Based on criteria established in Governmental Accounting Standards Board ("GASB") Statement No. 14, as amended, management has not identified any component units. Student, parent and teacher organizations are not included, except to the extent that the School District holds assets in the capacity of an agent.

District-Wide and Fund Financial Statements

District-Wide Financial Statements

The statement of net position and statement of activities display information about the School District as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and School District general revenues.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the School District's services; and (2) operating grants and contributions which finance annual operating activities including restricted investment income. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

NOTES TO FINANCIAL STATEMENTS - Continued

Fund Financial Statements

The balance sheet and statement of revenues, expenditures and changes in fund balances (i.e., fund financial statements) for the School District's governmental funds are presented after the District-wide statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental funds. Major funds are generally those that represent 10% or more of governmental fund assets, liabilities, revenues or expenditures.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District-wide statements report using the economic resource measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include property taxes, intergovernmental revenues and investment income. In general, other revenues are recognized when cash is received.

Fund Types and Major Funds

Activities in Major Funds

The *General Fund* is the general operating fund of the School District. It is used to account for all financial resources except those accounted for in another fund.

Capital Projects Funds are used to account for the acquisition or construction of capital assets. The Public Improvement Fund is accounted for as a Capital Projects Fund.

Other Governmental Funds

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted or Board committed to expenditures for special purposes. The Food Service Fund and School Activities Fund are accounted for as Special Revenue Funds.

The *2016 Refunding Bonds Fund* accounts for principal and interest payments on the refunding bonds used to refinance the general obligation bonds.

NOTES TO FINANCIAL STATEMENTS - Continued

Cash and Cash Equivalents

The School District's reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments include short-term investments in Michigan School District Liquid Asset Fund ("MILAF") with a maturity of three months or less when acquired. Investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted prices are not available. Certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the School District intends to hold the investment until maturity.

Capital Assets

Capital assets are recorded at cost or, if donated, the fair value at the time of donation. Capital assets are depreciated over their estimated useful lives ranging from 3 to 50 years. The School District generally capitalizes assets with a cost of \$5,000 or more as purchase and construction outlays occur. No depreciation is recorded on land. Expenditures for major renewals and betterments that extend the useful lives of the capital assets are capitalized. Expenditures for maintenance and repairs are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	10-50 years
Furniture and other equipment	3-7 years
Vehicles	7 years

Long-Term Debt and Bond Discounts/Premiums

In the District-wide financial statements, outstanding debt is reported as a liability. Bond discounts or premiums are capitalized and amortized over the terms of the respective bonds using the straight-line method, which approximates the effective interest method. Bond issuance costs are expensed as incurred. The difference between the reacquisition price and carrying value of defeased bonds is reported as deferred outflows/inflows and amortized over the life of the refunding bonds.

In the fund financial statements, bond premiums and discounts, as well as bond issuance costs are recognized during the period in which the bonds were issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Deferred Outflows of Resources and Deferred Inflows of Resources

The statement of financial position includes separate financial statement elements for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an addition to net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

Fund Equity

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors or contributors, or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the School Board through approval of resolutions. Assigned fund balances is a limitation imposed by the Superintendent as a designee of the School Board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed or assigned to those purposes.

When both restricted and unrestricted fund balances are available for use, it is the School District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

It is the School District's policy to maintain a minimum fund balance of at least 15% of the General Fund's annual operating expenditures.

Program Revenues

Program revenues derive directly from the program itself or from outside parties for the restricted use in a particular program. On the statement of activities, program revenues reduce the net cost of the various functions to reflect the amount which is financed from the School District's general revenues.

The School District's most significant program revenues are Isolated District, Special Education Grants, Vocational Education Grants and School Lunch Programs, which are reported as operating grants and contributions.

Allocation of Expenses

The School District reports each function's direct expenses, those that are specifically associated with a service, program or department and, thus, are clearly identifiable to a particular function.

The School District has elected to not allocate indirect expenses.

NOTES TO FINANCIAL STATEMENTS - Continued

Pension Plan

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 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.

Post-Employment Benefits Other than Pensions

For purposes of measuring the net other post-employment benefits ("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 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.

Use of Estimates in the Preparation of Financial Statements

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

NOTE B - BUDGETARY POLICY AND PRACTICE

The School District has adopted these procedures in establishing the budgets as reflected in the financial statements.

1. As early as possible in the preceding fiscal year (generally in the spring), the Superintendent formulates preliminary budgets for the coming year, which are submitted to the Board of Education for their review.
2. A public hearing is held prior to June 30 on the proposed budgets to obtain taxpayer comments.
3. The Board of Education reviews the proposed budget and then in June adopts a formal resolution approving the needed appropriations for the coming operating year.
4. All transfers of budget amounts and any amendments to the formal Appropriation Act are approved by the Board of Education.
5. It is the Superintendent's responsibility to supervise and monitor the budget process. This is done by reviewing the monthly financial data and reporting and recommending any needed amendments to the Board of Education.

NOTES TO FINANCIAL STATEMENTS - Continued

6. The budget is adopted on a basis consistent with generally accepted accounting principles.
7. The budgets presented in these financial statements are as originally adopted and as formally amended by the Board of Education.
8. All annual appropriations lapse at fiscal year-end.

Michigan Public Act 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2024, the School District was in compliance with the Act.

NOTE C - CASH AND CASH EQUIVALENTS

At June 30, 2024, the School District's cash and equivalents include the following:

	<u>Cash and Cash Equivalents</u>
Bank deposits	\$ 268,079
Cash on hand	<u>50</u>
	<u><u>\$ 268,129</u></u>

Custodial Credit Risk - Deposits

Custodial credit risk 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 June 30, 2024, the carrying amount of the School District's deposits was \$268,079 and the bank balance was \$293,333. As of June 30, 2024, \$21,470 of the bank balance was exposed to custodial risk because it was uninsured and uncollateralized.

NOTE D - INVESTMENTS

The School District's investment policy permits investments in the following vehicles:

1. Bonds and other obligations of the United States; the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
2. Certificate of deposits issued by financial institutions organized and authorized to operate in Michigan.
3. Certain commercial paper.
4. Securities issued or guaranteed by agencies or instruments of the United States government.
5. United States government of Federal agency obligation repurchase agreements.
6. Banker's acceptance issued by a bank that is a member of the FDIC.
7. Certain mutual funds.

NOTES TO FINANCIAL STATEMENTS - Continued

8. Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982.

Investments at June 30, 2024, consisted of the following:

Investment Type	Fair Value	Investment Maturities (in years)			
		Current	1-5	6-10	More than 10
MILAF	\$ 1,979,923	\$ 1,979,923	\$ -	\$ -	\$ -

Interest Rate Risk

The School District attempts to 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 short-term securities, liquid asset funds, money market funds or similar investment pools, and limiting the average maturity. MILAF investments are carried at amortized cost and are not subject to any withdrawal restrictions.

Custodial Credit Risk - Investments

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized rating organizations. The School District further limits its investment choices as described above. The School District's investment in MILAF investment pool was rated AAAM by Standard & Poor's.

NOTE E - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS AND UNEARNED REVENUE

Property Taxes Receivable, Unearned Revenue and Property Tax Calendar

Property taxes are levied, billed and become a lien on property as of December 1 on the State taxable valuation of property in the School District as of the preceding December 31. Townships within the School District collect and remit taxes until February 15, at which time the uncollected real property taxes are turned over to the counties as delinquent. Delinquent real property taxes are funded by the counties and remitted to the School District. Delinquent personal property tax remains a receivable until collected from the taxpayer by the townships and remitted to the School District. In the governmental fund financial statements, if delinquent taxes are not paid within 60 days of year-end, they are recorded as deferred inflows of resources. In the district-wide financial statements, property taxes receivable and related revenue include all amounts due the School District regardless of when cash is received. Over time, substantially all property taxes are collected.

NOTES TO FINANCIAL STATEMENTS - Continued

During the fiscal year, \$15.391 per \$1,000 of equalized non-principal residence property value in the School District of \$104 million and \$3.791 per \$1,000 of commercial personal property value in the School District of \$232 thousand was levied for general operating purposes. For debt service purposes, \$2.0 per \$1,000 of equalized principal, non-principal residence property and commercial personal property value in the School District of \$136.4 million was levied.

Intergovernmental Receivables and Unearned Revenue

Intergovernmental receivables are primarily comprised of amounts due from the State and Federal governments. Revenue is recorded as earned when eligibility requirements are met. Grant revenues deferred in the governmental fund financial statements include unearned revenue and deferred inflows - revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). Unearned revenue in the district-wide and the fund financial statements consist of categorical and other grant monies received but not yet earned at year-end.

Amounts due from other governments at June 30, 2024 are as follows:

Due from State of Michigan	
State Aid	\$ 204,680
Other	6,420
Due from other	<u>7,190</u>
 Total due from other governments	 <u><u>\$ 218,290</u></u>

Unearned revenue for the year ended June 30, 2024 is comprised of the following:

Vocational Education	\$ 555,029
Wraparound	7,504
Mental Health	<u>8,793</u>
 Total unearned revenue	 <u><u>\$ 571,326</u></u>

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE F - INVESTMENTS IN CAPITAL ASSETS

Investments in capital assets consisted of the following at June 30, 2024:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets being depreciated				
Buildings and improvements	\$ 5,582,218	\$ 208,196	\$ (22,231)	\$ 5,768,183
Furniture and fixtures	93,406	-	-	93,406
Vehicles	17,522	38,320	-	55,842
Equipment	192,816	5,179	-	197,995
Total capital assets being depreciated	5,885,962	251,695	(22,231)	6,115,426
Less accumulated depreciation	<u>(2,300,027)</u>	<u>(144,180)</u>	<u>18,476</u>	<u>(2,425,731)</u>
Net capital assets being depreciated	3,585,935	107,515	(3,755)	3,689,695
Capital assets not being depreciated				
Land	<u>217,588</u>	<u>-</u>	<u>-</u>	<u>217,588</u>
Net investment in capital assets	<u>\$ 3,803,523</u>	<u>\$ 107,515</u>	<u>\$ (3,755)</u>	<u>\$ 3,907,283</u>

Depreciation expense was charged to the function in the statement of activities, as follows:

Instruction	\$ 115,241
Support services	<u>28,939</u>
Total depreciation expense	<u>\$ 144,180</u>

NOTE G - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Receivables and Payables

Outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end and other miscellaneous receivables/payables between funds.

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Major Governmental Fund		
General Fund	\$ 8,151	\$ 1,013
Non-Major Governmental Funds		
School Activities Fund	-	8,151
2016 Refunding Bond Fund	<u>1,013</u>	<u>-</u>
	<u>\$ 9,164</u>	<u>\$ 9,164</u>

Transfers

Transfers within the reporting entity are substantially for the purposes of subsidizing operating functions of food service, and funding capital projects and asset acquisitions. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

The district-wide statement of activities eliminates transfers as reported within the governmental activities column.

The following schedule reports transfers and payments within the reporting entity at June 30, 2024:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds		
General Fund	\$ -	\$ 346,496
Public Improvement Fund	300,000	-
Non-Major Governmental Funds		
Food Service Fund	<u>46,496</u>	<u>-</u>
	<u>\$ 346,496</u>	<u>\$ 346,496</u>

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE H - LONG-TERM LIABILITIES

Changes in long-term debt during the year ended June 30, 2024 were as follows:

	<u>Beginning Balance</u>	<u>New Debt</u>	<u>Payments/ Accretion</u>	<u>Ending Balance</u>	<u>Current Portion</u>
General obligation bonds	\$ 1,985,000	\$ -	\$ (205,000)	\$ 1,780,000	\$ 205,000
Premium on bonds payable	<u>33,681</u>	<u>-</u>	<u>(3,743)</u>	<u>29,938</u>	<u>3,743</u>
Total long-term liabilities	<u>\$ 2,018,681</u>	<u>\$ -</u>	<u>\$ (208,743)</u>	<u>\$ 1,809,938</u>	<u>\$ 208,743</u>

At June 30, 2024, the School District's long-term debt consisted of the following:

2016 Refunding Bonds due in annual installments of \$205,000 - \$240,000 through May 1, 2032; interest at 2.0% - 2.4% due semi-annually.	\$ 1,780,000
Unamortized bond premium	<u>29,938</u>
Total long-term debt	<u>\$ 1,809,938</u>

Total annual requirements to amortize bonds outstanding as of June 30, 2024 are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 205,000	\$ 39,300	\$ 244,300
2026	210,000	35,200	245,200
2027	215,000	31,000	246,000
2028	220,000	26,485	246,485
2029	225,000	21,865	246,865
2030-2032	<u>705,000</u>	<u>33,850</u>	<u>738,850</u>
	<u>\$ 1,780,000</u>	<u>\$ 187,700</u>	<u>\$ 1,967,700</u>

Interest expense for the year ended June 30, 2024 was \$42,717 and interest paid was \$43,400.

Reacquisition Price Over Net Carrying Amount of Defeased Debt

The 2016 refunding bonds resulted in a deferred loss on refunding of \$136,828, which is the difference between the reacquisition price of the new debt and the net carrying amount of the old debt. This amount is being added to the new debt and amortized over the life of the refunded debt of 16 years, which is shorter than the life of the new debt issued, and ending in 2032. The deferred loss on debt refunding as of June 30, 2024 was:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Amortization</u>	<u>Ending Balance</u>
Deferred loss on debt refunding	<u>\$ 76,964</u>	<u>\$ -</u>	<u>\$ (8,552)</u>	<u>\$ 68,412</u>

NOTE I - RISK MANAGEMENT

The School District carries commercial insurance for risks of loss, including property and employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The School District participates in SET-SEG's risk management pools for worker's compensation claims, disability insurance and errors and omissions coverages. SET-SEG is a public entity risk pool currently operating as a common risk management and workers' compensation insurance program for various school districts throughout the State. The School District pays an annual premium for its workers' compensation insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$500,000 for each insured event. Although the School District could be assessed charges beyond the annual premium, the likelihood of receiving such an assessment is minimal. Any refunds from SET-SEG are deposited in the School District's General Fund.

NOTE J - PENSION PLAN

Plan Description

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

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

NOTES TO FINANCIAL STATEMENTS - Continued

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

The System's financial statements are available at www.michigan.gov/orsschools.

Benefits Provided

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

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

Contributions

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

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

NOTES TO FINANCIAL STATEMENTS - Continued

The schedule below summarizes pension contribution rates in effect for the Plan's fiscal year 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 \$386,708 for the year ended September 30, 2023. Total contributions remitted to the plan includes State pension funding the School District remitted to ORS as non-statutorily required contributions.

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 \$3,472,759 for its proportionate share of the MPSERS 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 30, 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 employees during the measurement period. At September 30, 2023, the School District's proportion was 0.01072963%, which was an increase of 0.00086342% from its proportion measured as of September 30, 2022.

For the year ended June 30, 2024, the School District recognized pension expense of \$513,791. 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
Differences between expected and actual experience	\$ 109,624	\$ 5,320
Changes of assumptions	470,575	271,323
Net difference between projected and actual earnings on pension plan investments	-	71,064
Changes in proportion and differences between School District contributions and proportionate share of contributions	390,452	19,168
School District contributions subsequent to the measurement date	165,647	-
Total	<u>\$ 1,136,298</u>	<u>\$ 366,875</u>

NOTES TO FINANCIAL STATEMENTS - Continued

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date of \$165,647 will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	Amount
2024	\$ 200,064
2025	188,769
2026	239,222
2027	<u>(24,279)</u>
	<u><u>\$ 603,776</u></u>

Actuarial Assumptions

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

Additional information as of the latest actual valuation follows:

Summary of Actuarial Assumptions

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

NOTES TO FINANCIAL STATEMENTS - Continued

Notes:

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

Long-Term Expected Rate of Return on Investments

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:

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

**Long-term rate of return does not include 2.7% inflation.*

NOTES TO FINANCIAL STATEMENTS - Continued

Rate of Return

For the fiscal year ended September 30, 2023, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 8.29%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Basic, MIP and Pension Plus plan, 6.00% for the Pension Plus 2 plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Basic, MIP and 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 6.0% (6.0% for the Basic, MIP and Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease	Current Single Discount	1% Increase
5.0%	Rate Assumption	7.0%
	6.0%	
\$4,691,687	\$3,472,759	\$2,457,957

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 ACFR available on the ORS website at: www.michigan.gov/orsschools.

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

The School District reported \$27,557 and \$1,585 payable to the plan at June 30, 2024 for legally required defined benefit and defined contribution plan contributions, respectively.

NOTE K - POST-EMPLOYMENT 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 and a fiduciary component unit of the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members-eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the post-employment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree 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 Post-employment 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.

NOTES TO FINANCIAL STATEMENTS - Continued

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

Contributions

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

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

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

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

Required contributions to the OPEB plan from the School District were \$84,651 for the year ended September 30, 2023.

NOTES TO FINANCIAL STATEMENTS - Continued

OPEB Asset, 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 \$61,473 for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2023, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 30, 2022. As of September 30, 2023, the MPSERS OPEB plan was overfunded resulting in an OPEB asset. The School District's proportion of the net OPEB asset was determined by dividing each employer's statutorily required OPEB contributions to the systems 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 0.01086672%, which was an increase of 0.00034791% from its proportion measured as of September 30, 2022. For the year ended June 30, 2024, the School District recognized OPEB income of \$113,360. At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 464,521
Changes of assumptions	136,849	16,479
Net difference between projected and actual earnings on OPEB plan investments	187	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	90,445	21,179
School District contributions subsequent to the measurement date	<u>59,771</u>	<u>-</u>
Total	<u>\$ 287,252</u>	<u>\$ 502,179</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date of \$59,771 will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2024	\$ (102,039)
2025	(91,455)
2026	(18,825)
2027	(22,875)
2028	(25,138)
Thereafter	<u>(14,366)</u>
Total	<u>\$ (274,698)</u>

NOTES TO FINANCIAL STATEMENTS - Continued

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 expense
Projected Salary Increases:	2.75-11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	Pre-65: 7.50% Year 1 graded to 3.5% Year 15 Post-65: 6.25% Year 1 graded to 3.5% Year 15
Mortality:	
Retirees:	PubT-2010 Male and Female Retiree Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Active:	PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Other Assumptions

Opt Out Assumptions:	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 one or more dependents.

NOTES TO FINANCIAL STATEMENTS - Continued

Notes:

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

Long-Term Expected Rate of Return on Investments

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:

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

**Long-term rate of return does not include 2.7% inflation.*

Discount Rate

A discount rate of 6.0% was used to measure the total OPEB asset. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.0%. 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 asset.

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

The following presents the School District's proportionate share of the net OPEB asset calculated using the discount rate of 6.0%, as well as what the School District's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease 5.0%	Current Discount Rate 6.0%	1% Increase 7.0%
\$ 63,729	\$ (61,473)	\$ (169,071)

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

The following presents School District's proportionate share of the net OPEB asset calculated using assumed trend rates, as well as what School District's proportionate share of net OPEB 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 Rate	1% Increase
\$ (169,340)	\$ (61,473)	\$ 55,274

OPEB Plan Fiduciary Net Position

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

Payables to the OPEB Plan

The School District reported \$2,641 payable to the Plan at June 30, 2024 for the OPEB asset.

NOTE L - COMMITMENTS AND CONTINGENCIES

Federal and State Grants

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

Collectively Bargained Employment Agreements

The teachers of the School District are organized under the Beaver Island Education Association. The Board of Education and the Beaver Island Education Association have a contract through August 31, 2025.

REQUIRED SUPPLEMENTARY INFORMATION

Beaver Island Community School

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

Year Ended June 30, 2024

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final Budget	Final Budget To Actual
Revenues					
Local sources	\$ 1,675,039	\$ 1,682,293	\$ 1,678,748	\$ 7,254	\$ (3,545)
State sources	556,975	1,153,801	1,149,528	596,826	(4,273)
Federal sources	9,652	24,587	24,587	14,935	-
Received from ISD	478,151	484,338	484,263	6,187	(75)
Total revenues	<u>2,719,817</u>	<u>3,345,019</u>	<u>3,337,126</u>	<u>625,202</u>	<u>(7,893)</u>
Expenditures					
Education					
Instruction	1,603,476	1,482,986	1,471,032	120,490	11,954
Supporting services	1,120,045	1,158,561	1,124,106	(38,516)	34,455
Community services	350	407	309	(57)	98
Capital outlays	<u>-</u>	<u>219,639</u>	<u>219,648</u>	<u>(219,639)</u>	<u>(9)</u>
Total expenditures	<u>2,723,871</u>	<u>2,861,593</u>	<u>2,815,095</u>	<u>(137,722)</u>	<u>46,498</u>
REVENUES OVER (UNDER) EXPENDITURES	(4,054)	483,426	522,031	487,480	38,605
Other financing uses					
Operating transfers out	<u>(58,151)</u>	<u>(346,496)</u>	<u>(346,496)</u>	<u>(288,345)</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(62,205)	136,930	175,535	199,135	38,605
Fund balance, beginning of year	<u>767,239</u>	<u>815,359</u>	<u>815,359</u>	<u>48,120</u>	<u>-</u>
Fund balance, end of year	<u>\$ 705,034</u>	<u>\$ 952,289</u>	<u>\$ 990,894</u>	<u>\$ 247,255</u>	<u>\$ 38,605</u>

Beaver Island Community School

SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Michigan Public School Employees Retirement Plan

Last 10 Fiscal Years (amounts determined as of 9/30 of each fiscal year)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
School District's proportion of collective net pension liability	0.010730 %	0.009866 %	0.008801 %	0.008666 %	0.009205 %	0.010170 %	0.010897 %	0.009768 %	0.009546 %	0.010900 %
School District's proportionate share of net pension liability	\$ 3,472,759	\$ 3,710,555	\$ 2,083,607	\$ 2,976,924	\$ 3,048,476	\$ 3,057,138	\$ 2,823,923	\$ 2,437,108	\$ 2,331,537	\$ 2,401,241
School District's covered payroll	\$ 1,088,331	\$ 1,026,101	\$ 825,540	\$ 764,333	\$ 810,308	\$ 813,517	\$ 978,513	\$ 855,271	\$ 792,246	\$ 932,670
School District's proportionate share of net pension liability as a percentage of covered payroll	319.09 %	361.62 %	252.39 %	389.48 %	376.21 %	375.79 %	288.59 %	284.95 %	294.29 %	257.46 %
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 %

SCHEDULE OF SCHOOL DISTRICT'S PENSION CONTRIBUTIONS

Michigan Public School Employees Retirement Plan

Last 10 Employer Fiscal Years (amounts determined as of 6/30 each fiscal year)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	\$ 212,091	\$ 207,081	\$ 185,110	\$ 291,183	\$ 139,326	\$ 188,047	\$ 146,812	\$ 176,456	\$ 158,763	\$ 188,872
Contributions in relation to statutorily required contributions	212,091	207,081	185,110	291,183	139,326	188,047	146,812	176,456	158,763	188,872
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 1,046,283	\$ 1,081,126	\$ 950,517	\$ 811,250	\$ 780,337	\$ 813,844	\$ 858,634	\$ 971,678	\$ 817,450	\$ 838,573
Contributions as a percentage of covered payroll	20.27 %	19.15 %	19.47 %	35.89 %	17.85 %	23.11 %	17.10 %	18.16 %	19.42 %	22.52 %

Beaver Island Community School

SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB (ASSET) LIABILITY

Michigan Public School Employees Retirement Plan

	<u>9/30/2023</u>	<u>9/30/2022</u>	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>
School District's proportion of collective net OPEB (asset) liability	0.010867 %	0.010519 %	0.009126 %	0.008588 %	0.009223 %	0.009513 %	0.000111 %
School District's proportionate share of net OPEB (asset) liability	\$ (61,473)	\$ 222,795	\$ 139,291	\$ 460,062	\$ 662,007	\$ 756,180	\$ 980,235
School District's covered payroll	\$ 1,088,331	\$ 1,026,101	\$ 825,540	\$ 764,333	\$ 810,308	\$ 813,517	\$ 978,513
School District's proportionate share of net OPEB (asset) liability as a percentage of covered payroll	(5.65)%	21.71 %	16.87 %	60.19 %	81.70 %	92.95 %	100.18 %
Plan fiduciary net position as a percentage of total OPEB (asset) liability	105.04 %	83.09 %	87.33 %	59.44 %	48.46 %	42.95 %	36.39 %

SCHEDULE OF SCHOOL DISTRICT'S OPEB CONTRIBUTIONS

Michigan Public School Employees Retirement Plan

	<u>6/30/2024</u>	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Statutorily required contributions	\$ 78,362	\$ 82,957	\$ 18,150	\$ 60,478	\$ 59,847	\$ 63,232	\$ 86,179
Contributions in relation to statutorily required contributions	<u>78,362</u>	<u>82,957</u>	<u>18,150</u>	<u>60,478</u>	<u>59,847</u>	<u>63,232</u>	<u>86,179</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 1,046,283	\$ 1,081,126	\$ 950,517	\$ 811,250	\$ 780,337	\$ 813,844	\$ 858,634
Contributions as a percentage of covered payroll	7.49 %	7.67 %	1.91 %	7.45 %	7.67 %	7.77 %	10.04 %

**COMBINING FINANCIAL STATEMENTS OF
NON-MAJOR GOVERNMENTAL FUNDS**

Beaver Island Community School

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2024

	<u>Special Revenue Funds</u>		2016	Total
	<u>Food</u>	<u>School</u>	Refunding	Non-Major
	<u>Service</u>	<u>Activities</u>	Bond Fund	Governmental
	<u>Fund</u>	<u>Fund</u>		<u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,087	\$ 21,863	\$ 106,110	\$ 130,060
Due from other funds	-	-	1,013	1,013
Due from other governments	943	-	-	943
Inventory	<u>1,312</u>	<u>-</u>	<u>-</u>	<u>1,312</u>
 Total assets	<u><u>\$ 4,342</u></u>	<u><u>\$ 21,863</u></u>	<u><u>\$ 107,123</u></u>	<u><u>\$ 133,328</u></u>
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 44	\$ -	\$ 44
Salaries payable and related	500	-	-	500
Due to other funds	<u>-</u>	<u>8,151</u>	<u>-</u>	<u>8,151</u>
 Total liabilities	<u>500</u>	<u>8,195</u>	<u>-</u>	<u>8,695</u>
 FUND BALANCES				
Nonspendable	1,312	-	-	1,312
Restricted:				
Food service	2,530	-	-	2,530
Debt service	-	-	107,123	107,123
Committed for school activities	<u>-</u>	<u>13,668</u>	<u>-</u>	<u>13,668</u>
 Total fund balances	<u>3,842</u>	<u>13,668</u>	<u>107,123</u>	<u>124,633</u>
 Total liabilities and fund balances	<u><u>\$ 4,342</u></u>	<u><u>\$ 21,863</u></u>	<u><u>\$ 107,123</u></u>	<u><u>\$ 133,328</u></u>

Beaver Island Community School

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2024

	<u>Special Revenue Funds</u>		<u>2016</u>	<u>Total</u>
	<u>Food</u>	<u>School</u>	<u>Refunding</u>	<u>Non-Major</u>
	<u>Service</u>	<u>Activities</u>	<u>Bond Fund</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>		<u>Funds</u>
Revenues				
Local sources				
Property taxes	\$ -	\$ -	\$ 278,302	\$ 278,302
Charges for services	4,740	-	-	4,740
Interest	1	34	1,461	1,496
Other local revenue	248	23,813	-	24,061
State sources	13,706	-	1,006	14,712
Federal sources	29,781	-	-	29,781
	<u>48,476</u>	<u>23,847</u>	<u>280,769</u>	<u>353,092</u>
Total revenues				
Expenditures				
Food service	88,264	-	-	88,264
Other	-	39,160	-	39,160
Debt service				
Principal	-	-	205,000	205,000
Interest	-	-	43,400	43,400
Other	-	-	500	500
Capital outlays	6,062	-	-	6,062
	<u>94,326</u>	<u>39,160</u>	<u>248,900</u>	<u>382,386</u>
Total expenditures				
REVENUES OVER (UNDER)				
EXPENDITURES	(45,850)	(15,313)	31,869	(29,294)
Other financing sources				
Operating transfers in	46,496	-	-	46,496
REVENUES OVER (UNDER)				
EXPENDITURES AND OTHER				
FINANCING SOURCES	646	(15,313)	31,869	17,202
Fund balance, beginning of year	3,196	28,981	75,254	107,431
Fund balance, end of year	<u>\$ 3,842</u>	<u>\$ 13,668</u>	<u>\$ 107,123</u>	<u>\$ 124,633</u>

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education
Beaver Island Community School

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 **Beaver Island Community School** (the "School District") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated August 30, 2024.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District'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 the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 School District'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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan

August 30, 2024