

MCBAIN RURAL AGRICULTURAL SCHOOL

MCBAIN, MICHIGAN

JUNE 30, 2024

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
McBain Rural Agricultural School
McBain, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McBain Rural Agricultural School 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 McBain Rural Agricultural School, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about McBain Rural Agricultural School'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 judgement 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 judgement 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 McBain Rural Agricultural School'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about McBain Rural Agricultural School'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 required supplementary information, as identified in the table of contents, on pages 4-12 and 50-55 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 McBain Rural Agricultural School's basic financial statements. The accompanying combining nonmajor and individual fund financial statements and schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for*

Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor and individual fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2024, on our consideration of McBain Rural Agricultural School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of McBain Rural Agricultural School'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 McBain Rural Agricultural School's internal control over financial reporting and compliance.

The logo for UHY LLP, featuring the letters "UHY" in a large, stylized, cursive font, with "LLP" in a smaller, sans-serif font to the right.

Cadillac, Michigan
August 31, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

This section of McBain Rural Agricultural School's ("the District") annual report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2024. Please read it in conjunction with the District's financial statements, which immediately follow this section.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements consist of the following three components: the government-wide financial statements, fund financial statements, and the notes to basic financial statements.

Financial Highlights Section

Government-Wide

- The assets and deferred outflows of resources exceeded the liabilities and deferred inflows of the District at the close of the most recent fiscal year by \$252,604.
- The District's total net position increased by \$3,237,916.

Fund Level

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$6,230,873, an increase of \$2,480,290 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,997,464.

Overview of the Financial Statements

Government-Wide Financial Statements

The government-wide statements provide short-term and long-term financial information about the District's overall financial status. These statements are required by generally accepted accounting principles (GAAP) as described in the Government Accounting Standards Board (GASB) Statement No. 34. The district-wide financial statements are compiled using full accrual basis of accounting and more closely represent financial statements presented by business and industry. The Statement of Net Position includes all of the District's assets and liabilities. All of the year's revenue and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

Over time, increases and decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.

To assess the overall health of the District requires consideration of additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

In the government-wide financial statements, the District's activities are all shown in one category titled "Governmental Activities". These activities, including instruction, supporting services, food service activities, athletic activities, library, community services, interest, and other transactions, are primarily financed with state and federal aids and property taxes.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, rather than the District as a whole. Funds that do not meet the threshold to be classified as major funds are called "non-major" funds. Detailed financial information for non-major funds can be found in the combining and individual fund statements section.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District may establish other funds to control and manage money for particular purposes.

All of the funds of the District are governmental funds.

Governmental Funds – The District's basic services are included in governmental funds, which generally focus on 1) how cash and other financial assets that can be readily converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in both the government-wide and the fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

MCBAIN RURAL AGRICULTURAL SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

Summary of Net Position

The following schedule summarizes the net position at fiscal years ended June 30.

| | Governmental Activities | |
|--|--------------------------------|----------------------|
| | 2024 | 2023 |
| Assets and Deferred Outflows of Resources | | |
| Assets | | |
| Current Assets | \$ 8,409,586 | \$ 6,116,024 |
| Other Non Current Assets | 345,768 | 0 |
| Capital Assets, Net of Depreciation | 14,083,340 | 12,991,423 |
| Total Assets | 22,838,694 | 19,107,447 |
| Deferred Outflows of Resources | | |
| Deferred Outflows of Resources Related to Pensions & OPEB | 7,170,375 | 7,861,396 |
| Total Assets and Deferred Outflows of Resources | <u>\$ 30,009,069</u> | <u>\$ 26,968,843</u> |
| Liabilities, Deferred Inflows of Resources, and Net Position | | |
| Liabilities | | |
| Current Liabilities | \$ 2,429,088 | \$ 2,365,441 |
| Non Current Liabilities | 21,208,430 | 23,624,919 |
| Total Liabilities | 23,637,518 | 25,990,360 |
| Deferred Inflows of Resources | | |
| Deferred Inflows Related to Pensions & OPEB | 6,118,947 | 3,963,795 |
| Net Position | | |
| Net Investment in Capital Assets | 13,329,203 | 12,999,527 |
| Restricted for Specific Purposes | 1,148,355 | 81,868 |
| Unrestricted (Deficit) | (14,224,954) | (16,066,707) |
| Total Net Position (Deficit) | 252,604 | (2,985,312) |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 30,009,069</u> | <u>\$ 26,968,843</u> |

Analysis of Financial Position

During the fiscal year ended June 30, 2024, the District's net position increased by \$3,237,916. A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2024, \$652,681 was recorded for depreciation expense.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2024, \$1,744,598 of expenditures were capitalized and recorded as assets of the District. Additions to the District's capital assets are depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is an increase to capital assets in the amount of \$1,091,917 for the fiscal year ended June 30, 2024.

3. Pension and other Postemployment Benefits Expense

GASB 68 and 75 now requires the District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the District's change in net position. Based on various factors, the District may report an increase or decrease in net position depending on whether the District's proportionate share of the net pension liability and net OPEB liability (asset) increases or decreases in any given year. For the year ended June 30, 2024, the District reported an increase of \$1,653,222 in net position related to GASB 68 and 75, which indicates that the District's proportionate share of the net pension liability and net other postemployment benefits liability (asset) has decreased by that amount.

Change in Net Position

The following schedule summarizes the results of operations, on a district-wide basis, for the fiscal year ended June 30.

| | 2024 | 2023 |
|-------------------------|--------------|--------------|
| General Revenues | | |
| Property Taxes | \$ 2,987,027 | \$ 1,657,489 |
| Investment Earnings | 160,655 | 83,394 |
| State Sources | 8,712,410 | 7,953,224 |
| Other | 113,166 | 133,947 |
| Total General Revenues | 11,973,258 | 9,828,054 |
| Program Revenues | | |
| Charges for Services | 480,757 | 532,027 |
| Operating Grants | 5,128,405 | 5,240,736 |
| Capital Grants | 205,542 | 116,788 |
| Total Program Revenues | 5,814,704 | 5,889,551 |
| Total Revenues | 17,787,962 | 15,717,605 |

MCBAIN RURAL AGRICULTURAL SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

| | <u>2024</u> | <u>2023</u> |
|---|---------------------|-------------------|
| Expenses | | |
| Instruction | 7,522,554 | 8,511,029 |
| Supporting Services | 5,275,354 | 5,487,865 |
| Food Services | 886,559 | 578,468 |
| Public Library | 14,161 | 14,618 |
| Community Services | 9,546 | 17,469 |
| Facilities Acquisition, Construction and Improvements | 125,537 | 10,003 |
| Interest and Fees on Long Term Debt | 63,654 | 700 |
| Unallocated Depreciation | 652,681 | 605,155 |
| Total Expenses | <u>14,550,046</u> | <u>15,225,307</u> |
| Change in Net Position | <u>\$ 3,237,916</u> | <u>\$ 492,298</u> |

Financial Analysis of the District's Funds

The financial performance of the District as a whole is also reflected in its governmental funds. The following table shows the change in total fund balances of each of the District's governmental funds:

| | <u>2024</u> | <u>2023</u> | <u>Increase (Decrease)</u> |
|--|---------------------|---------------------|--------------------------------|
| Major Funds | | | |
| General Fund | \$ 3,021,225 | \$ 2,528,012 | \$ 493,213 |
| 2023 Capital Project Fund | 1,216,705 | 0 | 1,216,705 |
| Sinking Fund | 653,244 | 0 | 653,244 |
| Capital Project Fund | 621,316 | 589,868 | 31,448 |
| Early Learning Center Capital Project Fund | 0 | 8,104 | (8,104) |
| Food Service Fund | 405,481 | 384,724 | 20,757 |
| Nonmajor Funds | | | |
| Student Activities Fund | 148,184 | 158,007 | (9,823) |
| School Operated Public Library Fund | 94,461 | 81,868 | 12,593 |
| 2023 Debt Retirement Fund | <u>70,257</u> | <u>0</u> | <u>70,257</u> |
| Total Governmental Funds | <u>\$ 6,230,873</u> | <u>\$ 3,750,583</u> | <u>\$ 2,480,290</u> |

The General Fund balance increased primarily due to increases in taxes and state grants that more than offset decreases to federal grants. Of the total fund balance of \$3,021,225, \$2,997,464 is unassigned, and \$23,761 is nonspendable for prepaid expenditures.

The 2023 Capital Project Fund is new this year. The increase in fund balance is primarily from issuing bonds. The entire fund balance of \$1,216,705 is restricted for capital projects.

The Sinking Fund is also new this year. The increase in fund balance is primarily due to property tax revenue exceeding eligible sinking fund expenditures. The entire fund balance of \$653,244 is restricted for capital projects.

MCBAIN RURAL AGRICULTURAL SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

The Capital Project Fund increased its fund balance due to an increase in interest income that exceeded all expenditures that took place during the year. The entire fund balance of \$621,316 is committed for capital projects.

The Early Learning Center Capital Project Fund decreased in fund balance due to construction expenditures incurred during the year. The entire fund balance was used up by the end of the year.

The Food Service Fund increased its fund balance mainly due to federal and state revenues received from serving meals. Of the total fund balance of \$405,481, \$5,613 is nonspendable for inventory and \$399,868 is restricted.

There was a minimal change in the Student Activities fund balance this year. All of the fund balance is committed for student activities.

The School Operated Public Library Fund had an increase in its fund balance due to purchasing less supplies and capital outlay than previous years. The entire fund balance of \$94,461 is restricted for library services.

The 2023 Debt Retirement Fund increased its fund balance due to property tax revenue in excess of debt payments. The entire fund balance of \$70,257 is restricted for debt service.

Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

1. *Property Taxes*

The District levies 18.00 mills of property taxes for operations on non-homestead properties, less the mandatory reductions required by the Headlee Amendment, Article IX, Section 31. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2023-2024 fiscal year, the District levied \$1,700,994 in non-homestead property taxes. This represented an increase of \$43,505 from the prior year.

The following table summarizes the non-homestead property tax levies for operations for the past five years:

| Fiscal Year | Non-Homestead Tax Levy | |
|-------------|------------------------|-----------|
| 2023-2024 | \$ | 1,700,994 |
| 2022-2023 | | 1,657,489 |
| 2021-2022 | | 1,539,890 |
| 2020-2021 | | 1,495,152 |
| 2019-2020 | | 1,370,729 |

2. *State Sources*

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. For the 2023-2024 fiscal year, the District received \$9,608 per student FTE.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

3. Student Enrollment

The following schedule summarizes the student enrollment for the past five fiscal years:

| Fiscal Year | Blended Count |
|-------------|---------------|
| 2023-2024 | 1,076 |
| 2022-2023 | 1,037 |
| 2021-2022 | 1,010 |
| 2020-2021 | 1,048 |
| 2019-2020 | 1,058 |

4. Operating Grants

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2024, federal, state, and other grants accounted for \$5,128,405.

General Fund Budgetary Highlights

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 its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL |
|--|----------------------|----------------------|----------------------|
| <u>REVENUES</u> | \$ 13,797,050 | \$ 15,360,169 | \$ 15,379,735 |
| <u>EXPENDITURES</u> | | | |
| Instruction | \$ 8,482,083 | \$ 9,131,538 | \$ 8,865,538 |
| Supporting Services | 5,859,949 | 6,006,260 | 5,974,301 |
| Community Services | 11,236 | 14,291 | 9,546 |
| Facilities Acquisition, Construction and Improvements | 31,823 | 37,137 | 37,137 |
| Total Expenditures | \$ 14,385,091 | \$ 15,189,226 | \$ 14,886,522 |

The District typically budgets conservatively as it relates to its expenditures, and this resulted in the actual expenditures being under budget in most activities. The variance between budget and actual revenues during the fiscal year was related to more than anticipated local revenue. The changes from original and final budgets resulted from funding amounts for various programs and associated expenditures becoming clearer throughout the year.

MCBAIN RURAL AGRICULTURAL SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

Capital Asset and Debt Administration

1. Capital Assets

At June 30, 2024, the District has \$25,252,299 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. Depreciation expense for the year amounted to \$652,681 bringing the accumulated depreciation to \$11,168,959 as of June 30, 2024.

**McBain Rural Agricultural School
Capital Assets**

| | 2024 | 2023 |
|----------------------------|----------------------|----------------------|
| Land and Land Improvements | \$ 662,203 | \$ 648,047 |
| Buildings and Additions | 18,929,922 | 18,929,922 |
| Machinery and Equipment | 3,203,004 | 3,188,377 |
| Transportation Equipment | 1,574,132 | 1,313,803 |
| Construction in Progress | 883,038 | 0 |
| Total Capital Assets | <u>\$ 25,252,299</u> | <u>\$ 24,080,149</u> |

The following list represents major capital asset activity during the fiscal year:

- Purchase of technology equipment in the amount of \$302,684.
- Construction in Progress of track replacement, weightroom renovations and building improvements in the amount of \$883,038.
- Purchase of three buses in the amount of \$389,397.
- Purchase of cafeteria equipment in the amount of \$88,009.
- Purchase of athletics scoreboards in the amount of \$67,314.
- Installation of a sidewalk at the playground in the amount of \$14,156.
- Disposal of technology equipment that had an original cost of \$433,380.
- Disposal of buses that had an original cost of \$129,068.

In addition to purchasing the above assets, the District has committed to completing track resurfacing and facilities improvements in the amount of \$964,470 that will be added to capital assets in the coming years.

Additional information on the District's capital assets can be found in the notes to this report.

2. Long-Term Obligations

At June 30, 2024, the District had \$1,845,000 in bonded debt outstanding. Other long-term debt includes the net pension liability of \$19,254,592 and compensated absences of \$217,996.

MCBAIN RURAL AGRICULTURAL SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

Additional information on the District's long-term obligations can be found in the notes to this report.

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 of July 2024, the State had finalized the education portion of the State's budget for the 2024-25 school year. Unfortunately, it did not include a per pupil foundation increase. An estimated \$214 per pupil increase had been included in the original 2024-25 budget. 31aa funds were almost eliminated except for \$17 per pupil and \$214 was budgeted for 31aa in the original budget. The State's budget does include some relief to the retirement contributions, which will help to offset some of the increase that we were anticipating.
- At McBain Rural Agricultural Schools' Board of Education hearing in June 2024, the Board adopted a balanced General Fund budget with \$15,382,678 of expenditures for the 2024-25 fiscal year.
- COVID-19 relief money continued to impact the 2023-24 budget. The district will be spending a very small portion of ESSER III in 2024-25. All other COVID relief funds have been spent and utilized. These funds are not anticipated to be replaced by the State and Federal government going forward. One of the ESSER III positions was not replaced but absorbed into the building's principal duties.
- Fall 2024 enrollment was estimated based on historical trends and current data. Traditionally enrollment has been stable and that is reflected in our budget projection.
- Pension retirement costs continue to be a concern across Michigan public school districts. In 2023-24, the district spent approximately 20% of its General Fund budget on retirement costs. Although the state budget contains some relief, it appears that may be in the form of an additional revenue categorical that may not be a permanent solution. Also, health insurance costs continue to rise and attributed to approximately 10% of the General Fund budget in 2023-24.
- The District continues its collaborative agreement with the Wexford-Missaukee Intermediate School District for business services. This agreement provides cost savings compared to employing staff to complete these tasks.
- The McBain Education Association and the Michigan Education Association Support Staff have CBA agreements through June 30, 2025, that include step and salary/wage increases over 3 years.
- A new Bond and Sinking Fund proposal were passed by the district voters in May of 2023. Projects include: new buses, replace community track, replace football field irrigation, MS gym floor, roof surface replacement, secure entrances, flooring, and renovate aged classrooms. These mills began to be levied in December of 2023.
- Due to the shortage of available qualified teaching staff, the district has been able to hire retirees to fill some positions. This results in a savings to the district in both retirement contributions and health insurance. As these individuals decide to exit the workplace again, this could result in additional costs to the district.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, please contact McBain Rural Agricultural School, 107 E. Maple Street, McBain, Michigan 49657.

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2024

ASSETS

CURRENT ASSETS

| | |
|----------------------------|----------------------|
| Cash | \$ 1,664,730 |
| Restricted Cash | 309,233 |
| Investments | 2,872,121 |
| Restricted Investments | 1,030,924 |
| Accounts Receivable | 41,932 |
| Due from Other Governments | 2,461,272 |
| Inventory | 5,613 |
| Prepaid Expense | <u>23,761</u> |
| Total Current Assets | <u>8,409,586</u> |

NON CURRENT ASSETS

| | |
|--|-----------------------|
| Net Other Postemployment Benefits Asset | 345,768 |
| Capital Assets (Net of Accumulated Depreciation) | |
| Assets Not Being Depreciated | 1,350,719 |
| Assets Being Depreciated | <u>12,732,621</u> |
| Total Non Current Assets | <u>14,429,108</u> |
| TOTAL ASSETS | <u>22,838,694</u> |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|--|----------------------|
| Related to Pensions | 5,780,027 |
| Related to Other Postemployment Benefits | <u>1,390,348</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>7,170,375</u> |

LIABILITIES

CURRENT LIABILITIES

| | |
|--|----------------------|
| Accounts and Retainage Payable | 495,421 |
| Accrued Expenses | 463,892 |
| Salaries Payable | 483,477 |
| Notes Payable | 283,333 |
| Accrued Interest Payable | 23,053 |
| Unearned Revenue | 444,912 |
| Current Portion of Non Current Liabilities | <u>235,000</u> |
| Total Current Liabilities | <u>2,429,088</u> |

The notes to the financial statements are an integral part of this statement.

MCBAIN RURAL AGRICULTURAL SCHOOL

MCBAIN, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2024

NON CURRENT LIABILITIES

| | |
|--|-------------------|
| Bonds Payable - Net | 1,970,842 |
| Accumulated Sick Pay | 217,996 |
| Net Pension Liability | 19,254,592 |
| Current Portion of Non Current Liabilities | <u>(235,000)</u> |
| Total Non Current Liabilities | <u>21,208,430</u> |
| TOTAL LIABILITIES | <u>23,637,518</u> |

DEFERRED INFLOWS OF RESOURCES

| | |
|--|------------------|
| Related to Pensions | 3,258,097 |
| Related to Other Postemployment Benefits | <u>2,860,850</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>6,118,947</u> |

NET POSITION

| | |
|--|---------------------|
| Net Investment in Capital Assets | 13,329,203 |
| Restricted for Capital Projects | 653,244 |
| Restricted for Library Service | 94,461 |
| Restricted for Debt Service | 54,882 |
| Restricted for Net Other Postemployment Benefits | 345,768 |
| Unrestricted (Deficit) | <u>(14,224,954)</u> |
| TOTAL NET POSITION | <u>\$ 252,604</u> |

The notes to the financial statements are an integral part of this statement.

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2024

| | FUNCTIONS/PROGRAMS | PROGRAM REVENUES | | | | GOVERNMENTAL ACTIVITIES |
|---|--------------------|------------------|-------------|---------------------|-------------------|----------------------------|
| | | EXPENSES | CHARGES FOR | | CAPITAL GRANTS | |
| | | | SERVICES | OPERATING GRANTS | | |
| <u>GOVERNMENTAL ACTIVITIES</u> | | | | | | |
| Instruction | | \$ 7,522,554 | \$ 377,219 | \$ 2,555,788 | \$ 0 | \$ (4,589,547) |
| Supporting Services | | 5,275,354 | 60,659 | 1,681,852 | 117,533 | (3,415,310) |
| Food Services | | 886,559 | 41,505 | 853,486 | 88,009 | 96,441 |
| Public Library | | 14,161 | 1,374 | 19,966 | 0 | 7,179 |
| Community Services | | 9,546 | 0 | 17,313 | 0 | 7,767 |
| Facilities Acquisition, Construction and Improvements | | 125,537 | 0 | 0 | 0 | (125,537) |
| Interest and Fees on Long-Term Debt | | 63,654 | 0 | 0 | 0 | (63,654) |
| Unallocated Depreciation | | 652,681 | 0 | 0 | 0 | (652,681) |
| Total Governmental Activities | | \$ 14,550,046 | \$ 480,757 | \$ 5,128,405 | \$ 205,542 | (8,735,342) |
| <u>GENERAL REVENUES</u> | | | | | | |
| Property Taxes - General Purposes | | | | | | 1,700,994 |
| Property Taxes - Capital Projects | | | | | | 964,535 |
| Property Taxes - Debt | | | | | | 321,498 |
| Investment Earnings | | | | | | 160,655 |
| State Sources | | | | | | 8,712,410 |
| Other | | | | | | 113,166 |
| Total General Revenues | | | | | | 11,973,258 |
| Change in Net Position | | | | | | 3,237,916 |
| NET POSITION - Beginning of Year (Deficit) | | | | | | (2,985,312) |
| NET POSITION - End of Year | | | | | | \$ 252,604 |

The notes to the financial statements are an integral part of this statement.

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2024

| | CAPITAL PROJECT FUNDS | | | | | SPECIAL REVENUE | | | TOTAL GOVERNMENTAL FUNDS |
|----------------------------|-----------------------|----------------------|--------------|----------------------|--------------------------|-------------------|------------|-----------------------------------|--------------------------|
| | 2023 | CAPITAL PROJECT FUND | SINKING FUND | CAPITAL PROJECT FUND | ELC CAPITAL PROJECT FUND | FUND | | OTHER NONMAJOR GOVERNMENTAL FUNDS | |
| | | | | | | FOOD SERVICE FUND | FOOD FUND | | |
| <u>ASSETS</u> | | | | | | | | | |
| Cash | \$ 428,556 | \$ 0 | \$ 910,440 | \$ 0 | \$ 0 | \$ 32,927 | \$ 292,807 | \$ 1,664,730 | |
| Restricted Cash | 0 | 309,233 | 0 | 0 | 0 | 0 | 0 | 309,233 | |
| Investments | 1,947,699 | 0 | 0 | 621,316 | 0 | 282,428 | 20,678 | 2,872,121 | |
| Restricted Investments | 0 | 1,030,924 | 0 | 0 | 0 | 0 | 0 | 1,030,924 | |
| Accounts Receivable | 40,541 | 0 | 0 | 0 | 0 | 1,391 | 0 | 41,932 | |
| Due from Other Funds | 0 | 123,237 | 721 | 0 | 0 | 0 | 60 | 124,018 | |
| Due from Other Governments | 2,348,687 | 0 | 0 | 0 | 0 | 112,585 | 0 | 2,461,272 | |
| Inventory | 0 | 0 | 0 | 0 | 0 | 5,613 | 0 | 5,613 | |
| Prepaid Expenditures | 23,761 | 0 | 0 | 0 | 0 | 0 | 0 | 23,761 | |
| | | | | | | | | | |
| TOTAL ASSETS | \$ 4,789,244 | \$ 1,463,394 | \$ 911,161 | \$ 621,316 | \$ 0 | \$ 434,944 | \$ 313,545 | \$ 8,533,604 | |

LIABILITIES AND FUND BALANCES

| | | | | | | | | | |
|--------------------------------|------------------|----------------|----------------|----------|----------|---------------|----------|------------|------------------|
| <u>LIABILITIES</u> | | | | | | | | | |
| Accounts and Retainage Payable | \$ 101,642 | \$ 246,689 | \$ 134,680 | \$ 0 | \$ 0 | \$ 11,767 | \$ 0 | \$ 643 | \$ 495,421 |
| Due to Other Funds | 781 | 0 | 123,237 | 0 | 0 | 0 | 0 | 0 | 124,018 |
| Accrued Expenditures | 447,522 | 0 | 0 | 0 | 0 | 16,370 | 0 | 0 | 463,892 |
| Salaries Payable | 482,151 | 0 | 0 | 0 | 0 | 1,326 | 0 | 0 | 483,477 |
| Notes Payable | 283,333 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 283,333 |
| Accrued Interest | 7,678 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7,678 |
| Unearned Revenue | 444,912 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 444,912 |
| Total Liabilities | 1,768,019 | 246,689 | 257,917 | 0 | 0 | 29,463 | 0 | 643 | 2,302,731 |

The notes to the financial statements are an integral part of this statement.

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2024

| | CAPITAL PROJECT FUNDS | | | | | SPECIAL REVENUE | | | TOTAL GOVERNMENTAL FUNDS |
|--|------------------------------------|-----------------|----------------------------|-----------------------------------|-------------------------|-------------------------|--|----|--------------------------|
| | 2023 CAPITAL PROJECT FUND | SINKING FUND | CAPITAL PROJECT FUND | ELC CAPITAL PROJECT FUND | FUND | | OTHER NONMAJOR GOVERNMENTAL FUNDS | | |
| | | | | | FOOD SERVICE FUND | FOOD SERVICE FUND | | | |
| <u>FUND BALANCES</u> | | | | | | | | | |
| Nonspendable | | | | | | | | | |
| Inventory | 0 | 0 | 0 | 0 | 0 | 5,613 | 0 | 0 | 5,613 |
| Prepaid Expenditures | 23,761 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 23,761 |
| Restricted for: | | | | | | | | | |
| Library Service | 0 | 0 | 0 | 0 | 0 | 0 | 94,461 | 0 | 94,461 |
| Food Service | 0 | 0 | 0 | 0 | 0 | 399,868 | 0 | 0 | 399,868 |
| Debt Service | 0 | 0 | 0 | 0 | 0 | 0 | 70,257 | 0 | 70,257 |
| Capital Projects | 0 | 1,216,705 | 653,244 | 0 | 0 | 0 | 0 | 0 | 1,869,949 |
| Committed for: | | | | | | | | | |
| Capital Projects | 0 | 0 | 0 | 621,316 | 0 | 0 | 0 | 0 | 621,316 |
| Student Activities | 0 | 0 | 0 | 0 | 0 | 0 | 148,184 | 0 | 148,184 |
| Assigned for Subsequent Year's | | | | | | | | | |
| Budget Shortfall | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unassigned | 2,997,464 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,997,464 |
| Total Fund Balances | 3,021,225 | 1,216,705 | 653,244 | 621,316 | 0 | 405,481 | 312,902 | | 6,230,873 |
| <u>TOTAL LIABILITIES AND FUND BALANCES</u> | | | | | | | | | |
| | \$ 4,789,244 | \$ 1,463,394 | \$ 911,161 | \$ 621,316 | \$ 0 | \$ 434,944 | \$ 313,545 | \$ | 8,533,604 |

The notes to the financial statements are an integral part of this statement.

MCBAIN RURAL AGRICULTURAL SCHOOL

MCBAIN, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION

JUNE 30, 2024

| | | |
|----------------------------------|----|-----------|
| Total Governmental Fund Balances | \$ | 6,230,873 |
|----------------------------------|----|-----------|

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.

| | | | |
|-----------------------------------|----|---------------------|------------|
| The cost of the capital assets is | \$ | 25,252,299 | |
| Accumulated depreciation is | | <u>(11,168,959)</u> | 14,083,340 |

Long-term liabilities are not due and payable in the current period and are not reported in the funds.

| | |
|-----------------------|--------------|
| Accumulated Sick Pay | (217,996) |
| Net Pension Liability | (19,254,592) |
| Bonds Payable | (1,845,000) |

Some assets are not current financial resources and therefore are not reported in

| | |
|--|---------|
| Net Other Postemployment Benefit Asset | 345,768 |
|--|---------|

Bond discounts (premiums) and deferred charges for bonds issued are expenditures (revenues) at the modified accrual fund level, but are capitalized and written off over the life of the bonds payable at the district-wide full accrual level.

| | |
|-------------------------|-----------|
| Bond Discount (Premium) | (125,842) |
|-------------------------|-----------|

Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.

| | |
|--|-------------|
| Deferred Outflow of Resources Related to Pensions | 5,780,027 |
| Deferred Inflow of Resources Related to Pensions | (3,258,097) |
| Deferred Outflow of Resources Related to Other Postemployment Benefits | 1,390,348 |
| Deferred Inflow of Resources Related to Other Postemployment Benefits | (2,860,850) |

| | |
|--|-----------------|
| Accrued interest on long-term debt is not included as a liability in government funds, it is recorded when paid. | <u>(15,375)</u> |
|--|-----------------|

| | | |
|---|-----------|----------------|
| NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$</u> | <u>252,604</u> |
|---|-----------|----------------|

The notes to the financial statements are an integral part of this statement.

MCBAIN, MICHIGAN

GOVERNMENTAL FUNDSYEAR ENDED JUNE 30, 2024

| | CAPITAL PROJECT FUNDS | | | | | | SPECIAL REVENUE | | TOTAL GOVERNMENTAL FUNDS |
|------------------------------|-----------------------|----------------------|--------------|----------------------|-------------------|-----------------------------|-----------------|--|--------------------------|
| | 2023 | | | ELC | | OTHER | | | |
| | GENERAL FUND | CAPITAL PROJECT FUND | SINKING FUND | CAPITAL PROJECT FUND | FOOD SERVICE FUND | NONMAJOR GOVERNMENTAL FUNDS | | | |
| REVENUES | | | | | | | | | |
| Local Sources | | | | | | | | | |
| Non-Educational or Political | | | | | | | | | |
| Subdivision Sources | | | | | | | | | |
| State Sources | | | | | | | | | |
| Federal Sources | | | | | | | | | |
| Other Transactions | | | | | | | | | |
| Total Revenues | | | | | | | | | |

| EXPENDITURES | | | | | | | | | |
|-------------------------------|-----------|---|---|---|---|---|---------|---------|-----------|
| Instruction | | | | | | | | | |
| Basic Programs | 7,675,637 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7,675,637 |
| Added Needs | 1,189,901 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,189,901 |
| Supporting Services | | | | | | | | | |
| Pupil Services | 548,493 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 548,493 |
| Instructional Staff | 623,857 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 623,857 |
| General Administration | 438,172 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 438,172 |
| School Administration | 734,344 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 734,344 |
| Business Services | 129,373 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 129,373 |
| Operation and Maintenance | 1,480,102 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,480,102 |
| Pupil Transportation Services | 933,529 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 933,529 |
| Central Services | 624,599 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 624,599 |
| Other Support Services | 461,832 | 0 | 0 | 0 | 0 | 0 | 0 | 277,618 | 739,450 |
| Food Services | 0 | 0 | 0 | 0 | 0 | 0 | 954,247 | 0 | 954,247 |
| Public Library | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 14,161 | 14,161 |

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MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2024

| | CAPITAL PROJECT FUNDS | | | | | SPECIAL REVENUE | | OTHER NONMAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--|-----------------------|--------------|----------------------|----------------------|-------------------|-------------------|------------|-----------------------------------|--------------------------|
| | 2023 | | ELC | | FUND | | | | |
| | CAPITAL PROJECT FUND | SINKING FUND | CAPITAL PROJECT FUND | CAPITAL PROJECT FUND | FOOD SERVICE FUND | FOOD SERVICE FUND | | | |
| Community Services | | | | | | | | | |
| Community Services Direction | 1,115 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,115 |
| Community Activities | 2,336 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,336 |
| Welfare Activities | 791 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 791 |
| Non-Public School Pupils | 5,304 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,304 |
| Facilities Acquisition, Construction and Improvements | | | | | | | | | |
| Site Improvement Services | 0 | 476,771 | 0 | 1,100 | 0 | 0 | 0 | 0 | 477,871 |
| Architecture and Engineering Services | 0 | 46,670 | 32,018 | 0 | 0 | 0 | 0 | 0 | 78,688 |
| Building Improvement Services | 37,137 | 0 | 280,747 | 0 | 8,226 | 0 | 0 | 0 | 326,110 |
| Other Facilities Acquisition and Construction Services | 0 | 465,082 | 0 | 0 | 0 | 0 | 0 | 0 | 465,082 |
| Debt Service | 0 | 0 | 0 | 0 | 0 | 0 | 251,257 | 251,257 | 251,257 |
| Total Expenditures | 14,886,522 | 988,523 | 312,765 | 1,100 | 8,226 | 954,247 | 543,036 | | 17,694,419 |
| Excess (Deficiency) of Revenues Over Expenditures | 493,213 | (957,115) | 653,244 | 31,448 | (8,104) | 20,757 | 73,027 | | 306,470 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | | | | | | |
| Premium on Bonds Issued | 0 | 143,820 | 0 | 0 | 0 | 0 | 0 | 0 | 143,820 |
| Face Value of Bonds Issued | 0 | 2,030,000 | 0 | 0 | 0 | 0 | 0 | 0 | 2,030,000 |
| Total Other Financing Sources (Uses) | 0 | 2,173,820 | 0 | 0 | 0 | 0 | 0 | 0 | 2,173,820 |
| Net Change in Fund Balance | 493,213 | 1,216,705 | 653,244 | 31,448 | (8,104) | 20,757 | 73,027 | | 2,480,290 |
| FUND BALANCE - Beginning of Year | 2,528,012 | 0 | 0 | 589,868 | 8,104 | 384,724 | 239,875 | | 3,750,583 |
| FUND BALANCE - End of Year | \$ 3,021,225 | \$ 1,216,705 | \$ 653,244 | \$ 621,316 | \$ 0 | \$ 405,481 | \$ 312,902 | \$ | 6,230,873 |

The notes to the financial statements are an integral part of this statement.

MCBAIN RURAL AGRICULTURAL SCHOOL

MCBAIN, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2024

| | | |
|--|----|-----------|
| Net Change in Fund Balances Total Governmental Funds | \$ | 2,480,290 |
|--|----|-----------|

Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures; in the Statement of Activities these costs are allocated over their estimated useful lives as depreciation.

| | |
|----------------------|-----------|
| Capital Assets | 1,744,598 |
| Depreciation Expense | (652,681) |

Accrued interest on bonds is recorded in the Statement of Activities when incurred; it is not recorded in governmental funds until it is paid:

| | |
|------------------------------------|----------|
| Change in Accrued Interest Payable | (15,375) |
|------------------------------------|----------|

Employees' compensated absences are reported on the accrual method in the Statement of Activities, but only recorded as an expenditure when financial resources are used in the governmental funds.

| | |
|--|-----------|
| Accumulated Sick Pay - Beginning of Year | 216,700 |
| Accumulated Sick Pay - End of Year | (217,996) |

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt is an expenditure in the governmental funds, but not in the Statement of Activities (where it is a reduction of liabilities).

| | |
|--------------------------------------|-------------|
| Face Value of Bonds | (2,030,000) |
| Premium on Bonds Issuance | (143,820) |
| Principal Payments on Long-Term Debt | 185,000 |
| Premium on Bonds Issuance | 17,978 |

Governmental funds report district pension and other postemployment benefit contributions as expenditures. However, in the Statement of Activities, the cost of benefits earned net of employee contributions is reported as an expense:

| | |
|--|-----------|
| Items Related to Pensions | 769,138 |
| Items Related to Other Postemployment Benefits | 1,097,011 |

Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to Section 147 C pension contributions subsequent to the measurement date.

| | |
|---|-----------|
| Change in State Aid Funding for Pension | (212,927) |
|---|-----------|

| | | |
|---|----|------------------|
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ | <u>3,237,916</u> |
|---|----|------------------|

The notes to the financial statements are an integral part of this statement.

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the McBain Rural Agricultural School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The School District ("the District") is located in Clare, Missaukee, Osceola and Wexford Counties with its administrative offices located in McBain, Michigan. The District operates under an elected 7-member board of education and provides services to its 1,076 students in elementary, middle school, high school, special education instruction, guidance, health, transportation, food service, athletics and public library. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

B. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The School District does not have any business-type activities or component units.

C. 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.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. 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.

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

The District reports the following major governmental funds:

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

The *2023 Capital Project Fund* accounts the acquisition of fixed assets or construction of major capital projects.

The *Sinking Fund* accounts for revenues and expenditures related to capital projects.

The *Capital Project Fund* accounts for the acquisition of fixed assets or construction of major capital projects.

The *Early Learning Center Capital Project Fund* accounts for the revenues collected and expenditures related to the construction of an early learning center.

The *Food Service Fund* accounts for revenue sources that are legally restricted to expenditures for food service activities.

Other non-major funds:

The *Student Activities Fund* and the *School Operated Public Library Special Revenue Funds* accounts for proceeds from specific revenue sources that are restricted or committed to expenditures for specific purposes.

The *2023 Debt Services Fund* accounts for the resources accumulated and payments made for principal interest on long-term general obligation debt of governmental funds.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which

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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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term obligations 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). 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). All other revenue items are considered to be measurable and available only when cash is received by the government.

The fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources.

F. Budgetary Information

1. Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

The District's approved budgets were adopted at the function level for the General and Special Revenue Funds. These are the legal enacted levels under the State Uniform Budgeting and Accounting Act and the level of budgetary control adopted by the Board (the level at which expenditures may not legally exceed appropriations).

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

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

- a) In June, the superintendent submits to the school board a proposed operating budget for the fiscal year commencing on July 1.
- b) A public hearing is conducted during June to obtain taxpayer comments.
- c) Prior to June 30, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. 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 financial 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.
- d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
- e) For purposes of meeting emergency needs of the school district, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
- g) Budgeted amounts are as originally adopted in June 2023, or as amended by the School Board of Education throughout the year.

2. *Excess of Expenditures Over Appropriations*

| | <u>APPROPRIATIONS</u> | <u>EXPENDITURES</u> |
|-------------------------|-----------------------|---------------------|
| General Fund | | |
| Supporting Services | | |
| Central Services | \$ 615,977 | \$ 624,599 |
| Other Support Services | 422,779 | 461,832 |
| Student Activities Fund | | |
| Supporting Services | | |
| Other Support Services | 229,053 | 277,618 |

These overages were funded by reduced spending in other programs and available fund balance.

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

1. *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.

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2. 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 (3) highest classifications established by not less than two (2) 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.

3. Inventory and Prepaid Items

Inventory is valued at cost using the first-in/first-out method. Inventory consists of expendable supplies held for consumption, which are recorded as expenditures when consumed rather than when purchased.

Certain payments made 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.

The nonspendable fund balance at the governmental fund level is equal to the amount of inventories and prepaid items at year-end to indicate the portion of the governmental fund balances that are nonspendable.

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4. Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the District-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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Land and construction in progress, if any, are not depreciated. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

| | |
|-------------------------------|------------|
| Buildings and Additions | 50 years |
| Furniture and Other Equipment | 5-15 years |

5. Unearned Revenue

Unearned revenue arises when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The District has unearned revenue in the General Fund that is related to state and local grants/donations, with restrictions on how they can be spent, being received but as of the year-end have not been spent.

6. Defined Benefit Plans

For purposes of measuring the net pension liability and other postemployment benefits liability (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 School Employees' Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

7. Compensated Absences

Noncurrent accumulated unpaid compensated absences are not accrued in governmental funds (using the modified accrual basis of accounting). A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee retirement.

8. Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over

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the life of the bonds using the straight line method which approximates the effective interest method over the term of the related obligation.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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 issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category, which is related to the pension and other postemployment benefit plans for its employees. Details can be found in footnote 3-F and 3-G.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The 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, which is related to the pension and other postemployment benefit plans for its employees. Details can be found in footnote 3-F and 3-G.

10. *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.

11. *Fund Balance Flow Assumption*

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.

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12. 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 governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) 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 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.

13. Use of Estimates

The process of preparing basic 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 expenditures. 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.

14. Restricted Assets

Certain cash resources are classified as restricted assets on the balance sheet because their use is limited by applicable spending requirements, and they are maintained in separate bank accounts.

H. Revenues and Expenditures/Expenses

1. State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2024 the foundation allowance was based on pupil membership counts taken in October 2023 and February 2023. For fiscal year ended June 30, 2024, the per pupil foundation allowance was \$9,608 for McBain Rural Agricultural School.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during

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the foundation period and is funded through payments from October 2023 to August 2024. Thus, the unpaid portion at June 30th 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, which are not expended by the close of the fiscal year are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

2. Program Revenues

Amounts reported as program revenue 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 or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, state foundation aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenue but instead as *general revenues*.

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are billed as of December 1. The due date is December 1, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

The various counties in which the School District is located have tax revolving funds which allow the counties to pay off the various taxing units for their share of the current year real property taxes returned delinquent. Taxes receivable, if any, are uncollected delinquent personal property taxes.

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

| Fund | Mills |
|--|--------|
| General Fund – Non-Principal Residence Exemption (PRE) | 18.000 |
| General Fund – Commercial Personal Property | 6.000 |
| Debt Service Fund – PRE, Non-PRE, Commercial Personal Property | 0.980 |
| Sinking Fund – PRE, Non-PRE, Commercial Personal Property | 3.000 |

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note 1.F.2, on the Excess of Expenditures Over Appropriations, describes budgetary violations that occurred for the year ended June 30, 2024.

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NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

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

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, the District's bank balance was \$2,399,732 and \$1,899,732 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. As of June 30, 2024, deposits of \$1,973,963 are reported on the financial statements as cash and restricted cash.

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+ Cash Management Class | \$ 2,337 | 0.0945 |
| MILAF+ Max Class | 3,900,708 | 0.0945 |
| | <u>\$ 3,903,045</u> | |
| Portfolio Weighted Average Maturity | | 0.0945 |
| 1 Day Maturity Equals 0.0027, One Year Equals 1.000 | | |

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSOs). 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.

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 | Standard & Poor's Rating |
|------------------------------|---------------------|--------------------------------|
| MILAF+ Cash Management Class | \$ 2,337 | AAAm |
| MILAF+ Max Class | 3,900,708 | AAAm |
| | <u>\$ 3,903,045</u> | |

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Foreign currency risk. The District is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

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

The cash and investments referred to above have been reported in either the cash, restricted cash, investments, or restricted 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:

| | <u>Governmental Activities</u> |
|------------------------|------------------------------------|
| Cash | \$ 1,664,730 |
| Restricted Cash | 309,233 |
| Investments | 2,872,121 |
| Restricted Investments | 1,030,924 |
| | <u>\$ 5,877,008</u> |

Fair Market Value Disclosure - 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 reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices from similar securities, interest rates, prepayment speeds, credit risk, and others. Debt securities are valued in accordance with evaluated bid price supplied by the pricing service and generally categorized as Level 2 in the hierarchy. Securities that are categorized as Level 2 in the hierarchy include, but are not limited to, repurchase agreements, U.S. government agency securities, corporate securities, and commercial paper.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

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

| | Amortized Cost |
|------------------------------|---------------------|
| MILAF+ Cash Management Class | \$ 2,337 |
| MILAF+ Max Class | 3,900,708 |
| | <u>\$ 3,903,045</u> |

B. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor are as follows:

| | General | Food Service | Total |
|----------------------------|---------------------|-------------------|---------------------|
| Receivables | | | |
| Accounts | \$ 40,541 | \$ 1,391 | \$ 41,932 |
| Due from Other Governments | 2,348,687 | 112,585 | 2,461,272 |
| Total Receivables | <u>\$ 2,389,228</u> | <u>\$ 113,976</u> | <u>\$ 2,503,204</u> |

Amounts due from other governments include amounts due from federal, state, and local sources for various projects and programs.

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

C. Capital Assets

Capital assets activity for the year ended June 30, 2024, was as follows:

| | Balance July 1, 2023 | Additions | Deletions | Balance June 30, 2024 |
|--------------------------------------|-------------------------|----------------|----------------|--------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 467,681 | \$ 0 | \$ 0 | \$ 467,681 |
| Construction in Progress | 0 | 883,038 | 0 | 883,038 |
| Subtotal | <u>467,681</u> | <u>883,038</u> | <u>0</u> | <u>1,350,719</u> |
| Capital assets being depreciated | | | | |
| Land improvements | 180,366 | 14,156 | 0 | 194,522 |
| Buildings and additions | 18,929,922 | 0 | 0 | 18,929,922 |
| Machinery and equipment | 3,188,377 | 458,007 | 443,380 | 3,203,004 |
| Transportation equipment | 1,313,803 | 389,397 | 129,068 | 1,574,132 |
| Subtotal | <u>23,612,468</u> | <u>861,560</u> | <u>572,448</u> | <u>23,901,580</u> |

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| | Balance July 1, 2023 | Additions | Deletions | Balance June 30, 2024 |
|--------------------------------------|-------------------------|--------------|-----------|--------------------------|
| Less accumulated depreciation for | | | | |
| Land improvements | 170,845 | 1,737 | 0 | 172,582 |
| Buildings and additions | 7,095,330 | 381,071 | 0 | 7,476,401 |
| Machinery and equipment | 2,763,462 | 175,673 | 443,380 | 2,495,755 |
| Transportation equipment | 1,059,089 | 94,200 | 129,068 | 1,024,221 |
| Accumulated depreciation | 11,088,726 | 652,681 | 572,448 | 11,168,959 |
| Net capital assets being depreciated | 12,523,742 | 208,879 | 0 | 12,732,621 |
| Net Capital assets | \$ 12,991,423 | \$ 1,091,917 | \$ 0 | \$ 14,083,340 |

Depreciation for the fiscal year ended June 30, 2024, amounted to \$652,681. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

D. Accrued Liabilities

Accrued liabilities reported by governmental funds at June 30, 2024, were as follows:

| | General Fund | Food Service | Total |
|---------------------------|-----------------|-----------------|------------|
| Retirement | \$ 347,237 | \$ 16,271 | \$ 363,508 |
| Employer FICA | 33,418 | 99 | 33,517 |
| Employee Fringe Benefits | 66,867 | 0 | 66,867 |
| Total Accrued Liabilities | \$ 447,522 | \$ 16,370 | \$ 463,892 |

E. Retirement and Post-Employment 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 Annual Comprehensive 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 Investments Board serves as the investment fiduciary and custodian of the System.

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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:

| <u>Plan Name</u> | <u>Plan Type</u> | <u>Plan Status</u> |
|------------------------------|-------------------------|---------------------------|
| 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 Member Investment Plan (MIP). Basic plan member's contributions range from 0% to 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% to 7.0%.

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.

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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 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 their after 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 accounts. 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).

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 Plan 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.

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Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid plan 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 new hybrid plan is 6%. Further, the law provides that, under certain conditions, the new hybrid plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law includes 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 the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

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

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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% to 7% for pension and 0% to 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 members and retiree other postemployment benefits (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, 2023 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:

| | <u>Pension</u> | <u>Postemployment Benefit</u> |
|--------------------------------------|-----------------|-----------------------------------|
| October 1, 2023 - September 30, 2024 | 13.73% - 20.14% | 7.23% - 8.09% |
| October 1, 2022 - September 30, 2023 | 13.75% - 20.16% | 7.21% - 8.07% |

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The District's pension contributions for the year ended June 30, 2024 were equal to the required contribution total. Pension contributions were approximately \$2,625,000. Of the total pension contributions approximately \$2,549,000 was contributed to fund the Defined Benefit Plan and approximately \$76,000 was contributed to fund the Defined Contribution Fund.

The District's OPEB contributions for the year ended June 30, 2024 were equal to the required contribution total. Total OPEB benefits were approximately \$521,000. Of the total OPEB contributions approximately \$478,000 was contributed to fund the Defined Benefit Plan and approximately \$43,000 was contributed to fund the Defined Contribution Fund.

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

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

Pension Liabilities

At June 30, 2024, the District reported a liability of \$19,254,592 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation 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. At September 30, 2023 and 2022, the District's proportion was 0.05949006% and 0.05899815%.

MPERS (Plan) Non-University Employers Net Pension Liability

| | <u>September 30, 2023</u> | <u>September 30, 2022</u> |
|---|---------------------------|---------------------------|
| 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 | <u>\$ 32,366,066,319</u> | <u>\$ 37,608,719,276</u> |
| | | |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 65.91% | 60.77% |
| | | |
| Net Pension Liability as a Percentage of Covered Payroll | 320.51% | 386.25% |

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

For the year ended June 30, 2024, the District recognized total pension expense of \$2,354,845.

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

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 607,809 | \$ 29,495 |
| Section 147c revenue related to District Pension contributions subsequent to measurement date | 0 | 1,204,776 |
| Changes of assumptions | 2,609,085 | 1,504,339 |
| Net difference between projected and actual earnings on pension plan investments | 0 | 394,011 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 163,330 | 125,476 |
| District contributions subsequent to the measurement date | 2,399,803 | 0 |
| Total | <u>\$ 5,780,027</u> | <u>\$ 3,258,097</u> |

\$2,399,803 reported as deferred outflows of resources and \$1,204,776 reported as deferred inflows or resources related to pensions resulting from District 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:

| <u>Year Ended September 30,</u> | <u>Amount</u> |
|---------------------------------|---------------------|
| 2024 | \$ 418,688 |
| 2025 | 314,948 |
| 2026 | 860,226 |
| 2027 | (266,959) |
| | <u>\$ 1,326,903</u> |

G. OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB Liabilities (Assets)

At June 30, 2024, the District reported a liability (asset) of (\$345,768) for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of September 30, 2023, and the total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation date of September 30,

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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. At September 30, 2023 and September 30, 2022, the District's proportion was 0.06106829% and 0.05758895%.

MPSERS (Plan) Non-University Employers Net OPEB Liability

| | <u>September 30, 2023</u> | <u>September 30, 2022</u> |
|--|----------------------------------|----------------------------------|
| Total OPEB Liability/(Asset) | \$ 11,223,648,949 | \$ 12,522,713,324 |
| Plan Fiduciary Net Position | (11,789,347,341) | (10,404,650,683) |
| OPEB Liability/(Asset) | <u>\$ (565,698,392)</u> | <u>\$ 2,118,062,641</u> |
| Plan Fiduciary Net Position as a Percentage of Total OPEB Liability/(Asset) | 105.04% | 83.09% |
| OPEB Liability/(Asset) as a Percentage of Covered Payroll | -5.60% | 21.75% |

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

For the year ended June 30, 2024, the District recognized total OPEB benefit of \$598,187.

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

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|--|---|
| Differences between expected and actual experience | \$ 0 | \$ 2,610,491 |
| Changes of assumptions | 769,059 | 92,609 |
| Net difference between projected and actual earnings on OPEB plan investments | 1,053 | 0 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 205,116 | 157,750 |
| District contributions subsequent to the measurement date | 415,120 | 0 |
| Total | <u>\$ 1,390,348</u> | <u>\$ 2,860,850</u> |

\$415,120 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to OPEB will be recognized in OPEB expense as follows:

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| <u>Year Ended September 30,</u> | <u>Amount</u> |
|---------------------------------|-----------------------|
| 2024 | \$ (644,911) |
| 2025 | (581,103) |
| 2026 | (209,859) |
| 2027 | (220,294) |
| 2028 | (153,804) |
| Thereafter | (75,651) |
| | <u>\$ (1,885,622)</u> |

H. Actuarial Assumptions

Investment rate of return for Pension – 6.00% a year, compounded annually net of investment and administrative expenses for the MIP, Basic, and Pension Plus 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 inflation at 2.75%.

Inflation – 3.0%

Mortality assumptions –

Retirees: PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Active: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale from 2010.

Disabled Retirees: PubNS-2010 Male and Female Disabled 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 annual pension valuations 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 was 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.

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

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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 electing two-person coverage are assumed to have coverage continuing after the retiree's death.

Coverage Election at Retirement – 75% of male and 60% of female future retirees who elected coverage 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:

| <u>Investment Category</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return*</u> |
|------------------------------------|------------------------------|--|
| Domestic Equity Pools | 25.00% | 5.80% |
| Private Equity Pools | 16.00% | 9.60% |
| International Equity Pools | 15.00% | 6.80% |
| Fixed Income Pools | 13.00% | 1.30% |
| Real Estate & Infrastructure Pools | 10.00% | 6.40% |
| Absolute Return Pools | 9.00% | 4.80% |
| Real Return/Opportunistic Pools | 10.00% | 7.30% |
| Short-Term Investment Pools | 2.00% | 0.30% |
| | <u>100%</u> | |

*Long-term rate of return is 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.

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

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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

The 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 project to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

| Pension | | | |
|---------------|---------------|---------------|--|
| 1% Decrease | Discount Rate | 1% Increase | |
| \$ 26,012,898 | \$ 19,254,592 | \$ 13,628,059 | |

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

The following presents the District's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 6.00%, as well as what the District's proportionate share of the net OPEB liability (asset) 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:

| OPEB | | | |
|-------------|---------------|--------------|--|
| 1% Decrease | Discount Rate | 1% Increase | |
| \$ 358,141 | \$ (345,768) | \$ (950,140) | |

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates

The following presents the District's proportionate share of the net other postemployment benefit liability (asset) calculated using the healthcare cost trend rate, as well as what the District's proportionate share of the net other postemployment benefit liability (asset) 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:

| OPEB | | | |
|-----------------|--------------|-------------|--|
| Healthcare Cost | | | |
| 1% Decrease | Trend Rates | 1% Increase | |
| \$ (951,648) | \$ (345,768) | \$ 310,629 | |

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I. Pension and OPEB Plan Fiduciary Net Position

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

J. Payables to the Pension and OPEB Plan

As of June 30, 2024, the District is current on all required pension and OPEB plan payments. As of June 30, 2024, the District reported payables in the amount of \$363,108 to the pension and OPEB plan. These amounts represent current payments for June wages paid in July, accruals for summer pay primarily for teachers and also the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

K. Risk Management

McBain Rural Agricultural School is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees.

The District participates in a distinct pool of educational institutions within the State of Michigan for various risks of loss, including general liability, property and casualty, employee health and accident insurance, and workers' disability compensation. The pool is considered a public entity risk pool. The District pays annual premiums to each pool 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 pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited.

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

L. 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 following is a summary of the governmental long-term obligation transactions for the School District for the year ended June 30, 2024:

| | General Obligation Bonds | Compensated Absences | Total |
|---------------------------------|--------------------------|----------------------|--------------|
| Long-Term Debt at July 1, 2023 | \$ 0 | \$ 216,700 | \$ 216,700 |
| Additions | 2,030,000 | 8,392 | 2,038,392 |
| Deletions | (185,000) | (7,096) | (192,096) |
| Long-Term Debt at June 30, 2024 | \$ 1,845,000 | \$ 217,996 | \$ 2,062,996 |
| Portion Due Within One Year | \$ 235,000 | Unknown | \$ 235,000 |

Annual debt service requirements are to maturity for the above obligations except for compensated absences.

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The District's liability obligations at June 30, 2024 are comprised of the following obligations:

| | |
|---|----------------------|
| <u>General Obligation Bonds</u> | |
| 2023 School Bus and Site Bonds due in annual installments of \$235,000 to \$280,000 through May 1, 2031, plus interest at 5.00% | \$ 1,845,000 |
| <u>Compensated Absences</u> | 217,996 |
| <u>Net Pension Liability</u> | 19,254,592 |
| <u>Unamortized Premium on Bond Issuance</u> | 125,842 |
| | <u>\$ 21,443,430</u> |

The annual requirements to amortize all long-term obligations outstanding as of June 30, 2024, including interest payments of \$379,500 are as follows:

| Year Ending June 30, | General Obligation Bonds | | Total |
|----------------------|--------------------------|-------------------|---------------------|
| | Principal | Interest | |
| 2025 | \$ 235,000 | \$ 92,250 | \$ 327,250 |
| 2026 | 250,000 | 80,500 | 330,500 |
| 2027 | 260,000 | 68,000 | 328,000 |
| 2028 | 265,000 | 55,000 | 320,000 |
| 2029 | 275,000 | 41,750 | 316,750 |
| 2030-2031 | 560,000 | 42,000 | 602,000 |
| | <u>\$ 1,845,000</u> | <u>\$ 379,500</u> | <u>\$ 2,224,500</u> |

Interest expense for the year ended June 30, 2024 was approximately \$63,000.

The annual requirements to amortize the compensated absences and the net pension liability are uncertain because it is unknown when the employees will use the benefit. Compensated absences and the net pension liability will be paid by the fund in which the employee worked, including the general fund and other governmental funds.

M. Short-Term Obligations

On August 21, 2023 the District issued a State Aid Note in the amount of \$850,000 for the purpose of managing the District's cash flow needs during the year. The note carries an interest rate of 3.46% and is due on July 22, 2024. The District pledged its future State Aid revenue for payment of this liability at maturity. Interest expense for the year was \$27,041.

The following is a summary of the short-term obligation transactions for the District for the year ended June 30, 2024:

| | |
|----------------------------------|--------------------|
| Short-Term Debt at July 1, 2023 | \$ 1,000,000 |
| New Debt Issued | 850,000 |
| Debt Retired and Paid | <u>(1,566,667)</u> |
| Short-Term Debt at June 30, 2024 | <u>\$ 283,333</u> |

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

N. Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at June 30, 2024, were:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|----------------------------|---------------------|-------------------|
| 2023 Capital Projects Fund | Sinking Fund | \$ 123,237 |
| 2023 Debt Service Fund | General Fund | 60 |
| Sinking Fund | General Fund | 721 |
| | | <u>\$ 124,018</u> |

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. All interfund balances outstanding at June 30, 2024 are expected to be repaid within one year.

O. Interfund Transfers

Transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

P. Capital Projects Funds

The Early Learning Center Capital Projects Fund includes capital project activities funded with donations during the 2017-2018 fiscal year. As of the June 30, 2024 fiscal year, this fund has expensed all donations and has a zero fund balance.

The 2023 Capital Projects Funds includes capital project activities funded with bonds. For these capital projects, the School District has complied with the applicable provisions of Section 1351a of the Revised School Code. The funds are not yet considered substantially complete, and a subsequent year audit is expected.

Q. GASB Statement No. 87 – Leases

It has been determined that the District has leases as defined by GASB Statement No. 87. However, the total of these leases has been determined they are not significant enough to warrant disclosure.

R. GASB Statement No. 96 – Subscription-based Information Technology Arrangements

It has been determined that the District has subscription-based information technology arrangements as defined by GASB Statement No. 96. However, the total of these subscription-based information technology arrangements has been determined they are not significant enough to warrant disclosure.

S. GASB Statement No. 77 (Tax Abatements)

It has been determined that the District has granted tax abatements as defined by GASB Statement No. 77. However, the total of these abatements is less than \$10,000, and it has been determined they are not significant enough to warrant disclosure.

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

T. Sinking Fund Tax Levy

In May 2023, the taxpayers approved a sinking fund tax levy. The District is authorized to levy 3.000 mills for nine years beginning with the 2023 tax roll. The transactions for the Sinking Fund are accounted for in a capital projects fund. For this fund, the District has complied with the applicable provisions of Section 1212 of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2023-1.

U. Other Information

1. Commitments and Contingencies

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required, and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District.

Prior to June 30, 2024, the District approved the purchase of the following:

- Track resurfacing and facilities improvements in the amount of \$964,470.

2. Subsequent Events

Subsequent to June 30, 2024, the following items are noted for disclosure:

- The District has applied for a State Aid Note in the amount of \$800,000 to help meet the District's cash flow needs for the beginning of the 2024-2025 fiscal year.

No adjustment was made to the financial statements for the year ending June 30, 2024 related to these subsequent events.

NOTE 4 – 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

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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.

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2024

| | GENERAL FUND | | | | FOOD SERVICE FUND | | | |
|--|---------------------|---------------------|---------------------|-------------------------------------|--------------------|-------------------|-------------------|-------------------------------------|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| REVENUES | | | | | | | | |
| Local Sources | \$ 2,159,066 | \$ 2,273,453 | \$ 2,314,912 | \$ 41,459 | \$ 57,800 | \$ 51,757 | \$ 54,712 | \$ 2,955 |
| State Sources | 10,674,923 | 11,957,257 | 11,928,100 | (29,157) | 180,712 | 195,774 | 210,898 | 15,124 |
| Federal Sources | 657,640 | 640,005 | 627,205 | (12,800) | 629,420 | 673,121 | 709,394 | 36,273 |
| Other Transactions | 305,421 | 489,454 | 509,518 | 20,064 | 0 | 0 | 0 | 0 |
| Total Revenues | 13,797,050 | 15,360,169 | 15,379,735 | 19,566 | 867,932 | 920,652 | 975,004 | 54,352 |
| EXPENDITURES | | | | | | | | |
| Instruction | | | | | | | | |
| Basic Programs | 7,323,973 | 7,887,068 | 7,675,637 | (211,431) | 0 | 0 | 0 | 0 |
| Added Needs | 1,158,110 | 1,244,470 | 1,189,901 | (54,569) | 0 | 0 | 0 | 0 |
| Supporting Services | | | | | | | | |
| Pupil Services | 477,932 | 556,000 | 548,493 | (7,507) | 0 | 0 | 0 | 0 |
| Instructional Staff | 738,992 | 624,470 | 623,857 | (613) | 0 | 0 | 0 | 0 |
| General Administration | 429,050 | 472,934 | 438,172 | (34,762) | 0 | 0 | 0 | 0 |
| School Administration | 712,834 | 734,686 | 734,344 | (342) | 0 | 0 | 0 | 0 |
| Business Services | 106,706 | 132,962 | 129,373 | (3,589) | 0 | 0 | 0 | 0 |
| Operation and Maintenance | 1,349,806 | 1,485,003 | 1,480,102 | (4,901) | 0 | 0 | 0 | 0 |
| Pupil Transportation Services | 964,078 | 961,449 | 933,529 | (27,920) | 0 | 0 | 0 | 0 |
| Central Services | 696,956 | 615,977 | 624,599 | 8,622 | 0 | 0 | 0 | 0 |
| Other Support Services | 383,595 | 422,779 | 461,832 | 39,053 | 0 | 0 | 0 | 0 |
| Food Services | 0 | 0 | 0 | 0 | 963,360 | 965,691 | 954,247 | (11,444) |
| Community Services | | | | | | | | |
| Community Services Direction | 995 | 1,300 | 1,115 | (185) | 0 | 0 | 0 | 0 |
| Community Activities | 2,107 | 2,750 | 2,336 | (414) | 0 | 0 | 0 | 0 |
| Welfare Activities | 765 | 1,000 | 791 | (209) | 0 | 0 | 0 | 0 |
| Non-Public School Pupils | 7,369 | 9,241 | 5,304 | (3,937) | 0 | 0 | 0 | 0 |
| Facilities Acquisition, Construction and Improvements | | | | | | | | |
| Building Improvements Services | 31,823 | 37,137 | 37,137 | 0 | 0 | 0 | 0 | 0 |
| Total Expenditures | 14,385,091 | 15,189,226 | 14,886,522 | (302,704) | 963,360 | 965,691 | 954,247 | (11,444) |
| Excess (Deficiency) of Revenues Over Expenditures | (588,041) | 170,943 | 493,213 | 322,270 | (95,428) | (45,039) | 20,757 | 65,796 |
| FUND BALANCE - Beginning of Year | 2,213,581 | 2,528,012 | 2,528,012 | 0 | 384,724 | 384,724 | 384,724 | 0 |
| FUND BALANCE - End of Year | <u>\$ 1,625,540</u> | <u>\$ 2,698,955</u> | <u>\$ 3,021,225</u> | <u>\$ 322,270</u> | <u>\$ 289,296</u> | <u>\$ 339,685</u> | <u>\$ 405,481</u> | <u>\$ 65,796</u> |

The notes to the financial statements are an integral part of this statement.

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)
JUNE 30, 2024

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| District's proportion of net pension liability (%) | 0.05949% | 0.05900% | 0.05938% | 0.05892% | 0.06017% | 0.06043% | 0.05884% | 0.05665% | 0.05442% | 0.05531% |
| District's proportionate share of net pension liability | \$ 19,254,592 | \$ 22,188,449 | \$ 14,057,979 | \$ 20,239,469 | \$ 19,927,043 | \$ 18,165,008 | \$ 15,248,534 | \$ 14,132,486 | \$ 13,292,256 | \$ 12,183,956 |
| District's covered payroll | 6,091,857 | 5,681,629 | 5,512,356 | 5,157,247 | 5,167,796 | 5,213,978 | 4,962,054 | 4,844,937 | 4,496,918 | 4,504,329 |
| District's proportionate share of net pension liability as a percentage of its covered payroll | 316.07% | 390.53% | 255.03% | 392.45% | 385.60% | 348.39% | 307.30% | 291.70% | 295.59% | 270.49% |
| Plan fiduciary net position as a percentage of total pension liability | 65.91% | 60.77% | 72.60% | 59.72% | 60.31% | 62.36% | 64.21% | 63.27% | 63.17% | 66.20% |

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS

MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

JUNE 30, 2024

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Statutorily required contributions | \$ 2,549,040 | \$ 2,177,971 | \$ 2,010,099 | \$ 1,786,127 | \$ 1,640,371 | \$ 1,626,148 | \$ 1,540,664 | \$ 1,359,980 | \$ 1,277,180 | \$ 1,037,422 |
| Contributions in relation to statutorily required contributions * | 2,549,040 | 2,177,971 | 2,010,099 | 1,786,127 | 1,640,371 | 1,626,148 | 1,540,664 | 1,359,980 | 1,277,180 | 1,037,422 |
| Contribution deficiency (excess) | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Covered Payroll | \$ 6,403,193 | \$ 6,162,726 | \$ 5,631,866 | \$ 5,361,961 | \$ 5,131,243 | \$ 5,183,057 | \$ 5,179,119 | \$ 4,862,456 | \$ 4,591,905 | \$ 4,554,825 |
| Contributions as a percentage of covered payroll | 39.81% | 35.34% | 35.69% | 33.31% | 31.97% | 31.37% | 29.75% | 27.97% | 27.81% | 22.78% |

* Contributions in relation to statutorily contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OTHER POSTEMPLOYMENT BENEFIT LIABILITY (ASSET)

MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)

JUNE 30, 2024

| | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | | | | | | |
|---|------|------|------|-----------|----------|-----------|----------|-----------|----------|-----------|----|-----------|----|-----------|----|-----------|
| District's proportion of net OPEB liability (asset) (%) | | | | 0.06107% | 0.05759% | 0.06022% | 0.05836% | 0.05927% | 0.06133% | 0.05865% | | | | | | |
| District's proportionate share of net OPEB liability (asset) | | | \$ | (345,768) | \$ | 1,219,770 | \$ | 919,152 | \$ | 3,126,434 | \$ | 4,254,526 | \$ | 4,874,958 | \$ | 5,193,635 |
| District's covered payroll | | | | 6,091,857 | | 5,681,629 | | 5,512,356 | | 5,157,247 | | 5,167,796 | | 5,213,978 | | 4,962,054 |
| District's proportionate share of net OPEB liability (asset) as a percentage of its covered payroll | | | | -5.68% | | 21.47% | | 16.67% | | 60.62% | | 82.33% | | 93.50% | | 104.67% |
| Plan fiduciary net position as a percentage of total OPEB liability (asset) | | | | 105.04% | | 83.09% | | 87.33% | | 59.44% | | 48.46% | | 42.95% | | 36.39% |

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2024

| | 2027 | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | | | | | |
|---|------|------|------|---------|-----------|---------|-----------|---------|-----------|---------|-----------|----|-----------|----|-----------|
| Statutorily required contributions | | | | \$ | 477,847 | \$ | 462,820 | \$ | 421,971 | \$ | 417,919 | \$ | 412,734 | \$ | 372,992 |
| Contributions in relation to statutorily required contributions * | | | | 477,847 | 462,820 | 421,971 | 426,646 | 417,919 | 412,734 | 372,992 | | | | | |
| Contribution deficiency (excess) | | | | \$ | 0 | \$ | 0 | \$ | 0 | \$ | 0 | \$ | 0 | \$ | 0 |
| Covered payroll | | | | \$ | 6,403,193 | \$ | 6,162,726 | \$ | 5,631,866 | \$ | 5,131,243 | \$ | 5,183,057 | \$ | 5,179,119 |
| Contributions as a percentage of covered payroll | | | | 7.46% | 7.51% | 7.49% | 7.96% | 8.14% | 7.96% | 7.20% | | | | | |

* Contributions in relation to statutorily contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2024

Pension Information

Changes of Benefit Terms - There were no changes of benefit terms for the plan year ended September 30, 2023.

Changes of Assumptions – The assumption changes for the plan year ended September 30, 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.

OPEB Information

Changes of Benefit Terms - There were no changes of benefit terms for the plan year ended September 30, 2023.

Changes of Assumptions – The assumption changes for the plan year ended September 30, 2023 were:

Healthcare cost trend rate

- Pre 65 decreased to 7.50% for year one graded to 3.50% for year fifteen from 7.75% for year one graded to 3.50% for year fifteen.
- 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.

MCBAIN RURAL AGRICULTURAL SCHOOL

MCBAIN, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2024

| | <u>SPECIAL REVENUE</u> | | <u>DEBT SERVICE</u> | |
|--|------------------------|-----------------|---------------------|---------------------|
| | | <u>SCHOOL</u> | <u>2023</u> | <u>TOTAL</u> |
| | <u>STUDENT</u> | <u>OPERATED</u> | <u>DEBT</u> | <u>NONMAJOR</u> |
| | <u>ACTIVITIES</u> | <u>PUBLIC</u> | <u>RETIREMENT</u> | <u>GOVERNMENTAL</u> |
| | <u>FUND</u> | <u>LIBRARY</u> | <u>FUND</u> | <u>FUNDS</u> |
| | <u>FUND</u> | <u>FUND</u> | <u>FUND</u> | <u>FUNDS</u> |
| <u>ASSETS</u> | | | | |
| Cash | \$ 148,184 | \$ 74,426 | \$ 70,197 | \$ 292,807 |
| Investments | 0 | 20,678 | 0 | 20,678 |
| Due from Other Funds | 0 | 0 | 60 | 60 |
| | | | | |
| TOTAL ASSETS | \$ 148,184 | \$ 95,104 | \$ 70,257 | \$ 313,545 |
| | | | | |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | |
| <u>LIABILITIES</u> | | | | |
| Accounts Payable | \$ 0 | \$ 643 | \$ 0 | \$ 643 |
| | | | | |
| <u>FUND BALANCE</u> | | | | |
| Restricted for: | | | | |
| Library Services | 0 | 94,461 | 0 | 94,461 |
| Debt Service | 0 | 0 | 70,257 | 70,257 |
| Committed for: | | | | |
| Student Activities | 148,184 | 0 | 0 | 148,184 |
| | | | | |
| Total Fund Balances | 148,184 | 94,461 | 70,257 | 312,902 |
| | | | | |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 148,184 | \$ 95,104 | \$ 70,257 | \$ 313,545 |

The notes to the financial statements are an integral part of this statement.

MCBAIN RURAL AGRICULTURAL SCHOOL

MCBAIN, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2024

| | <u>SPECIAL REVENUE</u> | | <u>DEBT SERVICE</u> | |
|---|------------------------|-----------------|---------------------|---------------------|
| | | <u>SCHOOL</u> | <u>2023</u> | |
| | <u>STUDENT</u> | <u>OPERATED</u> | <u>DEBT</u> | <u>TOTAL</u> |
| | <u>ACTIVITIES</u> | <u>PUBLIC</u> | <u>RETIREMENT</u> | <u>NONMAJOR</u> |
| | <u>FUND</u> | <u>LIBRARY</u> | <u>FUND</u> | <u>GOVERNMENTAL</u> |
| | | <u>FUND</u> | | <u>FUNDS</u> |
| <u>REVENUES</u> | | | | |
| Local Sources | \$ 267,795 | \$ 5,469 | \$ 321,514 | \$ 594,778 |
| Non-Educational Entity or Political | | | | |
| Subdivision Sources | 0 | 18,366 | 0 | 18,366 |
| State Sources | 0 | 2,919 | 0 | 2,919 |
| | | | | |
| Total Revenues | 267,795 | 26,754 | 321,514 | 616,063 |
| <u>EXPENDITURES</u> | | | | |
| Supporting Services | 277,618 | 0 | 0 | 277,618 |
| Public Library | 0 | 14,161 | 0 | 14,161 |
| Debt Service | | 0 | 251,257 | 251,257 |
| | | | | |
| Total Expenditures | 277,618 | 14,161 | 251,257 | 543,036 |
| | | | | |
| Excess (Deficiency) of Revenues | | | | |
| Over Expenditures | (9,823) | 12,593 | 70,257 | 73,027 |
| | | | | |
| <u>FUND BALANCE</u> - Beginning of Year | 158,007 | 81,868 | 0 | 239,875 |
| | | | | |
| <u>FUND BALANCE</u> - End of Year | \$ 148,184 | \$ 94,461 | \$ 70,257 | \$ 312,902 |

The notes to the financial statements are an integral part of this statement.

MCBAIN RURAL AGRICULTURAL SCHOOL

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE BALANCE SHEET

JUNE 30,

| | 2024 | 2023 |
|--|---------------------|---------------------|
| <u>ASSETS</u> | | |
| Cash | \$ 428,556 | \$ 474,550 |
| Investments | 1,947,699 | 2,180,765 |
| Accounts Receivable | 40,541 | 7,422 |
| Due from Other Funds | 0 | 704 |
| Due from Other Governments | 2,348,687 | 2,185,136 |
| Prepaid Expenditures | 23,761 | 18,448 |
| | | |
| TOTAL ASSETS | <u>\$ 4,789,244</u> | <u>\$ 4,867,025</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| <u>LIABILITIES</u> | | |
| Accounts Payable | \$ 101,642 | \$ 6,696 |
| Due to Other Funds | 781 | 0 |
| Accrued Expenditures | 447,522 | 505,542 |
| Salaries Payable | 482,151 | 447,985 |
| Notes Payable | 283,333 | 1,000,000 |
| Accrued Interest | 7,678 | 26,000 |
| Unearned Revenue | 444,912 | 352,790 |
| | | |
| Total Liabilities | <u>1,768,019</u> | <u>2,339,013</u> |
| <u>FUND BALANCE</u> | | |
| Nonspendable | | |
| Prepaid Expenditures | 23,761 | 18,448 |
| Assigned for Subsequent Years Budget Shortfall | 0 | 588,041 |
| Unassigned | 2,997,464 | 1,921,523 |
| | | |
| Total Fund Balance | <u>3,021,225</u> | <u>2,528,012</u> |
| | | |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 4,789,244</u> | <u>\$ 4,867,025</u> |

MCBAIN RURAL AGRICULTURAL SCHOOL

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

| | 2024 | 2023 |
|--|--------------|--------------|
| <u>REVENUES</u> | | |
| Local Sources | \$ 2,314,912 | \$ 2,209,218 |
| State Sources | 11,928,100 | 10,876,982 |
| Federal Sources | 627,205 | 1,250,385 |
| Other Transactions | 509,518 | 293,336 |
| Total Revenues | 15,379,735 | 14,629,921 |
| <u>EXPENDITURES</u> | | |
| Instruction | | |
| Basic Programs | | |
| Elementary | 3,515,165 | 3,490,798 |
| Middle School | 1,680,333 | 1,610,205 |
| High School | 1,941,868 | 1,900,779 |
| Pre-School | 524,036 | 421,029 |
| Summer School | 14,235 | 6,618 |
| Added Needs | | |
| Special Education | 873,067 | 686,244 |
| Compensatory Education | 316,834 | 290,328 |
| Supporting Services | | |
| Pupil Services | | |
| Guidance Services | 146,478 | 108,955 |
| Health Services | 76,749 | 772 |
| Social Work Services | 309,155 | 265,513 |
| Other Pupil Services | 16,111 | 13,486 |
| Instructional Staff | | |
| Improvement of Instruction | 184,941 | 216,278 |
| Educational Media Services | 168,177 | 185,605 |
| Instruction Related Technology | 169,592 | 292,813 |
| Supervision and Direction of Instructional Staff | 88,899 | 150,423 |
| Academic Student Assessment | 12,248 | 13,680 |
| General Administration | | |
| Board of Education | 95,633 | 133,402 |
| Executive Administration | 342,539 | 309,353 |
| School Administration | | |
| Office of the Principal | | |
| Elementary | 255,222 | 232,522 |
| Middle School | 216,171 | 210,220 |
| High School | 262,951 | 264,076 |

MCBAIN RURAL AGRICULTURAL SCHOOL

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

| | 2024 | 2023 |
|--|--------------|--------------|
| Business Services | | |
| Fiscal Services | 95,781 | 108,666 |
| Other Business Services | 33,592 | 29,000 |
| Operation and Maintenance | | |
| Operating Buildings Services | 1,279,653 | 1,361,544 |
| Safety and Security | 200,449 | 119,949 |
| Pupil Transportation Services | | |
| Pupil Transportation Services | 933,529 | 994,168 |
| Central Services | | |
| Non-Instructional Technology Services | 548,185 | 463,038 |
| Other Central Services | 76,414 | 57,820 |
| Other Support Services | | |
| Athletic Activities | 461,832 | 370,469 |
| Community Services | | |
| Community Services Direction | 1,115 | 0 |
| Community Activities | 2,336 | 378 |
| Welfare Activities | 791 | 1,677 |
| Non-Public School Pupils | 5,304 | 15,414 |
| Facilities Acquisition, Construction, and Improvements | | |
| Building Improvements Services | 37,137 | 49,414 |
| Total Expenditures | 14,886,522 | 14,374,636 |
| Excess (Deficiency) of Revenues Over Expenditures | 493,213 | 255,285 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | |
| Transfer In/(Out) | 0 | 37,133 |
| Net Change in Fund Balance | 493,213 | 292,418 |
| <u>FUND BALANCE</u> - Beginning of Year | 2,528,012 | 2,235,594 |
| <u>FUND BALANCE</u> - End of Year | \$ 3,021,225 | \$ 2,528,012 |

MCBAIN RURAL AGRICULTURAL SCHOOL

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF REVENUES

YEAR ENDED JUNE 30,

| | 2024 | 2023 |
|--|---------------|---------------|
| <u>LOCAL SOURCES</u> | | |
| Property Tax Levy | \$ 1,700,994 | \$ 1,657,489 |
| Earnings on Investments and Deposits | 79,385 | 50,268 |
| Other Local Revenues | | |
| Athletics | 47,387 | 38,259 |
| Rentals | 13,272 | 7,000 |
| Miscellaneous | 473,874 | 456,202 |
| Total Local Sources | 2,314,912 | 2,209,218 |
| <u>STATE SOURCES</u> | | |
| Grants-In-Aid | | |
| Received through the State | | |
| State Aid Foundation | 11,193,606 | 10,151,545 |
| At Risk | 506,613 | 550,666 |
| Special Education | 227,881 | 174,771 |
| Total State Sources | 11,928,100 | 10,876,982 |
| <u>FEDERAL SOURCES</u> | | |
| Grant-In-Aid Restricted | | |
| Received through the State | | |
| Title I | 145,868 | 165,142 |
| Title II Part A | 28,275 | 28,100 |
| Title IV | 7,028 | 9,623 |
| ESSER | 389,186 | 677,451 |
| Child Care Stabilization | 0 | 190,870 |
| 98C Learning Loss | 9,950 | 42,279 |
| Emergency Connectivity | 0 | 64,000 |
| Received through Other Districts | | |
| GSRP | 0 | 34,144 |
| Title III | 3,467 | 2,736 |
| IDEA Grant | 6,660 | 6,399 |
| E-Rate | 29,290 | 24,774 |
| Medicaid Outreach | 7,481 | 4,867 |
| Total Federal Sources | 627,205 | 1,250,385 |
| <u>OTHER TRANSACTIONS</u> | | |
| Transfers from Other Governmental Units | | |
| Wexford-Missaukee Intermediate School District | | |
| Medicaid Caseload Coordination | 36,466 | 35,789 |
| Special Education | 161,624 | 153,383 |
| GSRP | 226,556 | 82,137 |
| PPI Transportation | 9,971 | 10,443 |
| Prior Period Adjustment | 13,002 | 11,554 |
| Sale of Fixed Assets | 61,899 | 30 |
| Total Other Transactions | 509,518 | 293,336 |
| TOTAL REVENUES | \$ 15,379,735 | \$ 14,629,921 |

MCBAIN RURAL AGRICULTURAL SCHOOL

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED JUNE 30,

| | 2024 | 2023 |
|------------------------|--------------|--------------|
| <u>INSTRUCTION</u> | | |
| <u>Basic Programs</u> | | |
| <u>Elementary</u> | | |
| Salaries | \$ 1,740,540 | \$ 1,664,198 |
| Employee Benefits | 1,448,548 | 1,566,768 |
| Purchased Services | 83,189 | 17,865 |
| Supplies and Materials | 242,387 | 239,798 |
| Other Expense | 501 | 2,169 |
| Total Elementary | 3,515,165 | 3,490,798 |
| <u>Middle School</u> | | |
| Salaries | 914,637 | 858,003 |
| Employee Benefits | 720,166 | 733,530 |
| Purchased Services | 25,151 | 9,807 |
| Supplies and Materials | 18,001 | 8,295 |
| Other Expense | 2,378 | 570 |
| Total Middle School | 1,680,333 | 1,610,205 |
| <u>High School</u> | | |
| Salaries | 948,530 | 890,192 |
| Employee Benefits | 740,777 | 743,466 |
| Purchased Services | 112,913 | 117,554 |
| Supplies and Materials | 127,513 | 138,424 |
| Capital Outlay | 7,317 | 1,357 |
| Other Expense | 4,818 | 9,786 |
| Total High School | 1,941,868 | 1,900,779 |
| <u>Pre-School</u> | | |
| Salaries | 50,152 | 41,475 |
| Employee Benefits | 34,427 | 31,535 |
| Purchased Services | 420,569 | 311,972 |
| Supplies and Materials | 4,522 | 14,721 |
| Capital Outlay | 2,631 | 7,394 |
| Other Expense | 11,735 | 13,932 |
| Total Pre-School | 524,036 | 421,029 |

MCBAIN RURAL AGRICULTURAL SCHOOL

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED JUNE 30,

| | 2024 | 2023 |
|-------------------------------|---------|---------|
| <u>Summer School</u> | | |
| Salaries | 8,731 | 4,368 |
| Employee Benefits | 4,684 | 2,250 |
| Purchased Services | 405 | 0 |
| Supplies and Materials | 415 | 0 |
| Total Summer School | 14,235 | 6,618 |
| <u>Added Needs</u> | | |
| <u>Special Education</u> | | |
| Salaries | 517,089 | 410,666 |
| Employee Benefits | 355,577 | 275,578 |
| Supplies and Materials | 401 | 0 |
| Total Special Education | 873,067 | 686,244 |
| <u>Compensatory Education</u> | | |
| Salaries | 168,504 | 169,634 |
| Employee Benefits | 115,153 | 102,677 |
| Purchased Services | 25,105 | 4,500 |
| Supplies and Materials | 8,072 | 7,758 |
| Other Supplies | 0 | 5,759 |
| Total Compensatory Education | 316,834 | 290,328 |
| <u>SUPPORTING SERVICES</u> | | |
| <u>Pupil Services</u> | | |
| <u>Guidance Services</u> | | |
| Salaries | 69,421 | 57,318 |
| Employee Benefits | 61,771 | 51,191 |
| Purchased Services | 6,016 | 446 |
| Supplies and Materials | 9,270 | 0 |
| Total Guidance Services | 146,478 | 108,955 |
| <u>Health Services</u> | | |
| Purchased Services | 11,194 | 0 |
| Supplies and Materials | 16,335 | 772 |
| Capital Outlay | 49,220 | 0 |
| Total Health Services | 76,749 | 772 |
| <u>Social Work Services</u> | | |
| Salaries | 165,978 | 132,544 |
| Employee Benefits | 141,161 | 129,259 |
| Purchased Services | 0 | 3,710 |
| Supplies and Materials | 2,016 | 0 |
| Total Social Work Services | 309,155 | 265,513 |

MCBAIN RURAL AGRICULTURAL SCHOOL

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED JUNE 30,

| | 2024 | 2023 |
|---|---------|---------|
| <u>Other Pupil Services</u> | | |
| Salaries | 7,785 | 7,550 |
| Employee Benefits | 4,298 | 3,934 |
| Supplies | 4,028 | 2,002 |
| Total Other Pupil Services | 16,111 | 13,486 |
| <u>Instructional Staff</u> | | |
| <u>Improvement of Instruction</u> | | |
| Salaries | 104,926 | 59,713 |
| Employee Benefits | 59,498 | 55,831 |
| Purchased Services | 13,378 | 92,358 |
| Supplies and Materials | 7,139 | 8,376 |
| Total Improvement of Instruction | 184,941 | 216,278 |
| <u>Educational Media Services</u> | | |
| Salaries | 74,946 | 76,029 |
| Employee Benefits | 63,616 | 57,683 |
| Purchased Services | 8,657 | 7,151 |
| Supplies and Materials | 20,958 | 35,506 |
| Capital Outlay | 0 | 9,236 |
| Total Educational Media Services | 168,177 | 185,605 |
| <u>Instruction Related Technology</u> | | |
| Purchased Services | 158,831 | 232,783 |
| Supplies and Materials | 10,761 | 29,042 |
| Capital Outlay | 0 | 30,988 |
| Total Instruction Related Technology | 169,592 | 292,813 |
| <u>Supervision and Direction of Instructional Staff</u> | | |
| Salaries | 47,438 | 82,520 |
| Employee Benefits | 39,390 | 67,903 |
| Supplies and Materials | 2,071 | 0 |
| Total Supervision and Direction of Instructional Staff | 88,899 | 150,423 |
| <u>Academic Student Assessment</u> | | |
| Purchased Services | 12,248 | 13,680 |

MCBAIN RURAL AGRICULTURAL SCHOOL

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED JUNE 30,

| | 2024 | 2023 |
|--|---------|---------|
| <u>General Administrative Services</u> | | |
| <u>Board of Education</u> | | |
| Salaries | 3,850 | 3,850 |
| Employee Benefits | 1,220 | 344 |
| Purchased Services | 73,698 | 70,819 |
| Supplies and Materials | 0 | 1,199 |
| Other Expense | 16,865 | 57,190 |
| Total Board of Education | 95,633 | 133,402 |
| <u>Executive Administration</u> | | |
| Salaries | 179,678 | 168,544 |
| Employee Benefits | 140,831 | 131,157 |
| Purchased Services | 463 | 710 |
| Supplies and Materials | 14,515 | 3,807 |
| Other Expense | 7,052 | 5,135 |
| Total Executive Administration | 342,539 | 309,353 |
| <u>School Administrative Services</u> | | |
| <u>Office of the Principal - Elementary</u> | | |
| Salaries | 141,741 | 130,574 |
| Employee Benefits | 106,889 | 96,193 |
| Purchased Services | 162 | 3,048 |
| Supplies and Materials | 5,395 | 2,387 |
| Other Expense | 1,035 | 320 |
| Total Office of the Principal - Elementary | 255,222 | 232,522 |
| <u>Office of the Principal - Middle School</u> | | |
| Salaries | 118,639 | 116,315 |
| Employee Benefits | 92,121 | 91,136 |
| Purchased Services | 782 | 2,624 |
| Supplies and Materials | 4,629 | 95 |
| Other Expense | 0 | 50 |
| Total Office of the Principal - Middle School | 216,171 | 210,220 |

MCBAIN RURAL AGRICULTURAL SCHOOL

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED JUNE 30,

| | 2024 | 2023 |
|--|-----------|-----------|
| <u>Office of the Principal - High School</u> | | |
| Salaries | 138,905 | 149,635 |
| Employee Benefits | 116,040 | 110,754 |
| Purchased Services | 1,493 | 2,192 |
| Supplies and Materials | 5,928 | 879 |
| Other Expense | 585 | 616 |
| Total Office of the Principal - High School | 262,951 | 264,076 |
| <u>Business Services</u> | | |
| <u>Fiscal Services</u> | | |
| Salaries | 0 | 21,398 |
| Employee Benefits | 0 | 11,952 |
| Purchased Services | 94,089 | 73,766 |
| Supplies and Materials | 189 | 385 |
| Other Expenses | 1,503 | 1,165 |
| Total Fiscal Services | 95,781 | 108,666 |
| <u>Other Business Services</u> | | |
| Other Expenses | 33,592 | 29,000 |
| Total Other Business Services | 33,592 | 29,000 |
| <u>Operation and Maintenance of Plant</u> | | |
| <u>Operating Buildings Services</u> | | |
| Salaries | 360,572 | 343,865 |
| Employee Benefits | 316,858 | 334,497 |
| Purchased Services | 299,594 | 303,868 |
| Supplies and Materials | 279,855 | 313,697 |
| Capital Outlay | 22,774 | 64,006 |
| Other Expenses | 0 | 1,611 |
| Total Operating Buildings Services | 1,279,653 | 1,361,544 |
| <u>Safety and Security</u> | | |
| Salaries | 52,160 | 44,176 |
| Employee Benefits | 50,731 | 43,172 |
| Purchased Services | 30,259 | 18,968 |
| Supplies and Materials | 12,525 | 12,998 |
| Capital Outlay | 54,774 | 0 |
| Other Expenses | 0 | 635 |
| Total Safety and Security | 200,449 | 119,949 |

MCBAIN RURAL AGRICULTURAL SCHOOL

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED JUNE 30,

| | <u>2024</u> | <u>2023</u> |
|--|----------------|----------------|
| <u>Pupil Transportation Services</u> | | |
| <u>Pupil Transportation Services</u> | | |
| Salaries | 341,152 | 332,299 |
| Employee Benefits | 388,533 | 438,012 |
| Purchased Services | 51,465 | 37,223 |
| Supplies and Materials | 146,244 | 179,083 |
| Capital Outlay | 0 | 0 |
| Other Expense | 6,135 | 7,551 |
| Total Pupil Transportation Services | <u>933,529</u> | <u>994,168</u> |
| <u>Central Services</u> | | |
| <u>Non-Instructional Technology Services</u> | | |
| Salaries | 215,240 | 212,870 |
| Employee Benefits | 167,967 | 155,813 |
| Purchased Services | 30,760 | 7,751 |
| Supplies and Materials | 108,822 | 77,003 |
| Capital Outlay | 20,512 | 0 |
| Other Expenses | 4,884 | 9,601 |
| Total Non-Instructional Technology Services | <u>548,185</u> | <u>463,038</u> |
| <u>Other Central Services</u> | | |
| Purchased Services | 68,154 | 44,490 |
| Supplies and Materials | 8,260 | 13,330 |
| Total Other Central Services | <u>76,414</u> | <u>57,820</u> |
| <u>Other Support Services</u> | | |
| <u>Athletic Activities</u> | | |
| Salaries | 187,408 | 179,400 |
| Employee Benefits | 118,125 | 114,283 |
| Purchased Services | 47,730 | 36,417 |
| Supplies and Materials | 29,006 | 29,416 |
| Capital Outlay | 67,480 | 2,823 |
| Other Expense | 12,083 | 8,130 |
| Total Athletic Activities | <u>461,832</u> | <u>370,469</u> |
| <u>COMMUNITY SERVICES</u> | | |
| <u>Community Services Direction</u> | | |
| Supplies and Materials | <u>1,115</u> | <u>0</u> |
| <u>Community Activities</u> | | |
| Supplies and Materials | 1,846 | 0 |
| Other Expense | 490 | 378 |
| Total Community Activities | <u>2,336</u> | <u>378</u> |

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

GENERAL FUND
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED JUNE 30,

| | <u>2024</u> | <u>2023</u> |
|---|---------------------------------|---------------------------------|
| <u>Welfare Activities</u> | | |
| Supplies and Materials | <u>791</u> | <u>1,677</u> |
| <u>Non-Public School Pupils</u> | | |
| Purchased Services | <u>5,304</u> | <u>15,414</u> |
| <u>FACILITIES ACQUISITION, CONSTRUCTION</u> | | |
| <u>AND IMPROVEMENTS</u> | | |
| <u>Building Improvements Services</u> | | |
| Supplies and Materials | 37,137 | 0 |
| Capital Outlay | <u>0</u> | <u>49,414</u> |
| Total Building Improvements Services | <u>37,137</u> | <u>49,414</u> |
| TOTAL EXPENDITURES | <u><u>\$ 14,886,522</u></u> | <u><u>\$ 14,374,636</u></u> |

MCBAIN RURAL AGRICULTURAL SCHOOL

MCBAIN, MICHIGAN

FOOD SERVICE FUND

COMPARATIVE BALANCE SHEET

JUNE 30,

| | 2024 | 2023 |
|-------------------------------------|-------------------|-------------------|
| <u>ASSETS</u> | | |
| Cash | \$ 32,927 | \$ 95,121 |
| Investments | 282,428 | 276,794 |
| Accounts Receivable | 1,391 | 1,389 |
| Due from Other Governments | 112,585 | 10,460 |
| Prepaid Expenditures | 0 | 24,106 |
| Inventory | 5,613 | 2,893 |
| | | |
| TOTAL ASSETS | <u>\$ 434,944</u> | <u>\$ 410,763</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| <u>LIABILITIES</u> | | |
| Accounts Payable | \$ 11,767 | \$ 24,747 |
| Salaries Payable | 1,326 | 384 |
| Accrued Expenditures | 16,370 | 204 |
| Due to Other Funds | 0 | 704 |
| | | |
| Total Liabilities | <u>29,463</u> | <u>26,039</u> |
| <u>FUND BALANCE</u> | | |
| Nonspendable | | |
| Prepaid Expenditures | 0 | 24,106 |
| Inventory | 5,613 | 2,893 |
| Restricted for Food Service | 399,868 | 357,725 |
| | | |
| Total Fund Balance | <u>405,481</u> | <u>384,724</u> |
| | | |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 434,944</u> | <u>\$ 410,763</u> |

MCBAIN RURAL AGRICULTURAL SCHOOL

MCBAIN, MICHIGAN

FOOD SERVICE FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

| | 2024 | 2023 |
|---|------------|------------|
| <u>REVENUES</u> | | |
| Local Sources | | |
| Earnings on Investments and Deposits | \$ 13,207 | \$ 9,491 |
| Food Sales | 41,505 | 149,543 |
| Miscellaneous | 0 | 346 |
| State Sources | | |
| State Aid - Regular | 210,898 | 21,507 |
| Federal Sources | | |
| Federal Aid | 659,909 | 501,206 |
| U.S.D.A. Donated Commodities | 49,485 | 47,133 |
| | | |
| Total Revenues | 975,004 | 729,226 |
| <u>EXPENDITURES</u> | | |
| Food Services | | |
| Salaries | 150,292 | 139,119 |
| Employee Benefits | 163,834 | 127,033 |
| Purchased Services | 25,959 | 12,636 |
| Supplies and Materials | 510,622 | 388,714 |
| Capital Outlay | 102,459 | 23,393 |
| Other Expenses | 1,081 | 533 |
| | | |
| Total Expenditures | 954,247 | 691,428 |
| | | |
| Excess (Deficiency) of Revenues Over Expenditures | 20,757 | 37,798 |
| <u>FUND BALANCE - Beginning of Year</u> | 384,724 | 346,926 |
| | | |
| <u>FUND BALANCE - End of Year</u> | \$ 405,481 | \$ 384,724 |

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

STUDENT ACTIVITIES FUND
BALANCE SHEET

JUNE 30,

| | <u>2024</u> | <u>2023</u> |
|-------------------------------------|------------------|------------------|
| <u>ASSETS</u> | | |
| Cash | \$ 148,184 | \$ 158,007 |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| <u>LIABILITIES</u> | \$ 0 | \$ 0 |
| <u>FUND BALANCE</u> | | |
| Committed for Student Activities | 148,184 | 158,007 |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 148,184 | \$ 158,007 |

MCBAIN RURAL AGRICULTURAL SCHOOL

MCBAIN, MICHIGAN

STUDENT ACTIVITIES FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

| | <u>2024</u> | <u>2023</u> |
|---|-------------------|-------------------|
| <u>REVENUES</u> | | |
| Local Sources | | |
| Other Student Activity Income | \$ 267,795 | \$ 352,930 |
| <u>EXPENDITURES</u> | | |
| Supporting Services | | |
| Other Support Services | 277,618 | 353,167 |
| Excess (Deficiency) of Revenues Over Expenditures | (9,823) | (237) |
| <u>FUND BALANCE - Beginning of Year</u> | 158,007 | 158,244 |
| <u>FUND BALANCE - End of Year</u> | <u>\$ 148,184</u> | <u>\$ 158,007</u> |

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

SCHOOL OPERATED PUBLIC LIBRARY FUND
COMPARATIVE BALANCE SHEET

JUNE 30,

| | <u>2024</u> | <u>2023</u> |
|---|----------------------|----------------------|
| <u>ASSETS</u> | | |
| Cash | \$ 74,426 | \$ 69,056 |
| Investments | <u>20,678</u> | <u>13,905</u> |
| TOTAL ASSETS | <u>\$ 95,104</u> | <u>\$ 82,961</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| <u>LIABILITIES</u> | | |
| Accounts Payable | \$ 643 | \$ 1,093 |
| <u>FUND BALANCE</u> | | |
| Restricted for Library Services | <u>94,461</u> | <u>81,868</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 95,104</u> | <u>\$ 82,961</u> |

MCBAIN RURAL AGRICULTURAL SCHOOL

MCBAIN, MICHIGAN

SCHOOL OPERATED PUBLIC LIBRARY FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

| | 2024 | 2023 |
|---|-----------|-----------|
| <u>REVENUES</u> | | |
| Local Sources | | |
| Earnings on Investments and Deposits | \$ 2,495 | \$ 996 |
| Donations | 1,600 | 2,459 |
| Miscellaneous | 1,374 | 581 |
| Non-Educational Entity or Political Subdivision Sources | | |
| Penal Fines | 18,366 | 20,375 |
| State Sources | | |
| Library State Aid | 2,919 | 2,874 |
| | | |
| Total Revenues | 26,754 | 27,285 |
| <u>EXPENDITURES</u> | | |
| Public Library | | |
| Purchased Services | 3,225 | 1,003 |
| Supplies and Materials | 9,599 | 13,120 |
| Other Expenditures | 1,337 | 495 |
| | | |
| Total Expenditures | 14,161 | 14,618 |
| | | |
| Excess (Deficiency) of Revenues Over Expenditures | 12,593 | 12,667 |
| <u>FUND BALANCE</u> - Beginning of Year | 81,868 | 69,201 |
| | | |
| <u>FUND BALANCE</u> - End of Year | \$ 94,461 | \$ 81,868 |

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

2023 DEBT SERVICE FUND
COMPARATIVE BALANCE SHEET

JUNE 30,

| | <u>2024</u> | <u>2023</u> |
|---------------------------------------|------------------|-------------|
| <u>ASSETS</u> | | |
| Cash | \$ 70,197 | \$ 0 |
| Due from Other Funds | <u>60</u> | <u>0</u> |
| TOTAL ASSETS | <u>\$ 70,257</u> | <u>\$ 0</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| <u>LIABILITIES</u> | \$ 0 | \$ 0 |
| <u>FUND BALANCE</u> | | |
| Restricted for Debt Service | <u>70,257</u> | <u>0</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 70,257</u> | <u>\$ 0</u> |

MCBAIN RURAL AGRICULTURAL SCHOOL

MCBAIN, MICHIGAN

2023 DEBT SERVICE FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

| | <u>2024</u> | <u>2023</u> |
|---|------------------|-------------|
| <u>REVENUES</u> | | |
| Local Sources | | |
| Property Tax Levy | \$ 321,498 | \$ 0 |
| Earnings on Investments and Deposits | 16 | 0 |
| State Revenue | 0 | 0 |
| | | |
| Total Revenues | <u>321,514</u> | <u>0</u> |
| <u>EXPENDITURES</u> | | |
| Debt Service | | |
| Bond Principal | 185,000 | 0 |
| Bond Interest | 66,257 | 0 |
| | | |
| Total Expenditures | <u>251,257</u> | <u>0</u> |
| | | |
| Excess (Deficiency) of Revenues | | |
| Over Expenditures | 70,257 | 0 |
| | | |
| <u>FUND BALANCE</u> - Beginning of Year | <u>0</u> | <u>0</u> |
| | | |
| <u>FUND BALANCE</u> - End of Year | <u>\$ 70,257</u> | <u>\$ 0</u> |

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

CAPITAL PROJECT FUND
COMPARATIVE BALANCE SHEET

JUNE 30,

| | <u>2024</u> | <u>2023</u> |
|-------------------------------------|-------------------|-------------------|
| <u>ASSETS</u> | | |
| Investments | <u>\$ 621,316</u> | <u>\$ 589,868</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| <u>LIABILITIES</u> | \$ 0 | \$ 0 |
| <u>FUND BALANCE</u> | | |
| Committed for Capital Projects | <u>621,316</u> | <u>589,868</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 621,316</u> | <u>\$ 589,868</u> |

MCBAIN RURAL AGRICULTURAL SCHOOL

MCBAIN, MICHIGAN

CAPITAL PROJECT FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

| | <u>2024</u> | <u>2023</u> |
|---|-------------|-------------|
| <u>REVENUES</u> | | |
| Local Sources | | |
| Earnings on Investments and Deposits | \$ 32,548 | \$ 22,568 |
| <u>EXPENDITURES</u> | | |
| Facilities Acquisition, Construction and Improvements | | |
| Site Improvement Services | 1,100 | 10,003 |
| Excess (Deficiency) of Revenues Over Expenditures | 31,448 | 12,565 |
| <u>FUND BALANCE</u> - Beginning of Year | 589,868 | 577,303 |
| <u>FUND BALANCE</u> - End of Year | \$ 621,316 | \$ 589,868 |

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

EARLY LEARNING CENTER CAPITAL PROJECT FUND
COMPARATIVE BALANCE SHEET

JUNE 30,

| | <u>2024</u> | <u>2023</u> |
|-------------------------------------|-------------|-------------|
| <u>ASSETS</u> | | |
| Restricted Cash | \$ 0 | \$ 8,104 |
| | | |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| <u>LIABILITIES</u> | \$ 0 | \$ 0 |
| | | |
| <u>FUND BALANCE</u> | | |
| Restricted for Capital Projects | 0 | 8,104 |
| | | |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 0 | \$ 8,104 |

MCBAIN RURAL AGRICULTURAL SCHOOL

MCBAIN, MICHIGAN

EARLY LEARNING CENTER CAPITAL PROJECT FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

| | <u>2024</u> | <u>2023</u> |
|---|-------------|-------------|
| <u>REVENUES</u> | | |
| Local Sources | | |
| Earnings on Investments and Deposits | \$ 122 | \$ 68 |
| <u>EXPENDITURES</u> | | |
| Facilities Acquisition, Construction and Improvements | | |
| Building Improvements Services | 8,226 | 35,758 |
| Net Change in Fund Balance | (8,104) | (35,690) |
| <u>FUND BALANCE</u> - Beginning of Year | 8,104 | 43,794 |
| <u>FUND BALANCE</u> - End of Year | \$ 0 | \$ 8,104 |

MCBAIN RURAL AGRICULTURAL SCHOOL

MCBAIN, MICHIGAN

2023 CAPITAL PROJECT FUND
COMPARATIVE BALANCE SHEET

JUNE 30,

| | 2024 | 2023 |
|---|---------------------|-------------|
| <u>ASSETS</u> | | |
| Restricted Cash | \$ 309,233 | \$ 0 |
| Restricted Investments | 1,030,924 | 0 |
| Due from Other Funds | 123,237 | 0 |
| | | |
| TOTAL ASSETS | <u>\$ 1,463,394</u> | <u>\$ 0</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| <u>LIABILITIES</u> | | |
| Accounts Payable | \$ 246,689 | \$ 0 |
| | | |
| <u>FUND BALANCE</u> | | |
| Restricted for Capital Projects | 1,216,705 | 0 |
| | | |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 1,463,394</u> | <u>\$ 0</u> |

MCBAIN RURAL AGRICULTURAL SCHOOL

MCBAIN, MICHIGAN

2023 CAPITAL PROJECT FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

| | <u>2024</u> | <u>2023</u> |
|--|--------------|-------------|
| <u>REVENUES</u> | | |
| Local Sources | | |
| Earnings on Investments and Deposits | \$ 31,408 | \$ 0 |
| <u>EXPENDITURES</u> | | |
| Facilities Acquisition, Construction and Improvements | | |
| Site Improvement Services | 476,771 | 0 |
| Architecture and Engineering Services | 46,670 | 0 |
| Other Facilities Acquisition and Construction Services | 465,082 | 0 |
| Total Expenditures | 988,523 | 0 |
| Excess of Revenues Over (Under) Expenditures | (957,115) | 0 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | |
| Premium on Bonds Issued | 143,820 | 0 |
| Face Value of Bonds Issued | 2,030,000 | 0 |
| Total Other Financing Sources (Uses) | 2,173,820 | |
| Net Change in Fund Balance | 1,216,705 | 0 |
| <u>FUND BALANCE</u> - Beginning of Year | 0 | 0 |
| <u>FUND BALANCE</u> - End of Year | \$ 1,216,705 | \$ 0 |

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

SINKING FUND
COMPARATIVE BALANCE SHEET

JUNE 30,

| | <u>2024</u> | <u>2023</u> |
|-------------------------------------|-------------------|-------------|
| <u>ASSETS</u> | | |
| Cash | \$ 910,440 | \$ 0 |
| Due from Other Funds | 721 | 0 |
| | | |
| TOTAL ASSETS | <u>\$ 911,161</u> | <u>\$ 0</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| <u>LIABILITIES</u> | | |
| Accounts and Retainage Payable | \$ 134,680 | \$ 0 |
| Due to Other Funds | 123,237 | 0 |
| | | |
| Total Liabilities | 257,917 | 0 |
| <u>FUND BALANCE</u> | | |
| Restricted for Capital Projects | 653,244 | 0 |
| | | |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 911,161</u> | <u>\$ 0</u> |

MCBAIN RURAL AGRICULTURAL SCHOOL

MCBAIN, MICHIGAN

SINKING FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

| | 2024 | 2023 |
|---|------------|------|
| <u>REVENUES</u> | | |
| Local Sources | | |
| Property Tax Levy | \$ 964,535 | \$ 0 |
| Earnings on Investments and Deposits | 1,474 | 0 |
| Total Revenues | 966,009 | 0 |
| <u>EXPENDITURES</u> | | |
| Facilities Acquisition, Construction and Improvements | | |
| Architecture and Engineering Services | 32,018 | 0 |
| Building Improvements Services | 280,747 | 0 |
| Total Expenditures | 312,765 | 0 |
| Excess of Revenues Over (Under) Expenditures | 653,244 | 0 |
| <u>FUND BALANCE</u> - Beginning of Year | 0 | 0 |
| <u>FUND BALANCE</u> - End of Year | \$ 653,244 | \$ 0 |

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

To the Board of Education
McBain Rural Agricultural School
McBain, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McBain Rural Agricultural School, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise McBain Rural Agricultural School's basic financial statements, and have issued our report thereon dated August 31, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered McBain Rural Agricultural School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of McBain Rural Agricultural School's internal control. Accordingly, we do not express an opinion on the effectiveness of McBain Rural Agricultural 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. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether McBain Rural Agricultural 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.

The logo for UHY LLP, featuring the letters "UHY" in a large, stylized, cursive font, followed by "LLP" in a smaller, sans-serif font.

Cadillac, Michigan
August 31, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Education
McBain Rural Agricultural School
McBain, Michigan

Report on Compliance for Each Major Federal Program

Opinion On Each Major Federal Program

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

In our opinion, McBain Rural Agricultural School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis For Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to McBain Rural Agricultural School's federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2024-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on McBain Rural Agricultural School's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. McBain Rural Agricultural School's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-001 to be a significant deficiency.

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

Government Auditing Standards requires the auditor to perform limited procedures on McBain Rural Agricultural School's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. McBain Rural Agricultural School's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

The logo for UHY LLP, featuring the letters "UHY" in a large, stylized, cursive font, with "LLP" in a smaller, sans-serif font to the right.

Cadillac, Michigan
August 31, 2024

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

| FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE | FEDERAL ALN | PASS-THROUGH GRANTOR'S NUMBER | APPROVED GRANT AWARD AMOUNT | INVENTORY/ (UNEARNED) REVENUE JULY 1, 2023 | (MEMO ONLY) PRIOR YEAR EXPENDITURES | ADJUSTMENTS | (A) CURRENT YEAR EXPENDITURES | CURRENT YEAR RECEIPTS (CASH BASIS) | INVENTORY/ (UNEARNED) REVENUE JUNE 30, 2024 | | CURRENT YEAR CASH TRANSFERRED TO SUBRECIPIENT |
|---|----------------|-------------------------------------|--------------------------------------|---|---|-------------|-------------------------------------|--|--|------|--|
| | | | | | | | | | | | |
| U.S. Department of Education | | | | | | | | | | | |
| Passed Through Michigan Department of Education (MDE) | | | | | | | | | | | |
| Title I Part A - Imp Basic Program | 84.010 | 241530-2324 | \$ 157,023 | \$ 0 | \$ 0 | \$ 0 | \$ 146,360 | \$ 101,667 | \$ 44,693 | \$ 0 | 0 |
| Title I Part A - Imp Basic Program | 84.010 | 231530-2223 | 172,647 | 37,504 | 0 | (492) | 0 | 37,012 | 0 | 0 | 0 |
| Total Title I Part A | | | 329,670 | 37,504 | 0 | (492) | 146,360 | 138,679 | 44,693 | 0 | 0 |
| Title II Part A Supporting Effective Instruction | 84.367 | 240520-2324 | 29,787 | 0 | 0 | 0 | 28,292 | 22,038 | 6,254 | 0 | 0 |
| Title II Part A Supporting Effective Instruction | 84.367 | 230520-2223 | 32,992 | 28,100 | 28,100 | (17) | 0 | 28,083 | 0 | 0 | 0 |
| Total Title II Part A | | | 62,779 | 28,100 | 28,100 | (17) | 28,292 | 50,121 | 6,254 | 0 | 0 |
| Title IV Part A Student Support and Academic Enrichment | 84.424 | 220750-2122 | 14,445 | 0 | 0 | 0 | 7,085 | 4,092 | 2,993 | 0 | 0 |
| Title IV Part A Student Support and Academic Enrichment | 84.424 | 230750-2223 | 12,409 | 1,413 | 9,623 | (57) | 0 | 1,356 | 0 | 0 | 0 |
| Total Title IV | | | 26,854 | 1,413 | 9,623 | (57) | 7,085 | 5,448 | 2,993 | 0 | 0 |
| Education Stabilization Fund | | | | | | | | | | | |
| COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Formula Funds) | 84.425D | 213712-2021 | 499,164 | 0 | 462,026 | 0 | 37,137 | 37,137 | 0 | 0 | 0 |
| COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II 98c Learning Loss) | 84.425D | 213782-2223 | 52,230 | 6,531 | 42,279 | 0 | 9,950 | 16,481 | 0 | 0 | 0 |
| COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III Formula Funds) | 84.425U | 213713-2122 | 1,121,847 | 100,906 | 776,031 | 0 | 335,909 | 364,148 | 72,667 | 0 | 0 |
| COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III 11t Equalization Payments) | 84.425U | 213723-2122 | 23,071 | 0 | 6,931 | 0 | 16,140 | 8,883 | 7,257 | 0 | 0 |
| Total Education Stabilization Fund | | | 1,696,312 | 107,437 | 1,287,267 | 0 | 399,136 | 426,649 | 79,924 | 0 | 0 |
| Total Passed Through Michigan Department of Education | | | 2,115,615 | 174,454 | 1,324,990 | (566) | 580,873 | 620,897 | 133,864 | 0 | 0 |
| Passed Through Marquette-Alger Regional Educational Service Agency (RESA) | | | | | | | | | | | |
| IDEA Grant Funded Initiatives | 84.027A | 240470 | 6,600 | 0 | 0 | 0 | 6,660 | 6,660 | 0 | 0 | 0 |
| Total Passed Through Marquette-Alger Regional Educational Service Agency (RESA) | | | 6,600 | 0 | 0 | 0 | 6,660 | 6,660 | 0 | 0 | 0 |
| Passed Through Muskegon Area Intermediate School District (ISD) | | | | | | | | | | | |
| Title III Part A Strengthening Institutions | 84.031A | N/A | 11,209 | 0 | 0 | 0 | 3,471 | 0 | 3,471 | 0 | 0 |
| Title III Part A Strengthening Institutions | 84.031A | N/A | 7,791 | 2,736 | 2,736 | (4) | 0 | 2,732 | 0 | 0 | 0 |
| Total Title III Part A | | | 19,000 | 2,736 | 2,736 | (4) | 3,471 | 2,732 | 3,471 | 0 | 0 |
| Total Passed Through Muskegon Intermediate School District | | | 19,000 | 2,736 | 2,736 | (4) | 3,471 | 2,732 | 3,471 | 0 | 0 |
| Total U.S. Department of Education | | | 2,141,215 | 177,190 | 1,327,726 | (570) | 591,004 | 630,289 | 137,335 | 0 | 0 |
| U.S. Department of Health and Human Services | | | | | | | | | | | |
| Passed through Wexford-Missaukee Intermediate School District (I.S.D.) | | | | | | | | | | | |
| Medicaid Cluster | | | | | | | | | | | |
| Medical Assistance Program | 93.778 | N/A | 7,481 | 0 | 0 | 0 | 7,481 | 7,481 | 0 | 0 | 0 |
| Total U.S. Department of Health and Human Services | | | 7,481 | 0 | 0 | 0 | 7,481 | 7,481 | 0 | 0 | 0 |

The accompanying notes are an integral part of this schedule.

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

| FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE | FEDERAL ALN | PASS-THROUGH GRANTOR'S NUMBER | APPROVED GRANT AWARD AMOUNT | INVENTORY/ ACCRUED (UNEARNED) REVENUE | | (MEMO ONLY) PRIOR YEAR EXPENDITURES | ADJUSTMENTS | (A) CURRENT YEAR EXPENDITURES | CURRENT YEAR RECEIPTS (CASH BASIS) | INVENTORY/ ACCRUED (UNEARNED) REVENUE | | CURRENT YEAR CASH TRANSFERRED TO SUBRECIPIENT | | | | |
|--|----------------|-------------------------------------|--------------------------------------|--|---------------|---|-------------|-------------------------------------|--|--|---------------|--|---------|----|-----|---|
| | | | | JULY 1, 2023 | JUNE 30, 2024 | | | | | JUNE 30, 2024 | JUNE 30, 2024 | | | | | |
| Department of Agriculture | | | | | | | | | | | | | | | | |
| Passed Through Michigan Department of Education | | | | | | | | | | | | | | | | |
| Child Nutrition Cluster | | | | | | | | | | | | | | | | |
| Non-Cash Assistance (Commodities & Equipment): | | | | | | | | | | | | | | | | |
| Entitlement Commodities | | | | | | | | | | | | | | | | |
| 10.555 | | N/A | 49,485 | 0 | 0 | 0 | 0 | 49,485 | 49,485 | 0 | 0 | 0 | | | | |
| Cash Assistance: | | | | | | | | | | | | | | | | |
| 10.553 | | 241970 | 171,527 | 0 | 0 | 0 | 0 | 171,527 | 148,220 | 23,307 | 0 | 0 | | | | |
| 10.553 | | 231970 | 140,914 | 0 | 111,947 | 0 | 0 | 28,967 | 28,967 | 0 | 0 | 0 | | | | |
| | | | 312,441 | 0 | 111,947 | 0 | 0 | 200,494 | 177,187 | 23,307 | 0 | 0 | | | | |
| 10.555 | | 241960 | 315,199 | 0 | 0 | 0 | 0 | 315,199 | 275,546 | 0 | 0 | 0 | | | | |
| 10.555 | | 231960 | 323,511 | 0 | 264,203 | 0 | 0 | 59,308 | 59,308 | 0 | 0 | 0 | | | | |
| 10.555 | | 240910-2024 | 31,341 | 0 | 0 | 0 | 0 | 31,341 | 31,341 | 0 | 0 | 0 | | | | |
| | | | 670,051 | 0 | 264,203 | 0 | 0 | 405,848 | 366,195 | 39,653 | 0 | 0 | | | | |
| Total National School Lunch Program | | | | | | | | | | | | | | | | |
| 10.559 | | 240900 | 25,618 | 0 | 0 | 0 | 0 | 25,618 | 0 | 25,618 | 0 | 0 | | | | |
| Summer Food Service Program | | | | | | | | | | | | | | | | |
| | | | 1,008,110 | 0 | 376,150 | 0 | 0 | 631,960 | 543,382 | 88,578 | 0 | 0 | | | | |
| Total Cash Assistance | | | | | | | | | | | | | | | | |
| | | | 1,057,595 | 0 | 376,150 | 0 | 0 | 681,445 | 592,867 | 88,578 | 0 | 0 | | | | |
| Total Child Nutrition Cluster | | | | | | | | | | | | | | | | |
| 10.558 | | 221920 | 3,583 | 704 | 0 | (704) | 0 | 0 | 0 | 0 | 0 | 0 | | | | |
| 10.558 | | 241920 | 20,656 | 0 | 0 | 0 | 0 | 20,656 | 16,025 | 4,631 | 0 | 0 | | | | |
| 10.558 | | 242010 | 836 | 0 | 0 | 0 | 0 | 836 | 479 | 357 | 0 | 0 | | | | |
| 10.558 | | 231920 | 18,666 | 0 | 12,579 | 2,257 | 0 | 6,087 | 8,344 | 0 | 0 | 0 | | | | |
| 10.558 | | 232010 | 599 | 1,778 | 229 | (1,553) | 0 | 370 | 595 | 0 | 0 | 0 | | | | |
| Total Child and Adult Care Food Program | | | | | | | | | | | | | | | | |
| | | | 44,340 | 2,482 | 12,808 | 0 | 0 | 27,949 | 25,443 | 4,988 | 0 | 0 | | | | |
| Local Food for Schools Cooperative | | | | | | | | | | | | | | | | |
| 10.185 | | 230985 | 4,652 | 4,652 | 4,652 | 0 | 0 | 0 | 4,652 | 0 | 0 | 0 | | | | |
| Total U.S. Department of Agriculture | | | | | | | | | | | | | | | | |
| | | | 1,106,587 | 7,134 | 393,610 | 0 | 0 | 709,394 | 622,962 | 93,566 | 0 | 0 | | | | |
| Total Federal Financial Assistance | | | | | | | | | | | | | | | | |
| \$ | 3,255,283 | \$ | 184,324 | \$ | 1,721,336 | \$ | (570) | \$ | 1,307,879 | \$ | 1,260,732 | \$ | 230,901 | \$ | 0 | 0 |
| (E) | | | | | | | | | | | | | (C) | | (D) | |

The accompanying notes are an integral part of this schedule.

MCBAIN RURAL AGRICULTURAL SCHOOL

MCBAIN, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

(A) Basis of Presentation

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

The District qualifies for low-risk auditee status. Management has utilized the NexSys, Cash Management System, and the Grant Auditor Report in preparing the schedule of Expenditures of Federal Awards.

(B) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass through entity identifying numbers are presented where available. The District does not pass through federal funds to sub recipients. McBain Rural Agricultural School has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

(C) Reconciliation With Audited Financial Statements

Federal expenditures are reported as revenue in the following funds in the financial statements at June 30, 2024:

| | |
|--|----------------------------|
| General Fund | \$ 627,205 |
| Food Service Fund | <u>709,394</u> |
| Total federal revenue in the fund financial statements | 1,336,599 |
| Add: Federal expenditures reported in the prior year but should not have been | 570 |
| Less: Federal Universal Service Fund (E-Rate) not on schedule of expenditures of federal awards | <u>(29,290)</u> |
| Expenditures per schedule of expenditures of federal awards | <u><u>\$ 1,307,879</u></u> |

MCBAIN RURAL AGRICULTURAL SCHOOL

MCBAIN, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

(D) Reconciliation of Grant Auditor Report with Schedule of Expenditures of Federal Awards

| | | | |
|---|----|----------|------------------|
| Current Cash Payments per Cash Management System (CMS) | | \$ | 1,205,866 |
| Add Items Not on CMS Report: | | | |
| Food Distribution Program - Entitlement and Bonus Commodities | \$ | 49,485 | |
| ESSER II Formula and 98c Learning Loss | | 53,618 | |
| Grants Passed Through Wexford-Missaukee I.S.D. | | 7,481 | |
| Grants Passed Through Muskegon Area I.S.D. | | 2,732 | |
| Grants Passed Through Marquette-Alger R.E.S.A. | | 6,660 | |
| Less Items on CMS Report: | | | |
| May School Breakfast and National School Lunch Programs | | (62,960) | |
| May Child and Adult Care Food Program | | (2,149) | |
| Rounding | | (1) | 54,866 |
| Current Year Receipts (Cash Basis) per | | | |
| Schedule of Expenditures of Federal Awards | | \$ | <u>1,260,732</u> |

(E) Adjustments

U.S. Department of Education

Adjustments were made for Assistance Listing #84.010 (\$492), #84.367 (\$17), #84.424 (\$57), and #84.031A (\$4) for federal expenditures accrued in the prior year but not paid or requested.

U.S. Department of Agriculture

Adjustments were made for Assistance Listing #10.558 (net of \$0) for reclassifying prior year accruals to the correct pass-through grantor's number.

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

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

Financial Statement Findings

None

Federal Award Findings and Questioned Costs

None

MCBAIN RURAL AGRICULTURAL SCHOOL

MCBAIN, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP):

Unmodified

Internal control over financial reporting:

Material Weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

Material Weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

 X Yes _____ None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 CFR section 200.516(a)

_____ Yes X No

Identification of Major Programs:

ALN Number(s)

10.553, 10.555 & 10.559

Name of Federal Program or Cluster

Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee under Title 2 CFR section 200.520.

 X Yes _____ No

MCBAIN RURAL AGRICULTURAL SCHOOL

MCBAIN, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

2024-001

Assistance Listing Number, Federal Agency, and Program Name - Child Nutrition Cluster - 10.555: National School Lunch Program, 10.553: National School Breakfast Program and 10.559: Summer Food Service Program

Federal Award Identification Number and Year - National School Lunch Program: 241960, 231960, and 240910-2024; National School Breakfast Program: 241970 and 231970; Summer Food Service Program: 240900 and 231970

Pass-through Entity - Michigan Department of Education

Finding Type – Significant Deficiency over Internal controls and Immaterial Noncompliance

Repeat Finding – No

Criteria - To monitor the National School Breakfast and National School Lunch programs, the Michigan Department of Education, the pass-through agency, requires annual program on-site monitoring reviews to be completed internally by school districts. All buildings operating school lunch programs must have one on-site monitoring reviews completed by February 1. In addition, 50 percent of buildings operating school breakfast programs must also be reviewed annually by February 1. The following year, the other 50 percent of buildings operating school breakfast programs must be reviewed.

Condition - The School District did not complete one on-site monitoring review for one building operating school lunch programs within the School District during the year ended June 30, 2024.

Questioned Costs - None.

Identification of How Questioned Costs Were Computed - Not applicable. The finding is related to a lack of monitoring controls and not tied to any known questioned costs.

Context - One on-site monitoring review of the school lunch program was not completed by the School District during the year ended June 30, 2024.

Cause and Effect - Due to management oversight, the School District did not complete one required annual on-site monitoring review, and, therefore, is not compliant with Michigan Department of Education requirements.

Recommendation - We recommend the School District implement a process to perform required on-site monitoring reviews following Michigan Department of Education guidelines.

Views of Responsible Officials and Corrective Action Plan - Going forward, the food service director will coordinate the on-site monitoring reviews and its completion to Michigan Department of Education standards and make sure the required forms are completed before deadlines.



McBain Rural Agricultural School
107 East Maple Street
McBain, MI 49657

CORRECTIVE ACTION PLAN

June 30, 2024

Finding 2024-001: Significant Deficiency over Internal Controls and Immaterial Noncompliance

Condition: The School District did not complete an on-site monitoring review for one building operating a school lunch program during the year ended June 30, 2024.

Corrective Steps Taken: At this time, there have been some corrective steps taken to limit this from happening again which includes the Food Service Director better familiarizing herself with MDE's requirements for on-site reviews.

Corrective Steps to be Taken: The Food Service Director will coordinate the on-site monitoring reviews and its completion to Michigan Department of Education requirements.

Monitoring: The plan for monitoring adherence is for the Superintendent to check in with the Food Service Director prior to the February 1st deadline to ensure all required on-site reviews were performed.

Name of Responsible Person for Further Information: Tami Eisenga, Food Service Director and Scott Akom, Superintendent.

Questioned Costs Related to this Finding: None.

