ELLSWORTH COMMUNITY SCHOOL

ELLSWORTH, MICHIGAN

REPORT ON FINANCIAL STATEMENTS
(with required and additional supplementary information)
YEAR ENDED JUNE 30, 2024

SCHULZE, OSWALD, MILLER & EDWARDS PC
CERTIFIED PUBLIC ACCOUNTANTS
989-354-8707

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ELLSWORTH, MICHIGAN
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ELLSWORTH COMMUNITY SCHOOL
ELLSWORTH, MICHIGAN
ADMINISTRATION/BOARD LIST
FOR THE YEAR ENDED JUNE 30, 2024

ADMINISTRATION

SUPERINTENDENT	Aaron Gaffney

BOARD OF EDUCATION

PRESIDENT	Nancy Russell
VICE PRESIDENT	Matt Muladore
SECRETARY	Suzy Olsen
TREASURER	Heidi Cooper
TRUSTEE	Jeff Potter
TRUSTEE	Sue Goslee
TRUSTEE	Travis Chellis

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Ellsworth Community School

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2024, on our consideration of the Districts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Schulze, Oswald, Miller & Edwards PC

Schulze, Oswald, Miller & Edwards PC
Alpena, Michigan
September 3, 2024

Ellsworth Community School (the "District"), a K-12 school district located in Ellsworth, Michigan.

FINANCIAL HIGHLIGHTS

Below is a table showing the fund balances for the past ten years.

General Fund

Date	Fund Balance	Change
June 30, 2015	771,454	244,444
June 30, 2016	963,322	191,868
June 30, 2017	1,230,724	267,402
June 30, 2018	1,307,032	76,308
June 30, 2019	1,409,492	102,460
June 30, 2020	1,558,782	149,290
June 30, 2021	1,734,636	175,854
June 30, 2022	1,638,500	(96,136)
June 30, 2023	1,812,950	174,450
June 30, 2024	$ 1,726,620	$ (86,330)

In 2023-24 the total general fund revenues were approximately $4.199 million dollars with expenditures of approximately $4.231 million dollars. In 2022-23 the total general fund revenues exceeded $4.169 million dollars with expenditures approximately $3.995 million dollars. General fund revenues increased from the 2022-23 school year due to an increase in revenues from local sources. General fund expenditures increased compared to the previous year due to an increase in spending on instruction and supporting services with the additional state funds received. The State Legislature also allocated additional funds to school districts to put more funds into the school employee pension plan to address the underfunded balance of the retirement fund which also increased expenses and revenues.

The food service fund finished the fiscal year with a decrease in fund balance of approximately $5,464 largely due to a decrease in federal revenues to reimburse the District for the seamless summer option meals provided to community students for the entire fiscal year. Food service finished the year with a fund balance of $2,759.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and the required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.

- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the District-wide statements.

- The *governmental funds* statements tell how *basic* services like general education and supporting services were financed in the *short-term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year as well as required schedules related to the net pension Liability and net OPEB asset. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1
Organization of Ellsworth Community School
Annual Financial Report

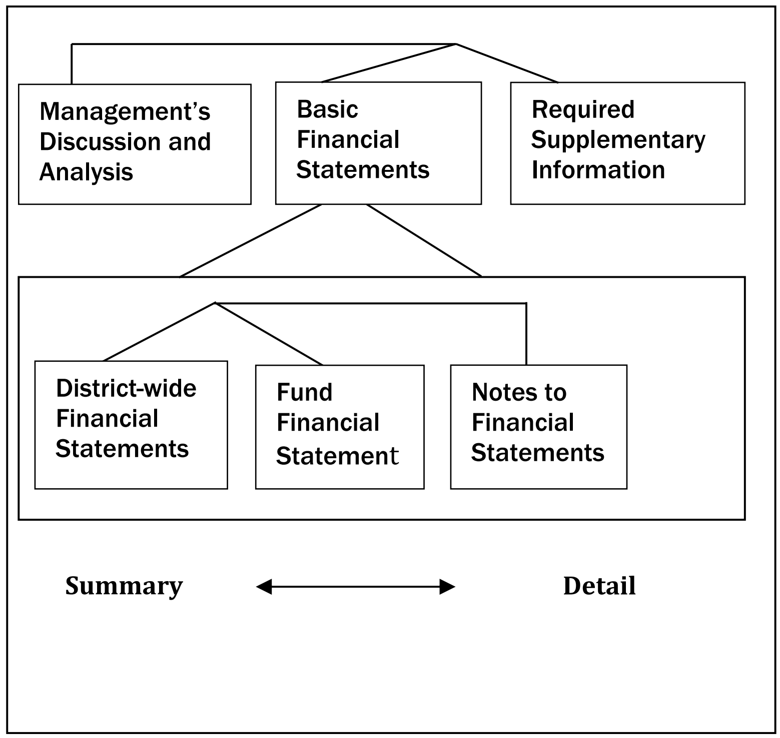

Figure A-2
Major Features of District-wide and Fund Financial Statements

Category	District-wide Statements	Fund Financial Statements Governmental Funds
Scope	* Entire District	* The activities of the District that are not proprietary or fiduciary, such as general education and building maintenance.
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances
Accounting basis and measurement focus	* Accrual accounting and economic resources focus	* Modified accrual accounting and current financial resources focus
Type of asset/ liability information	* All assets and liabilities, both financial and capital, short-term and long-term	* Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/ outflow information	* All revenues and expenses during year, regardless of when cash is received or paid	* Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE FINANCIAL STATEMENTS

All of the District's assets, deferred outflows of resources, deferred inflows of resources, liabilities, and classifications of net position are reported in the District-wide financial statements and are on a full accrual basis that is similar to those used by private-sector companies. For example, capital assets and long-term obligations of the District are reported in the statement of net position of the District-wide financial statements. The difference between the District's assets, deferred outflows of resources, deferred inflows of resources and liabilities (net position) are one way to measure the District's financial position. However, you need to consider other non-financial factors such as changes in the District's property tax base and the condition and age of the school buildings and other facilities.

The current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. Most of the District's basic services are included here, such as regular education, maintenance, transportation, and administration. These activities are financed through the state foundation grant, property taxes, and various federal and state programs.

The District's combined net position at the beginning of the fiscal year was ($1,076,091) and on June 30, 2024, it is ($839,643) which represents an increase of $236,448 as recorded in the statement of activities.

FUND FINANCIAL STATEMENTS

The fund financial statements are reported on a modified accrual basis and consist of governmental funds. Governmental funds include most of the District's basic services which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending on future District programs. Some of these funds are established by State law and by bond restrictions while others can be established for the District to control and manage money for a particular purpose such as food service, community recreation, and student/school activities.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position - The District's combined net deficit increased as of June 30, 2024.

Table A-3
Ellsworth Community Schools' Net Position

	2023	2024
Current assets	$ 2,518,548	$ 2,613,413
Net other postemployment benefits asset	-	76,854
Capital assets	3,981,666	3,846,830
Total assets	6,500,214	6,537,097
Deferred outflows of resources	2,420,066	1,801,364
Long-term debt outstanding	2,570,452	2,474,862
Net pension liability	5,738,226	4,709,590
Net other postemployment benefits liability	329,550	-
Other liabilities	551,152	605,074
Total liabilities	9,189,380	7,789,526
Deferred inflows of resources	806,990	1,388,578
Net position		
Net investment in capital assets	1,447,993	1,411,201
Restricted for debt service	58,850	62,519
Restricted for special revenue (food service)	8,223	2,759
Restricted for capital projects (sinking fund)	86,915	67,733
Restricted for net other postemployment benefits	-	76,854
Unrestricted	(2,678,071)	(2,460,709)
Total net position	$ (1,076,090)	$ (839,643)

Table A-4

Changes in Ellsworth Community Schools' Net Position

	2023	2024
Revenues		
Program revenues		
Charges for services	$ 23,711	$ 3,089
Operating grants and contributions	43,659	21,727
General revenues		
Property taxes	1,220,373	1,310,100
Investment earnings	-	-
Local sources	129,418	149,007
State sources	2,195,963	2,222,984
Federal sources	379,834	320,970
Intermediate sources	678,178	730,917
Gain/(loss) on sale of capital assets	(13,449)	-
Other	-	-
Total revenues	4,657,687	4,758,794
Expenses		
Instruction	2,101,297	2,432,245
Support services	1,496,858	1,498,901
Community services	59,777	30,668
Student / school activities	7,938	13,890
Outgoing transfers and other	-	-
Food services	156,893	191,342
Interest on long-term debt	76,457	74,330
Depreciation Expense	293,727	280,970
Total expenses	4,192,947	4,522,346
Change in net position	$ 464,740	$ 236,448

STATE OF MICHIGAN UNRESTRICTED AID (State Foundation Grant)

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

a. The Michigan State Aid Act per student foundation allowance which was established under Proposal A has increased from $5,413 per student in 1995 to $9,608 per student in 2023-24. The per student State foundation allowance increased in the current year when compared to 2022-23 ($9,150).

Student Enrollment

Student enrollment has slightly declined, decreasing from 231 in 2022-23 to 216 in 2023-24. For the 2024-25 school year it is hopeful that enrollment will return to the number of students enrolled in 2022-23. For conservative budgeting purposes, the 2024-25 budget projects a decrease in enrollment of students.

GOVERNMENTAL FUNDS

Results of Operations

For the fiscal years ended June 30, 2024, and 2023 the total fund-level results of operations were:

	2023	2024
REVENUES		
Local sources	$ 1,417,161	$ 1,483,923
State sources	2,195,963	2,222,984
Federal sources	379,834	320,970
Intermediate sources	678,178	730,917
TOTAL REVENUES	$ 4,671,136	$ 4,758,794
EXPENDITURES		
Current		
Instruction	$ 2,379,000	$ 2,597,040
Supporting services	1,385,058	1,443,858
Food service activities	156,893	191,342
Student/school activities	92,478	13,890
Community service activities	59,777	30,668
Outgoing transfers and other	-	-
Capital outlay	461,578	146,134
Debt service	181,981	184,881
Other	10,607	110,588
TOTAL EXPENDITURES	$ 4,727,372	$ 4,718,401

The following summarizes the revenues and expenses by comparing fiscal year 2024 to 2023 as shown in the table on the previous page.

- State sources increased due to the increased foundation allowance.
- Federal sources decreased because a large portion of the Covid-19 funds have been used.
- Expenses slightly decreased from $4.727 million in 2023 to $4.718 million in the current year, a decrease of $9,000. While some expenditures have increased during the year, capital outlay had a greater decrease.

The Ellsworth Community School District voters approved the 18-mill renewal in May 2019. The State of Michigan allows each school district to levy 18 mills on Non-PRE property, formally known as non-homestead property, and the foundation grant is calculated after the 18 mills. The approval of this renewal resulted in over $1,223,527 in revenue for the District in fiscal year 2023-24.

Following is a table showing the past ten years of property taxes collected on Non-PRE property, formerly known non-homestead property.

Fiscal Year	Levy	Mills
2022 - 2023	$ 927,902	18.0000
2022 - 2023	870,693	17.7831
2021 - 2022	838,962	17.9428
2020 - 2021	883,162	18.0000
2019 - 2020	883,857	18.0000
2018 - 2019	900,313	18.0000
2017 - 2018	878,743	18.0000
2016 - 2017	808,968	18.0000
2015 - 2016	793,356	18.0000
2014 - 2015	784,571	18.0000

GENERAL FUND AND BUDGET HIGHLIGHTS

Original vs. Final Budget

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The original 2023-24 budget was approved in June 2023.

The 2023-24 budget was amended throughout the fiscal year, with the final revision approved in June 2024. The final budget revision anticipated higher revenues and higher expenses than was expected in June 2023 when the original budget was approved. The increase in budgeted revenues and expenditures was due to significantly more favorable funding received during the current year than was originally anticipated at the time that the original budget was approved in June of 2023.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2024, the District had invested $3.89 million in a broad range of capital assets.

Table A-5
Ellsworth Community Schools' Capital Assets

	2024			2023
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	$ 3,550	$ -	$ 3,550	$ 3,550
Buildings & improvements	6,726,882	3,322,985	3,403,897	3,577,129
Buses	369,436	220,001	149,435	183,596
Furniture & equipment	538,939	248,991	289,948	217,391
Total	$ 7,638,807	$ 3,791,977	$ 3,846,830	$ 3,981,666

LONG-TERM OBLIGATIONS

The District issues general obligation bonds to provide funds for the acquisition, construction, and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. The District also paid in full a bus bond during the fiscal year. See Note 5 for more information.

Table A-6
Ellsworth Community School
Outstanding Long-Term Obligations

	2023	2024
General obligation bonds - net	$ 2,534,302	$ 2,424,931
Compensated absences	36,150	49,931
	$ 2,570,452	$ 2,474,862

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future:

- As student count is the driving force behind the District's revenue streams, the District continues to be concerned with enrollment, as any loss in students will have a direct impact on the District's revenue. In June 2024, the legislators passed the school aid budget for the 2024-2025 school year, with no increase of per pupil foundation allowance, remaining at $9,608 per student.

- Continued Regional Enhancement Millage Funds will be used to provide PK-12 Principal, curriculum K-12, school security and offsetting athletic participant fees.

- The district worked with the Education Association to approve the bargaining agreement providing overall salary increases to the salary schedule of 6% 2024-2025; 6% 2025-2026.

- The district will use the remainder of the COVID-19 Relief funds during the beginning of 2024-2025, wrapping up a four-year funding offset for custodial, special education and communities in school support. After this coming fiscal year, the district will begin fully funding these costs from general fund dollars.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the revenues it receives. If you have any questions about this report or need any additional information, please contact Ellsworth Community School, Superintendent's Office 9467 Park Street, Ellsworth, MI 49729.

ELLSWORTH COMMUNITY SCHOOL
ELLSWORTH, MICHIGAN
DISTRICT WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
JUNE 30, 2024

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and investments	$ 2,195,447
Accounts receivable	-
Due from other governmental units	412,311
Inventory	1,927
Prepaid expenses	3,728
Net other postemployment benefits asset	76,854
Capital assets, net of accumulated depreciation / amortization	3,846,830
TOTAL ASSETS	6,537,097
DEFERRED OUTFLOW OF RESOURCES	
Related to pensions	1,450,902
Related to other postemployment benefits	350,462
TOTAL DEFERRED OUTFLOW OF RESOURCES	1,801,364
LIABILITIES	
Accounts payable	6,187
Accrued salaries and withholdings	366,422
Unearned revenue	214,420
Accrued interest	18,045
Noncurrent liabilities	
Due within one year	115,000
Due in more than one year	2,359,862
Net pension liability	4,709,590
TOTAL LIABILITIES	7,789,526
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	678,949
Related to other postemployment benefits	709,629
TOTAL DEFERRED INFLOW OF RESOURCES	1,388,578
NET POSITION	
Net invested in capital assets	1,411,201
Restricted for debt service	62,519
Restricted for capital projects	67,733
Restricted for food service	2,759
Restricted for net other postemployment benefit	76,854
Unrestricted	(2,460,709)
TOTAL NET POSITION	$ (839,643)

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

ELLSWORTH COMMUNITY SCHOOL
ELLSWORTH, MICHIGAN
DISTRICT WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES: NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION
Governmental Activities				
Instruction	$ 2,432,245	$ -	$ 21,727	$ (2,410,518)
Support services	1,498,901	3,089	-	(1,495,812)
Community services	30,668	-	-	(30,668)
Food services	191,342	-	-	(191,342)
Student/school activities	13,890	-	-	(13,890)
Interest on long term debt	74,330	-	-	(74,330)
Depreciation expense (unallocated)	280,970	-	-	(280,970)
Total Governmental Activities	$ 4,522,346	$ 3,089	$ 21,727	(4,497,530)
General Revenues				
Property taxes, levied for general purposes				945,968
Property taxes, levied for debt service				193,408
Property taxes, levied for capital projects				170,724
Local sources				149,007
State sources				2,222,984
Federal sources				320,970
Intermediate sources				730,917
Other				-
Total General Revenues				4,733,978
Change in Net Position				236,448
Net position - Beginning of Year				(1,076,091)
Net position - End of Year				$ (839,643)

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

ELLSWORTH COMMUNITY SCHOOL
ELLSWORTH, MICHIGAN
FUND FINANCIAL STATEMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2024

	GENERAL FUND	TOTAL NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and investments	$ 1,889,447	$ 306,000	$ 2,195,447
Accounts receivable	-	-	-
Due from other government units	410,860	1,451	412,311
Due from other funds	7,600	-	7,600
Inventory	-	1,927	1,927
Prepaid Expenses	3,728	-	3,728
TOTAL ASSETS	$ 2,311,635	$ 309,378	$ 2,621,013
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	$ 4,173	$ 2,014	$ 6,187
Accrued salaries and withholdings	366,422	-	366,422
Unearned revenue	214,420	-	214,420
Due to other funds	-	7,600	7,600
TOTAL LIABILITIES	585,015	9,614	594,629
FUND BALANCES:			
Nonspendable			
Inventories	-	1,927	1,927
Prepaids	3,728	-	3,728
Restricted for:			
Debt service	-	68,607	68,607
Food service	-	832	832
Public improvement	-	52,083	52,083
Capital projects	-	156,540	156,540
Committed for student/ school activities	-	19,775	19,775
Unassigned	1,722,892	-	1,722,892
TOTAL FUND BALANCES	1,726,620	299,764	2,026,384
TOTAL LIABILITIES AND FUND BALANCES	$ 2,311,635	$ 309,378	$ 2,621,013

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

ELLSWORTH COMMUNITY SCHOOL
ELLSWORTH, MICHIGAN
FUND FINANCIAL STATEMENTS
RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO DISTRICT-WIDE GOVERNMENT ACTIVITIES NET POSITION
JUNE 30, 2024

TOTAL GOVERNMENTAL FUND BALANCES		$	2,026,384
Amounts reported for governmental activities in the statement of net position are different because:			
Deferred outflows of resources - related to pensions			1,450,902
Deferred outflows of resources - related to other postemployment benefits			350,462
Deferred inflows of resources - related to pensions			(678,949)
Deferred inflows of resources - related to other postemployment benefits			(709,629)
Some assets are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.			
Noncurrent assets at year-end consist of:			
Net other postemployment benefits asset			76,854
Capital assets used in governmental activities are not financial resources and are not reported in the funds			
The cost of the capital assets is	7,638,808		
Accumulated depreciation/ amortization is	(3,791,978)		3,846,830
Long-term liabilities are not due and payable in the current period and are not reported in the funds			
General obligations bonds			(2,435,000)
Bond discount			10,069
Compensated absences			(49,931)
Accrued interest			(18,045)
Net pension liability			(4,709,590)
Net position of governmental activities		$	(839,643)

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

ELLSWORTH COMMUNITY SCHOOL
ELLSWORTH, MICHIGAN
FUND FINANCIAL STATEMENTS
COMBINED STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES)
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	GENERAL FUND	TOTAL NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:			
Local sources	$ 1,089,434	$ 394,489	$ 1,483,923
State sources	2,166,046	56,938	2,222,984
Federal sources	212,822	108,148	320,970
Intermediate school districts	730,917	-	730,917
TOTAL REVENUES	4,199,219	559,575	4,758,794
EXPENDITURES:			
Instruction	2,597,040	-	2,597,040
Supporting services	1,429,864	13,994	1,443,858
Food service activities	-	191,342	191,342
Athletics	94,924	-	94,924
Student/school activities	-	13,890	13,890
Community services	30,668	-	30,668
Capital outlay	63,275	82,859	146,134
Security services	15,664	-	15,664
Debt service	-	184,881	184,881
Other	-	-	-
TOTAL EXPENDITURES	4,231,435	486,966	4,718,401
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(32,216)	72,609	40,393
OTHER FINANCING SOURCES (USES):			
Transfers in	-	54,114	54,114
Transfers out	(54,114)	-	(54,114)
TOTAL OTHER FINANCING SOURCES (USES)	(54,114)	54,114	-
NET CHANGES IN FUND BALANCES	(86,330)	126,723	40,393
FUND BALANCES - Beginning of year	1,812,950	173,041	1,985,991
FUND BALANCES - End of year	$ 1,726,620	$ 299,764	$ 2,026,384

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

ELLSWORTH COMMUNITY SCHOOL
ELLSWORTH, MICHIGAN
FUND FINANCIAL STATEMENTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Net Change in Fund Balances - Total Governmental Funds	$ 40,393
Amounts reported for governmental activities in the statement of activities are different because:	
Government funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation/ amortization	
Depreciation/ amortization expense	(280,970)
Capital outlay	146,134
Gain (loss) on disposal of capital assets, net	-
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not reported in governmental funds until it is paid	
Accrued interest payable	551
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:	
Payments on bonded debt	110,000
Amortization of bond premium	(629)
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds	
Accrued compensated absences	(13,781)
Some revenues and expenses reported in the statement of activities do not require the use of current financial resources and , therefore, are not reported as expenditures in the governmental funds	
Pension related items	(5,869)
Other postemployment benefits related items	240,619
Change in Net Position of Governmental Activities	$ 236,448

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Description of Government-wide Financial Statements

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

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation - Fund Financial Statements

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

The District reports the following *major governmental fund*:

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

Other Nonmajor Funds

> Debt Fund - 2016 is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.
>
> The special revenue fund accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and student/school activities in the special revenue funds.
>
> The Public Improvement Fund was established during 2018 to provide funds for future bus purchases and large equipment repairs.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Capital Projects Sinking Fund accounts for the receipt of property taxes levied for sinking fund and subsequent expenditures of those funds. The fund has complied with the applicable provisions of section 1212 of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2023-1.

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

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

Measurement Focus and Basis of Accounting

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

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

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

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

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

All other revenue items are generally considered to be measurable and available only when cash is received by the District.

Budgetary Information

Budgetary Basis of Accounting

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

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

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

a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

b. Public hearings are conducted to obtain taxpayer comments.

c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. The budget was amended twice during the year. The final budget was approved prior to the June 30, 2024 year-end with more than originally expected revenues and appropriations due to previous uncertainty in state and federal funding when the original budget was adopted. Although the district does consider these amendments to be significant, they were deemed necessary due to considerable uncertainty at the time the original budget was adopted.

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

Cash and Cash Equivalents

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

Investments

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

a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services, and which matures not more than 270 days after the date of purchase.

d. The United States government or federal agency obligations repurchase agreements.

e. Bankers' acceptances of United States banks.

f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

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

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets

Capital assets, which include land, construction in progress, building and additions, land improvements, computer and office equipment, outdoor equipment, and transportation equipment are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Group purchases are evaluated on a case-by-case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Land and construction in progress, if any, are not depreciated. Right to use assets of the District are amortized using the straight-line method over the shorter of the lease/subscription period or the estimated useful lives. The other capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Classes	Lives
Building and Additions	20 - 50 years
Land Improvements	5 - 20 years
Computer and Office Equipment	5 - 10 years
Right to use - Subscription based IT	3 - 5 years
Outdoor Equipment	5 - 20 years
Transportation Equipment	10 years
Right to use - Leased Equipment	5 years

Defined Benefit Plans

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

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the District that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

In the general fund, the goal of the District shall be to maintain a minimum unassigned fund balance of no less than 15% of the preceding year's expenditures.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses

Program Revenues

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

Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is February 28, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2024, the District levied the following amounts per $1,000 of assessed valuation:

Fund	Mills
General Fund	
Non-Principal Residence Exemption (PRE)	18.0000
Commercial Personal Property (CPP)	6.0000
Debt Service Fund	
PRE, Industrial Personal Property, Non-PRE, CPP	1.6500
Capital Projects Sinking Fund	
PRE, Industrial Personal Property, Non-PRE, CPP	1.4565

Compensated Absences

The liability for compensated absences reported in the government-wide statements consist of unpaid, accumulated sick pay balances computed according to the terms of the negotiated contracts. Vacation days are required to be used annually by all employees except the Superintendent, who may accumulate 20 days' vacation.

Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources.

Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Events Occurring After Reporting Date

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2024 the District had deposits and investments subject to the following risks:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2024, $0 of the District's bank balance of $2,203,056 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was $2,195,447.

Custodial Credit Risk - Investments

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

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

Interest Rate Risk

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

Investment Type	Fair Value	Weighted Average Maturity (Years)
MILAF External Investment pool - MAX	$ 2,001,693	N/A
Total fair value	$ 2,001,693	
Portfolio weighted average maturity		N/A

One day maturity equals 0.0027, one year equals 1.00.

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk

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

Investment Type	Fair Value	Rating	Rating Agency
MILAF External Investment pool - CMC	$ -	AAAm	Standard & Poor's
MILAF External Investment pool - MAX	2,001,693	AAAm	Standard & Poor's
Federated Government Obligations	-	AAAm	Standard & Poor's
Total	$ 2,001,693		

Foreign Currency Risk

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

Fair Value Measurement

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

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

	Level 1	Level 2	Level 3	Balance at June 30, 2024
Investments by fair value level				
Federated Government Obligations	$ -	$ -	$ -	$ -

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

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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

	Amortized Cost
MILAF External Investment Pool - CMC	$ -
MILAF External Investment Pool - MAX	2,001,693
	$ 2,001,693

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1.

The following summarizes the categorization of these amounts as of June 30, 2024:

	Primary Government
Cash and cash equivalents	$ 203,521
Investments	1,991,926
	$ 2,195,447

NOTE 3 – INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2024 consist of the following:

	Government-wide
State Aid	$ 374,753
Federal Revenue	37,558
Other	-
	$ 412,311

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

NOTE 4 – CAPITAL ASSETS

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

	Balance July 1, 2023	Additions	Deletions	As restated Balance June 30, 2024
Assets not being depreciated				
Land	$ 3,550	$ -	$ -	$ 3,550
Construction in progress	-	-	-	-
Total assets not being depreciated	3,550	-	-	3,550
Capital assets being depreciated/amortized				
Building and improvements	6,681,339	45,543	-	6,726,882
Buses	369,436	-	-	369,436
Furniture and equipment	438,348	100,591	-	538,939
Subtotal	7,489,123	146,134	-	7,635,257
Accumulated depreciation/amortization				
Building and improvements	3,104,210	218,775	-	3,322,985
Buses	185,840	34,161	-	220,001
Furniture and equipment	220,957	28,034	-	248,991
Total accumulated depreciation/amortization	3,511,007	280,970	-	3,791,977
Net capital assets being depreciated/amortized	3,978,116	(134,836)	-	3,843,280
Net governmental capital assets	$ 3,981,666	$ (134,836)	$ -	$ 3,846,830

Depreciation for the fiscal year ended June 30, 2024 amounted to $280,969. The District does not allocate depreciation to the various activities as the District considers its assets to impact multiple activities and allocation is not practical.

NOTE 5 – LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the District for the year ended June 30, 2024:

	As Restated Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental Activities:				
General Obligation Bonds	$ 2,545,000	$ (110,000)	$ 2,435,000	$ 15,000
Compensated Absences	36,150	13,781	49,931	-
Bond Discount	(10,698)	629	(10,069)	-
Total Governmental Activities	$ 2,570,452	$ (95,590)	$ 2,474,862	$ 15,000

Long-term obligations at June 30, 2024 are comprised of the following issues:

General Obligations Bonds

General Obligations Bonds - $65,000 to $185,000 through May 1, 2040; interest rates ranging from 2.000% to 3.250%.	$ 2,435,000
Less Issuance Discount	10,069
Total General Obligation Bonds	2,445,069
Compensated Absences	49,931
Total General Long-Term Obligations	$ 2,495,000

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

The annual requirements to amortize long-term obligations outstanding, including interest of $76,481, exclusive of compensated absences payments as of June 30, 2024, are as follows:

Year Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	Direct borrowing & Direct Placement Principal	Direct borrowing & Direct Placement Interest	Total
2025	115,000	72,182	-	-	187,182
2026	120,000	69,881	-	-	189,881
2027	125,000	67,181	-	-	192,181
2028	130,000	64,056	-	-	194,056
2029	135,000	60,156	-	-	195,156
2030 - 2034	750,000	237,033			987,033
2035 - 2040	1,060,000	121,518	-	-	1,181,518
	2,435,000	692,007	-	-	3,127,007
Issuance discount	(10,069)	-	-	-	(10,069)
Compensated absences	49,931	-	-	-	49,931
	$ 2,474,862	$ 692,007	$ -	$ -	$ 3,166,869

Interest expense (all funds) for the year ended June 30, 2024 was approximately $74,381.

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2024 are as follows:

Receivable Fund		Payable Fund	
General fund	$ 7,600	Student Activities	$ 1,961
		Capital Projects	5,639
	$ 7,600		$ 7,600

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State 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. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www.michigan.gov/orsschools.

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

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

Benefits Provided - Overall

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

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

Benefits Provided - Pension

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

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2010

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

Pension Reform 2012

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

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

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

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

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

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

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

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

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

Pension Reform of 2017

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

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

Regular Retirement (no reduction factor for age)

Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through their 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

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

Member Contributions

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

Employer Contributions

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

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

Pension and OPEB contributions made in the fiscal year ending September 30, 2024 were determined as of the September 30, 2020 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2020 are amortized over a 16-year period beginning October 1, 2022 and ending September 30, 2038.

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

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

The District's pension contributions for the year ended June 30, 2024 were equal to the required contribution total. Total pension contributions were approximately $601,000. Of the total pension contributions approximately $588,000 was contributed to fund the Defined Benefit Plan and approximately $13,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2024 were equal to the required contribution total. Total OPEB contributions were approximately $140,000. Of the total OPEB contributions approximately $132,000 was contributed to fund the Defined Benefit Plan and approximately $8,000 was contributed to fund the Defined Contribution Plan.

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

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

Pension Liabilities

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

MPSERS (Plan) Non-university Employers	September 30, 2023	September 30, 2022
Total Pension Liability	$ 94,947,828,557	$ 95,876,795,620
Plan Fiduciary Net Position	$ 62,581,762,238	$ 58,268,076,344
Net Pension Liability	$ 32,366,066,319	$ 37,608,719,276
Proportionate Share	0.01455%	0.01526%
Net Pension Liability for the District	$ 4,709,590	$ 5,738,226

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

For the year ended June 30,2024 the District recognized pension expense of $594,323.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

At June 30, 2024, the Reporting Unit 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
Net difference between projected and actual pension plan investment earnings	$ -	$ 96,373
Differences between expected and actual experience	148,667	7,214
Changes in proportion and differences between employer contributions and proportionate share of contributions	111,876	207,407
Changes of assumptions	638,171	367,955
Reporting Unit's contributions subsequent to the measurement date	552,188	-
	$ 1,450,902	$ 678,949

$552,188, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ending	Amount
2024	$ 72,913
2025	59,963
2026	176,055
2027	$ (89,166)

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

OPEB Liabilities

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

MPSERS (Plan) Non-university Employers	September 30, 2023	September 30, 2022
Total other postemployment benefits liability	$ 11,223,648,949	$ 12,522,713,324
Plan fiduciary net position	$ 11,789,347,341	$ 10,404,650,683
Net other postemployment benefits liability	$ (565,698,392)	$ 2,118,062,641
Proportionate share	0.01359%	0.01556%
Net other postemployment benefits liability (asset) for the District	$ (76,854)	$ 329,550

For the year ended June 30, 2024, the District recognized OPEB benefit of $108,439.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual other postemployment benefits plan investment earnings	$ 234	$ -
Differences between expected and actual experience	-	580,749
Changes in proportion and differences between employer contributions and proportionate share of contributions	60,744	108,277
Changes of assumptions	171,091	20,603
Reporting Unit's contributions subsequent to the measurement date	118,393	-
	$ 350,462	$ 709,629

$118,393, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability (asset) in the subsequent fiscal year.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

Year Ending	Amount
2024	$ (145,432)
2025	(150,390)
2026	(53,357)
2027	(52,914)
2028	(49,258)
2029	(26,209)

Actuarial Assumptions

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

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

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

Inflation - 3.0%.

Mortality Assumptions:

Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 82% for males and 78% for females and adjusted for morality improvements using projection scale MP-2021 from 2010.

Active: RP-2014 Male and Female Employee Annuitant Mortality Tables scaled 100% and MP-202 adjusted for morality improvements using projection scale 2010.

Disabled Retirees: RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

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

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

Healthcare Cost Trend Rate for Other Postemployment Benefit – Pre 65, 7.50% for year one and graded to 3.5% in year fifteen. Post 65, 6.25% for year one and graded to 3.5% in year fifteen.

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

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

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

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

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

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

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

Rate of Return - For fiscal year ended September 30, 2023, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 8.29% and 7.94%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

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

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	$ 6,362,642	$ 4,709,590	$ 3,333,364

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

	Other Postemployment Benefits		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	$ 79,675	$ (76,854)	$ (211,375)

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

	Other Postemployment Benefits		
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	$ (211,711)	$ (76,854)	$ 69,105

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2023 Comprehensive Annual Financial Report.

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

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of $500,000 for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance.

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

NOTE 9 - TRANSFERS

For the fiscal year ended June 30, 2024, there were no transfers in & out of funds.

NOTE 10 - CONTINGENT LIABILITIES

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

The District is a reimbursing employer to the State of Michigan Unemployment Agency and as such is responsible to pay the Agency for all benefits paid and charged to the District. As of June 30, 2024, all known liabilities for claims paid by the Agency are recorded as accounts payable.

NOTE 11 - COMMITMENTS

The District has no active capital projects outstanding at June 30, 2024.

NOTE 12 - TAX ABATEMENTS

The District is required to disclose significant tax abatements as required by GASB Statement No. 77 (*Tax Abatements*).

The District received reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages, and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly.

The property taxes abated for all funds by municipality under these programs are as follows:

Municipality	Taxes Abated
Banks Township	$ 567

The taxes abated for the General Fund operating millage is considered by the State of Michigan when determining the District's section 22 funding of the State School Aid Act.

ELLSWORTH COMMUNITY SCHOOL
ELLSWORTH, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

	BUDGETED AMOUNTS 2024 ORIGINAL	BUDGETED AMOUNTS 2024 FINAL	ACTUAL AMOUNTS BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET
REVENUES				
Local sources	$ 985,328	$ 1,100,012	$ 1,089,434	$ (10,578)
State sources	2,060,556	2,165,129	2,166,046	917
Federal sources	205,558	221,389	212,822	(8,567)
Intermediate school districts	699,822	743,957	730,917	(13,040)
TOTAL REVENUES	3,951,264	4,230,487	4,199,219	(31,268)
EXPENDITURES				
Current:				
Instruction:				
Basic programs	1,837,442	1,828,237	1,807,335	20,902
Added needs	442,786	601,272	581,870	19,402
Career and technical education	173,112	213,933	207,835	6,098
Total instruction	2,453,340	2,643,442	2,597,040	46,402
Supporting services:				
Pupil support services	204,724	214,169	208,860	5,309
Improvement of instruction	65,256	50,538	37,285	13,253
Board of education	29,100	39,093	34,072	5,021
School administration	470,999	453,155	445,071	8,084
Business services	56,813	71,413	70,975	438
Operation & maintenance	351,339	367,777	349,443	18,334
Pupil transportation	170,609	207,180	198,663	8,517
Other central services	105,077	89,599	85,495	4,104
Athletics	90,281	99,354	94,924	4,430
Security services	7,500	16,000	15,664	336
Total supporting services	1,551,698	1,608,278	1,540,452	67,826
Community services	31,590	30,880	30,668	212
Capital outlay	-	63,276	63,275	1
Debt Service				
Principal repayment	-	-	-	-
Interest	-	-	-	-
Total debt service	-	-	-	-
TOTAL EXPENDITURES	4,036,628	4,345,876	4,231,435	114,441
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(85,364)	(115,389)	(32,216)	83,173
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(38,500)	(56,436)	(54,114)	2,322
TOTAL OTHER FINANCING SOURCES (USES)	(38,500)	(56,436)	(54,114)	2,322
NET CHANGE IN FUND BALANCE	$ (123,864)	$ (171,825)	$ (86,330)	$ 85,495
FUND BALANCE				
Beginning of year	$ 1,812,950	$ 1,812,950	$ 1,812,950	$ -
End of year	$ 1,689,086	$ 1,641,125	$ 1,726,620	$ 85,495

ELLSWORTH COMMUNITY SCHOOL
ELLSWORTH, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Reporting unit's proportion of net pension liability (%)	0.01455%	0.01526%	0.01460%	0.01494%	0.01508%	0.01346%	0.01255%	0.01242%	0.01194%	0.01183%
Reporting unit's proportionate share of net pension liability	$ 4,709,590	$ 5,738,226	$ 3,456,144	$ 5,133,004	$ 4,995,463	$ 4,047,720	$ 3,251,083	$ 3,098,456	$ 2,917,626	$ 2,606,500
Reporting unit's covered-employee payroll	$ 1,351,392	$ 1,497,070	$ 1,318,111	$ 1,283,153	$ 1,376,004	$ 1,228,706	$ 1,047,384	$ 1,065,528	$ 877,228	$ 851,437
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	348.50%	383.30%	262.20%	400.03%	363.04%	329.43%	310.40%	290.79%	332.60%	306.13%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	65.91%	60.77%	72.60%	59.49%	60.31%	62.36%	64.21%	63.27%	63.17%	66.15%

SEE NOTES TO THE FINANCIAL STATEMENTS.

ELLSWORTH COMMUNITY SCHOOL
ELLSWORTH, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 REPORTING UNIT FISCAL YEARS (AMOUNTS DETERMINED OF AS 6/30 OF EACH YEAR)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutory required pension contributions	$ 588,454	$ 680,163	$ 346,319	$ 293,692	$ 400,724	$ 366,646	$ 210,278	$ 184,327	$ 195,308	$ 214,141
Pension contributions in relation to statutorily required contributions	(588,454)	(680,163)	(346,319)	(293,692)	(400,724)	(366,646)	(210,278)	(184,327)	(195,308)	(214,141)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Reporting unit's covered-employee payroll (pension)	$ 1,510,949	$ 1,423,715	$ 1,447,911	$ 1,276,610	$ 1,290,254	$ 1,374,994	$ 1,185,775	$ 1,033,421	$ 998,538	$ 836,587
Pension contribution as a percentage of covered-employee payroll	38.95%	47.77%	23.92%	23.01%	31.06%	26.67%	17.73%	17.84%	19.56%	25.60%

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

ELLSWORTH COMMUNITY SCHOOL
ELLSWORTH, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)

	2023	2022	2021	2020	2019	2018	2017
Reporting unit's proportion of net other postemployment benefits liability (%)	0.13590%	0.01556%	0.01458%	0.01443%	0.01568%	0.01439%	0.01252%
Reporting unit's proportionate share of net other post employment benefits liability	$ (76,854)	$ 329,550	$ 222,590	$ 773,125	$ 1,125,489	$ 1,143,555	$ 1,108,968
Reporting unit's covered-employee payroll	$ 1,351,392	$ 1,497,070	$ 1,318,111	$ 1,283,153	$ 1,376,004	$ 1,228,706	$ 1,047,384
Reporting unit's proportionate share of net other postemployment benefits liability as a percentage of its covered-employee payroll	-5.69%	22.01%	16.89%	60.25%	81.79%	93.07%	105.88%
Plan fiduciary net position as a percentage of total other other postemployment benefits liability (Non-university employers)	105.04%	83.09%	87.33%	59.76%	48.46%	42.95%	36.39%

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

ELLSWORTH COMMUNITY SCHOOL
ELLSWORTH, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 REPORTING UNIT FISCAL YEARS (AMOUNTS DETERMINED OF AS 6/30 OF EACH YEAR)

	2024	2023	2022	2021	2020	2019	2018
Statutory required other postemployment benefits contributions	$ 132,180	$ 115,244	$ 51,614	$ 57,122	$ 107,662	$ 93,381	$ 85,379
Other postemployment benefits contributions in relation to statutorily required contributions	(132,180)	(115,244)	(51,614)	(57,122)	(107,662)	(93,381)	(85,379)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Reporting unit's covered-employee payroll (OPEB)	$ 1,510,949	$ 1,423,705	$ 1,447,911	$ 1,276,610	$ 1,290,254	$ 1,374,994	$ 1,185,775
Other post employment benefit contributions as a percentage of covered-employee payroll	8.75%	8.09%	3.56%	4.47%	8.34%	6.79%	7.20%

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

NOTE 1 - PENSION INFORMATION

Benefit Changes - there were no changes of benefit terms in 2023.

Changes of Assumptions - the assumption changes for 2023 were:

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

NOTE 2 - OPEB INFORMATION

Benefit Changes - there were no changes of benefit terms in 2023.

Changes of Assumptions - the assumption changes for 2023 were:

* Healthcare cost trend rate
  * Pre 65 decreased to 7.50% for year one graded to 3.5% for year fifteen from 7.75% for year one graded to 3.50% for year fifteen.
  * Post 65 increased to 6.25% for year one and graded to 3.5% for year fifteen from 5.25% for year one and graded to 3.5% for year fifteen.

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

ELLSWORTH COMMUNITY SCHOOL
ELLSWORTH, MICHIGAN
OTHER SUPPLEMENTARY INFORMATION
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2024

	SPECIAL REVENUE		DEBT SERVICE	CAPITAL PROJECTS		NONMAJOR GOVERNMENTAL FUNDS
	FOOD SERVICE	STUDENT ACTIVITIES	2016 DEBT SERVICE	PUBLIC IMPROVEMENT	2014 CAPITAL PROJECTS	TOTAL
ASSETS						
Cash and investments	$ 1,395	$ 21,736	$ 68,607	$ 52,083	$ 162,179	$ 306,000
Due from other governments	1,451	-	-	-	-	1,451
Inventory	1,927	-	-	-	-	1,927
TOTAL ASSETS	$ 4,773	$ 21,736	$ 68,607	$ 52,083	$ 162,179	$ 309,378
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 2,014	$ -	$ -	$ -	$ -	$ 2,014
Due to other funds	-	1,961	-	-	5,639	7,600
TOTAL LIABILITIES	2,014	1,961	-	-	5,639	9,614
Fund Balances:						
Nonspendable						
Inventories	1,927	-	-	-	-	1,927
Restricted	832	-	68,607	52,083	156,540	278,062
Committed	-	19,775	-	-	-	19,775
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCE	2,759	19,775	68,607	52,083	156,540	299,764
TOTAL LIABILITIES AND FUND BALANCES	$ 4,773	$ 21,736	$ 68,607	$ 52,083	$ 162,179	$ 309,378

ELLSWORTH COMMUNITY SCHOOL
ELLSWORTH, MICHIGAN
OTHER SUPPLEMENTARY INFORMATION
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING USES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2024

	SPECIAL REVENUE		DEBT SERVICE	CAPITAL PROJECTS		NONMAJOR GOVERNMENTAL FUNDS
	FOOD SERVICE	STUDENT ACTIVITIES	2016 DEBT SERVICE	PUBLIC IMPROVEMENT	2014 CAPITAL PROJECTS	TOTAL
REVENUES						
Local sources	$ 5,272	$ 14,612	$ 194,638	$ 764	$ 179,203	$ 394,489
State sources	56,344	-	-	-	594	56,938
Federal sources	108,148	-	-	-	-	108,148
TOTAL REVENUES	169,764	14,612	194,638	764	179,797	559,575
EXPENDITURES:						
Pupil support services	191,342	-	-	-	-	191,342
Other central services	-	-	-	-	13,994	13,994
Capital outlay	-	-	-	-	82,859	82,859
Debt service	-	-	184,881	-	-	184,881
Student/school activities	-	13,890	-	-	-	13,890
TOTAL EXPENDITURES	191,342	13,890	184,881	-	96,853	486,966
EXCESS (DEFICIENCY) OF REVENUES						-
OVER (UNDER) EXPENDITURES	(21,578)	722	9,757	764	82,944	72,609
OTHER FINANCING USES						
Transfers in	16,114	-	-	38,000	-	54,114
Transfers out	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(5,464)	722	9,757	38,764	82,944	126,723
FUND BALANCE						-
Beginning of year	8,223	19,053	58,850	13,319	73,596	173,041
End of Year	$ 2,759	$ 19,775	$ 68,607	$ 52,083	$ 156,540	$ 299,764

ELLSWORTH COMMUNITY SCHOOL
ELLSWORTH, MICHIGAN
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF OUTSTANDING BONDED INDEBTEDNESS
FOR THE YEAR ENDED JUNE 30, 2024

DATE OF ISSUE - March 3, 2016

Original amount of issue - $ 3,000,000

Purpose of issue - Erecting additions to, partially remodeling, installing security measures for, furnishing and refurnishing and equipping and re-equipping school buildings; acquiring and installing instructional technology and instructional technology equipment for school buildings; and developing and improving parking areas and sites.

Early redemption -

The Bonds or portions of the Bonds in multiples of $5,000 maturing on or after May 1, 2027, are subject to redemption at the option of the Schools District in such order as the School District may determine and by lot within any maturity, on any date occurring on or after May 1, 2026, at par plus accrued interest to the date fixed for redemption.

Interest Rate	Fiscal Year	Semi-Annual Interest Payments November 1	Semi-Annual Interest Payments May 1	Annual Maturity May 1	Total Fiscal Year Requirements
2.000%	2024-25	36,091	36,091	115,000	187,182
2.250%	2025-26	34,941	34,940	120,000	189,881
2.500%	2026-27	33,590	33,591	125,000	192,181
3.000%	2027-28	32,028	32,028	130,000	194,056
3.000%	2028-29	30,078	30,078	135,000	195,156
3.000%	2029-30	28,053	28,053	140,000	196,106
3.000%	2030-31	25,953	25,953	145,000	196,906
3.000%	2031-32	23,779	23,778	150,000	197,557
3.000%	2032-33	21,528	21,529	155,000	198,057
3.000%	2033-34	19,204	19,203	160,000	198,407
3.000%	2034-35	16,803	16,803	165,000	198,606
3.125%	2035-36	14,328	14,328	170,000	198,656
3.125%	2036-37	11,672	11,672	175,000	198,344
3.250%	2037-38	8,937	8,938	180,000	197,875
3.250%	2038-39	6,013	6,012	185,000	197,025
3.250%	2039-40	3,006	3,006	185,000	191,012
		$ 346,004	$ 346,003	$ 2,435,000	$ 3,127,007

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024

There were no audit findings required to be reported on this schedule for the previous year.

Schulze Oswald Miller & Edwards PC

120 N. Ripley Street • Alpena, MI 49707
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS

To the Board of Education
Ellsworth 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, the major fund, and the aggregate remaining fund information of *Ellsworth Community School* as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise *Ellsworth Community School's* basic financial statements, and have issued our report thereon dated September 3, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered *Ellsworth Community School's* internal control over financial reporting (internal control) to determine the 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 *Ellsworth Community School's* internal control. Accordingly, we do not express an opinion on the effectiveness of *Ellsworth Community School's* internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Ellsworth Community School'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Schulze, Oswald, Miller & Edwards PC

Schulze, Oswald, Miller & Edwards PC
Alpena, Michigan
September 3, 2024

Schulze Oswald Miller & Edwards PC

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September 3, 2024

To the Board of Education
Ellsworth Community School

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Ellsworth Community School for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 31, 2024. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Findings</u>

1. Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by *Ellsworth Community School* are described in Note 1 to the financial statements. During 2024, the District implemented Governmental Accounting Standard Board No. 100, Accounting Changes and Error Corrections. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

> Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability. We evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit liability in determining that they are reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate in calculating the liability for employee compensated absences. We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's determination of the estimated life span of the capital assets. We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

The disclosures in the financial statements are neutral, consistent, and clear.

2. Difficulties Encountered in Performing the Audit

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

3. Corrected and Uncorrected Misstatements

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

4. Disagreements with Management

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

5. Management Representations

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

6. Management Consultations with Other Independent Accountants

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

7. Other Audit Findings or Issues

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

8. Other Matters

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

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

9. *Upcoming Accounting Pronouncements*

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

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

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

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

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

10. Restrictions on Use

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

Very truly yours,

Schulze, Oswald, Miller & Edwards PC

Schulze, Oswald, Miller, & Edwards PC
Alpena, Michigan