MICHIGAN CENTER SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Michigan Center School District
Michigan Center, 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 the Michigan Center School District (the "School") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 judgment made by a reasonable user based on the financial statements.

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

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

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

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

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School'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, the pension and OPEB schedules, and the budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards

Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying combining and individual nonmajor 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 and individual nonmajor 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 as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2024, on our consideration of the 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 the 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 the School's internal control over financial reporting and compliance.

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, MI
October 9, 2024

Management's Discussion and Analysis

This section of Michigan Center School District's (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2024. It is to be read in conjunction with the School District's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and is intended to provide the financial results for the fiscal year ending June 30, 2024.

Financial Highlights

- The liabilities and deferred inflows of the School District exceeded its assets and deferred outflows at the close of this fiscal year by $8,062,050 (shown as a deficit *net position*). The School District had a deficit unrestricted net position of $(18,719,745).

- Revenues of $21,318,758 exceeded expenses of $16,302,430 leading to an increase in net position of $5,016,328 during the year.

- During the year, the School District's fund balances increased by $1,633,188, for an ending fund balance of $8,173,327 across all funds.

- At the end of the current fiscal year, unassigned fund balance for the general fund was $5,341,827, or 29.0% of the general fund's total expenditures. Fund balance of the general fund *increased* by $752,550 during the year.

Overview of the Financial Statements

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

- The first two statements, the statement of net position and the statement of activities, are *district-wide financial statements* that provide both short-term and long-term information about the School District's overall financial status.

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

    - *Governmental funds statements* tell how basic services such as instruction and supporting services were financed in the short term as well as what remains for future spending.

The basic financial statements also include the notes to the financial statements that explain the information in the basic financial statements and provide more detailed data. Supplementary information follows and includes combining and individual fund statements, pension and OPEB schedules, and a budgetary comparison schedule for the general fund.

District-wide Financial Statements

The district-wide financial statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School District's assets, deferred outflows/inflows, and liabilities. All of the current year's revenues 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 School District's net position and how they have changed. Net position - the difference between the School District's assets, deferred inflows/outflows, and liabilities - is one way to measure the School District's financial health or position.

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

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

In the district-wide financial statements, the School District's activities are presented as governmental activities. *Governmental activities* include the School District's basic services, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

Financial Analysis of the School District as a Whole

The following page has a comparative highlight of the current and prior year financial activities from the district-wide financial statements.

Michigan Center School District's Net Position

ASSETS	**2024**	**2023**
Current Assets		
Cash and investments	$ 8,390,843	$ 5,779,178
Accounts receivable	2,105	1,109
Due from other governmental units	3,018,233	4,156,586
Inventories	12,364	11,376
Total Current Assets	11,423,545	9,948,249
Noncurrent Assets		
Capital assets, net	17,942,023	15,805,703
Net OPEB asset	434,835	-
Total Assets	29,800,403	25,753,952
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	8,204,956	9,241,266
OPEB related	1,643,279	2,210,777
Total Deferred Outflows of Resources	9,848,235	11,452,043
LIABILIITES		
Current Liabilities		
Accounts payable	941,302	999,086
Salaries payable	1,915,162	1,981,070
Unearned revenue	393,754	427,954
Accrued interest	55,708	39,675
Current portion of long-term debt	817,795	435,959
Total Current Liabilities	4,123,721	3,883,744
Noncurrent Liabilities		
Compensated absences	293,877	300,171
Long-term debt	10,031,797	8,688,751
Net pension liability	25,790,881	31,369,858
Net OPEB liability	-	1,745,935
Total Liabilities	40,240,276	45,988,459
DEFERRED INFLOWS OF RESOURCES		
Pension related	3,706,463	533,838
OPEB related	3,763,949	3,762,076
Total Deferred Inflows of Resources	7,470,412	4,295,914
NET POSITION		
Net investment in capital assets	8,063,347	6,814,073
Restricted	2,594,348	1,696,291
Unrestricted	(18,719,745)	(21,588,742)
Total Net Position	$ (8,062,050)	$ (13,078,378)

Amounts due from other governmental units decreased by $1,138,353 overwhelmingly as a result of approximately $1.4 million dollars of ESSER grant funds receivable at the previous fiscal year end.

Capital assets increased by $2,136,320 as capital asset additions of $3,170,529 (consisting mostly of various building projects, HVAC projects, and new bus lease) were in excess of current year depreciation expense of $1,034,209.

Net pension liability and the related deferred inflows and deferred outflows of resources experienced quite significant swings during the year. Net pension liability decreased by $5,578,977, pension related deferred outflows decreased by $1,036,310, and pension related deferred inflows increased by $3,172,625. This is almost entirely the result of pension assets having a return on investment of 8.3% compared to a return of (4.18%) in the prior year.

Net OPEB liability and the related deferred inflows and deferred outflows or resources also experienced significant fluctuations compared to the previous year. Net OPEB liability decreased by $2,180,770 turning into a net OPEB asset, OPEB related deferred outflows decreased by $567,498, and OPEB related deferred inflows increased by $1,873. This is almost entirely the result of OPEB assets having a return on investment of 7.9% compared to a return of (5%) in the prior year.

Lastly, long-term debt only increased by $1,724,882 during the year as the result of the net effect of a lease issued for a new bus and bonds issued of $2,050,000 netted against debt principal payments made during the year.

The statement of activities presents the following changes in net position from operating results:

Michigan Center School District's Change in Net Position

Revenues	**2024**	**2023**
Program Revenues		
Charges for services	$ 703,731	$ 877,834
Operating grants and contributions	6,667,943	7,835,305
Total Program Revenues	7,371,674	8,713,139
General Revenues		
Local sources	2,293,664	2,021,667
Unrestricted state sources	11,653,420	10,796,038
Total General Revenues	13,947,084	12,817,705
Total Revenues	21,318,758	21,530,844
Expenses		
Instruction	9,165,891	10,010,978
Supporting services	4,736,082	5,796,071
Community services	2,432	1,789
Food services	1,061,435	956,375
Depreciation (unallocated)	1,034,209	973,991
Interest and other costs on long-term debt	302,381	235,044
Total Expenses	16,302,430	17,974,248
Change in Net Position	5,016,328	3,556,596
Net Position at Beginning of Period	(13,078,378)	(16,634,974)
Net Position at End of Period	$ (8,062,050)	$ (13,078,378)

A $1,167,362 decrease in operating grants and contributions can was largely driven by the 147c(2) MPSERS One-time deposit of $815,394 (provided to all School Districts) during the prior year.

Local sources revenues increased by $271,997 resulting mostly from the combination of increased taxable value coupled with an improvement in investment income on the School's investment account.

Unrestricted state sources increased by $857,382 as state aid increased by $458 per pupil, while the School District also experienced a 37 pupil increase.

Decreases to instruction and supporting services expenses of $845,087 and $1,059,989, respectively, can be mostly attributed to decreases in pension and OPEB related expenses compared to the previous year.

Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds, focusing on its most significant, or "major", funds; not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs.

The School District utilizes one fund type:

- *Governmental funds*: Most of the School District's basic services are included in governmental funds, which generally focus on: 1) how cash and other financial assets that can readily be converted to cash flows 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Since the district-wide financial statements and the fund financial statements use different methods of accounting to report the School District's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.

Financial Analysis of the School District's Funds

The School District uses funds to record and analyze financial information. The general fund and the capital projects fund are the major funds of the School District.

The ***general fund*** is the School District's primary operating fund. The general fund had revenues of $19,022,489, expenditures of $18,440,330, and net other financing sources of $170,391. The School District ended the year with a $752,550 increase in fund balance for a total fund balance of $5,341,827 as of June 30, 2024. The increase in fund balance relates to the increase in unrestricted State aid, increases in taxable value, and improved investment performance for the School District's investment account.

The ***capital projects fund*** fund balance increased by $832,836 for an ending fund balance of $970,916. The School District issued $2,050,000 of bonds in the current fiscal year and spent $1,246,402 of the fund's monies in relation to the HVAC project.

General Fund Budgetary Highlights

During the year the School District revised its budget to attempt to match changes in the school funding environment and current needs of students and faculty. State law requires that budgets be amended during the year so actual expenditures do not exceed appropriations.

Original budget compared to final budget. There were various significant amendments made to the budget during the year. Most notably, increased state sources revenues from the originally anticipated $13,957,078 to a final budgeted figure of $16,023,198. Of this amount, the School District recognized $16,029,207 as revenue during the year. As the majority of these state revenues, the increase were related to the state aid calculation.

Final budget compared to actual results. The School District had one expenditure in excess of the amounts appropriated during the year ended June 30, 2024: the general fund incurred $314,641 of actual costs related to athletics within the supporting services function which boasted a final budget of $314,555 resulting in a negative variance of $(86).

Capital Asset and Debt Administration

Capital Assets

At June 30, 2024, the School District had $17,942,023 invested in capital assets. The net change during the year was an increase of $2,136,320; capital additions of $3,170,529 were in excess of current year depreciation of $1,034,209.

More detailed information about the School District's capital assets can be found in the notes to the financial statements section of this document.

Long-term Debt

At year-end, the School District reported $10,849,592 in total long-term debt, which is an increase of $1,724,882 from the prior year-end. The increase was a result of a $459,958 in reductions to debt principal and amortization of bond premiums being exceeded by new additions of $2,184,840 to debt via entering into a bus lease and issuance of general obligation bonds. Additional information about the School District's long-term debt can be found in the notes to the financial statements section of this document.

Economic Factors and Next Year's Budget and Rates

The adopted budget for the 2024 financial year for the general fund includes total revenues of $17,362,753 and total expenditures of $18,678,501 with a budgeted decrease to fund balance of $1,315,748. The School District will continue to try to reduce the projected deficit with increased enrollment or reductions to expenditures, without cutting any programs or employees.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact:

Michigan Center School District
Brady Cook, Superintendent
400 South State Street
Michigan Center, MI 49254
Phone: | 517.764.5778

Basic Financial Statements

Michigan Center School District
Statement of Net Position
June 30, 2024

ASSETS		
Current Assets		
Cash and investments	$	8,390,843
Accounts receivable		2,105
Due from other governmental units		3,018,233
Inventories		12,364
Total Current Assets		11,423,545
Noncurrent Assets		
Capital assets not being depreciated		1,295,740
Capital assets being depreciated, net		16,646,283
Net OPEB asset		434,835
Total Assets		29,800,403
DEFERRED OUTFLOWS OF RESOURCES		
OPEB related		1,643,279
Pension related		8,204,956
Total Deferred Outflows of Resources		9,848,235
LIABILITIES		
Current Liabilities		
Accounts payable		941,302
Salaries payable		1,915,162
Unearned revenue		393,754
Accrued interest		55,708
Current portion of long-term debt		817,795
Total Current Liabilities		4,123,721
Noncurrent Liabilities		
Compensated absences		293,877
Long-term debt		10,031,797
Net pension liability		25,790,881
Total Liabilities		40,240,276
DEFERRED INFLOWS OF RESOURCES		
OPEB related		3,763,949
Pension related		3,706,463
Total Deferred Inflows of Resources		7,470,412
NET POSITION		
Net investment in capital assets		8,063,347
Restricted for:		
Food service		911,925
Capital projects		970,916
Debt service		711,507
Unrestricted		(18,719,745)
Total Net Position	$	**(8,062,050)**

Michigan Center School District
Statement of Activities
For the Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Governmental Activities:					
Instruction	$ 9,165,891	$ 3,125	$ 2,677,950	$ --	$ (6,484,816)
Supporting services	4,736,082	591,067	2,981,502	--	(1,163,513)
Community services	2,432	--	--	--	(2,432)
Food services	1,061,435	109,539	1,008,491	--	56,595
Depreciation (unallocated)	1,034,209	--	--	--	(1,034,209)
Interest and other costs on long-term debt	302,381	--	--	--	(302,381)
Total	$ 16,302,430	$ 703,731	$ 6,667,943	$ --	(8,930,756)

General Purpose Revenues:	
Property taxes, levied for general operations	1,342,789
Property taxes, levied for debt service	747,116
Interest and investment earnings	203,759
Unrestricted state aid	11,653,420
Total General Revenues	13,947,084
Change in Net Position	**5,016,328**
Net Position at Beginning of Period	(13,078,378)
Net Position at End of Period	**$ (8,062,050)**

Michigan Center School District
Balance Sheet
Governmental Funds
June 30, 2024

	General	Capital Projects Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	$ 4,742,425	$ 1,792,086	$ 1,856,332	$ 8,390,843
Accounts receivable	2,105	--	--	2,105
Due from other governmental units	2,976,632	--	41,601	3,018,233
Inventories	--	--	12,364	12,364
Due from other funds	3,253	--	--	3,253
Total Assets	**$ 7,724,415**	**$ 1,792,086**	**$ 1,910,297**	**$ 11,426,798**
LIABILITIES				
Accounts payable	$ 104,930	$ 821,170	$ 15,202	$ 941,302
Salaries payable	1,883,904	--	31,258	1,915,162
Unearned revenue	393,754	--	--	393,754
Due to other funds	--	--	3,253	3,253
Total Liabilities	2,382,588	821,170	49,713	3,253,471
FUND BALANCE				
Nonspendable	--	--	12,364	12,364
Restricted	--	970,916	1,611,068	2,581,984
Committed	--	--	237,152	237,152
Unassigned	5,341,827	--	--	5,341,827
Total Fund Balance	5,341,827	970,916	1,860,584	8,173,327
Total Liabilities and Fund Balance	**$ 7,724,415**	**$ 1,792,086**	**$ 1,910,297**	**$ 11,426,798**

Michigan Center School District
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2024

Total Fund Balance - Governmental Funds	$	8,173,327
General government capital assets of $31,344,704, net of accumulated depreciation of $13,402,681, are not financial resources and, accordingly, are not reported in the funds.		17,942,023
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(293,877)
Other post employment benefit liability and related deferred amounts are not due and payable in the current period or do not represent current financial resources and, therefore, are not reported in the funds.		(1,685,835)
Long-term liabilities, including bonds, lease obligations, and premium on bonds, are not due and payable in the current period and, therefore, are not reported in the funds.		(10,849,592)
Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.		(55,708)
Net pension liability and related deferred amounts are not due and payable in the current period or do not represent current financial resources and, therefore, are not reported in the funds.		(21,292,388)
Total Net Position - Governmental Activities	$	**(8,062,050)**

Michigan Center School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2024

	General	Capital Projects Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues				
Local sources	$ 1,623,686	$ 39,422	$ 1,248,356	$ 2,911,464
State sources	16,029,207	--	188,269	16,217,476
Federal sources	392,305	--	820,222	1,212,527
Other sources	977,291	--	--	977,291
Total Revenues	19,022,489	39,422	2,256,847	21,318,758
Expenditures				
Instruction	11,278,015	--	--	11,278,015
Supporting services	7,129,087	--	409,120	7,538,207
Community services	2,432	--	--	2,432
Food services	--	--	1,163,556	1,163,556
Debt service, principal	--	--	315,000	315,000
Debt service, interest	--	--	237,550	237,550
Debt service, issuance costs	--	58,452	--	58,452
Site improvements	30,796	1,246,402	--	1,277,198
Total Expenditures	18,440,330	1,304,854	2,125,226	21,870,410
Excess of Revenues Over (Under) Expenditures	582,159	(1,265,432)	131,621	(551,652)
Other Financing Sources (Uses)				
Bond issuance	--	2,050,000	--	2,050,000
Premium on bonds	--	48,268	--	48,268
Lease financing	86,572	--	--	86,572
Transfers in	83,819	--	--	83,819
Transfers out	--	--	(83,819)	(83,819)
Net Other Financing Sources (Uses)	170,391	2,098,268	(83,819)	2,184,840
Net Change in Fund Balance	**752,550**	**832,836**	**47,802**	**1,633,188**
Fund Balance at Beginning of Period	4,589,277	138,080	1,812,782	6,540,139
Fund Balance at End of Period	**$ 5,341,827**	**$ 970,916**	**$ 1,860,584**	**$ 8,173,327**

Michigan Center School District
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2024

Total Net Change in Fund Balances - Governmental Funds	$	1,633,188
The statement of activities reports changes to net pension liability and pension related deferrals as pension expense; however, the expenditures recorded on the governmental funds equals actual pension contributions.		1,370,042
Repayment of bond and lease obligation principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position. Further, issuance of long-term debt are recorded as other financing sources in the funds but are recorded as an increase in long-term debt on the statement of net position. This represents principal payments of $450,304 net bond issuance of $2,098,268 and lease issuance of $86,572.		(1,734,536)
In the statement of activities, interest and bond discounts and premiums are accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. This represents the current year change in accrued interest and amortization of bond premiums and discounts.		(6,379)
The statement of activities reports changes to net OPEB liability and OPEB related deferrals as OPEB expense; however, the expenditures recorded on the governmental funds equals actual OPEB contributions.		1,611,399
Governmental funds report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation and expensed. This represents the amount by which capital outlay expenditures of $3,170,529 exceeded current year depreciation expense of $1,034,209.		2,136,320
Change to compensated absences are not shown in the fund financial statements. This amounts represents the change in compensated absences during the current year.		6,294
Changes in Net Position - Governmental Activities	$	**5,016,328**

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Michigan Center School District (the "School District" or "Government") has followed the guidelines of the Governmental Accounting Standards Board and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the School District.

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues.

The *statement of activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds also use the accrual basis of accounting, but do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

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, or one year for reimbursement-based grants. 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.

Revenues susceptible to accrual are property taxes, state aid, federal and inter-district revenues, and interest income and, accordingly, have been recognized as revenues of the current fiscal year. Other revenues are recognized when received.

The School District reports the following major funds:

> The ***general fund*** is the general operating fund of the School District. It is used to account for all financial resources, except those required to be accounted for in another fund.
>
> The ***capital projects fund*** accounts for the accumulation and disbursement of resources for the construction of the capital projects within the School District.

Additionally, the School District reports the following fund types:

> ***Special revenue funds*** are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.
>
> ***Debt service fund*** accounts for the maintenance of long-term debt for the School District.

Budgets and Budgetary Accounting

Budgets are adopted for general and special revenue funds as required by state law and are adopted on a basis consistent with generally accepted accounting principles (GAAP). The legal level of budgetary control adopted by the Board of Education (i.e., the level at which expenditures may not legally exceed appropriations) is the functional level. The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, School District administrative personnel and department heads work with the Superintendent and Business Manager to establish proposed operating budgets for the fiscal year commencing the following July 1.

- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.

- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.

- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.

- The original general and special revenue funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).

- Budgets for the general and special revenue funds were adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

Appropriations lapse at year-end and amounts may be reappropriated for expenditures to be incurred in the following fiscal year.

Property Taxes

Property taxes are assessed as of December 31 and attach as an enforceable lien on property as of December 1 of the following year. Taxes are levied on July 1 and December 1 by Leoni Township and the City of Jackson whose boundaries include property within the District and are due on February 14. Delinquent real taxes are advanced to the District by the Revolving Tax Fund of Jackson County.

Assets, Deferred Outflows/Inflows, Liabilities, and Fund Equity

Cash and Cash Equivalents

The School 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.

State statutes and School District policy authorize the School District to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.

- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

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

- Bankers’ acceptances of United States banks.

- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.

- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

- External investment pools as authorized by the surplus funds investment pool act, Act. No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

Investments

Investments are stated at fair market value. Investments are exposed to various risks, such as significant external events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as “due to/from other funds” (i.e., the current portion of interfund loans).

All receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. No amounts have been deemed uncollectable during the current year.

Accounts payable and other payables reflected in the financial statements are based on when the liability is incurred.

Inventories

Inventories are valued at the lower of cost (first-in/first-out) or market. Inventory in the general fund and food service fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure when consumed rather than when purchased. Reported inventories are equally offset by nonspendable fund balance to indicate that they do not constitute “available spendable resources” even though they are a component of net position.

Capital Assets

Capital assets, which include land, buildings and improvements, vehicles, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $10,000 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 acquisition 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. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	45
Vehicles and buses	5 - 10
Equipment	5 - 20
Leases - intangible-right-to-use	length of agreement
Subscription based information technology	length of agreement

Pension

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

Postemployment Benefits Other Than Pensions

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

Deferred Outflows 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 position that applies to a future (period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. They are the pension and other postemployment benefits related items reporting in the district-wide statement of net position. These amounts will be expensed in the plan year in which they apply.

Deferred Inflows of Resources

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

Salaries Payable and Accrued Employee Benefits

A liability is recorded at June 30 for those amounts owed to teachers and other employees of the School District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for the employee health insurance premiums for the months of July and August. The School District pays these insurances for this period as part of the compensation for services rendered in the preceding school year.

Compensated Absences

The School District's policy permits employees to accumulate earned but unused sick pay benefits, which are paid at 50% or 75%, depending on employee group, of the accumulated value upon termination. In addition, certain employees are eligible to receive an additional benefit at termination based on the number of years of service. The benefits are accrued when earned in the government-wide financial statements. A liability for those amounts is reported in governmental funds only if the liability has matured as a result of employee resignations or retirements.

Unearned Revenues

Governmental funds report unearned revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned revenue include advance grant payments received prior to meeting all eligibility requirements in the amount of $393,754.

Long-term Obligations

In the district-wide financial statements, long-term debt, subscription based information technology agreements (“SBITA”s), intangible right-to-use leases, and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond, lease, and SBITA issuance costs are recorded as a period expense. Bonds payable are reported net of the applicable bond premium or discount.

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

Net Position Flow Assumption

Sometimes the School 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 School District’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

Sometimes the School 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 School District’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The School 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 School District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the *assigned fund balance* classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education can 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.

Unassigned fund balance is the residual classification for the School District's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Board of Education.

Use of Estimates

The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Excess of expenditures over appropriations in budgeted funds – The School District had one expenditure in excess of the amounts appropriated during the year ended June 30, 2024: the general fund incurred $314,641 of actual costs related to athletics within the supporting services function which boasted a final budget of $314,555 resulting in a negative variance of $(86).

District-wide Deficits

The School District had an unrestricted net position deficit and a total net position deficit for district-wide activities in the amount of $(18,719,745) and $(8,062,050), respectively, as of June 30, 2024. There are no governmental funds with a deficit.

Compliance - Bond Proceeds

The capital project fund includes capital project activities funded with bonds issue. For these capital projects, management believes the School District has complied, in all material respects, with the applicable provisions of Section 1351a of the Revised School Code. The following is a summary of the revenue and expenditures in the Capital Project Fund from inception through the current fiscal year:

	Capital Projects
Revenues	$ 39,422
Expenditures	(1,304,854)
Other financing sources	2,098,268
Increase in fund balance	832,836
Fund balance, beginning of period	138,080
Fund balance, ending of period	$ 970,916

Note 3 - Cash and Investments

At year-end, the School District’s deposits and investments were reported in the basic financial statements in the following categories.

Statement of net position	
Cash and investments	$ 8,390,843
Statement of fiduciary net position	
Cash and investments	-
Total Cash and Investments	$ 8,390,843
Deposits and investments	
Checking and savings account	$ 2,413,182
Investments - Michigan Liquid Asset Fund (MILAF)	5,977,261
Cash on hand	400
Total deposits and investments	$ 8,390,843

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The School District’s investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. None of the School District's deposits or investments had fixed maturities at year-end.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The School District's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are summarized as follows:

Investment	Maturity	Fair Value	Rating
Michigan Liquid Asset Fund	n/a	$ 5,977,261	S&P - AAAm

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned. State law does not require, and the School District does not have a policy for deposit custodial credit risk. As of year-end, $2,430,995 of the School District's bank balance of $2,680,995 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require, and the School District does not have a policy for investment custodial credit risk. Of the above investments, the School District's custodial credit risk exposure cannot be determined because the mutual funds do not consist of specifically identifiable securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The School District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

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

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

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

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

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

The School District's investment with the Michigan Liquid Asset Fund of $5,977,261 is reported at a Level 2 fair value measurement level.

Note 4 - Capital Assets

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

	Beginning Balance	Additions	Transfers	Ending Balance
Capital assets not being depreciated:				
Land	$ 148,000	$ -	$ -	$ 148,000
Construction in progress	1,473,597	1,147,740	(1,473,597)	1,147,740
Subtotal	1,621,597	1,147,740	(1,473,597)	1,295,740
Capital assets being depreciated/amortized:				
Buildings and improvements	23,918,860	1,936,217	1,473,597	27,328,674
Vehicles and buses	182,204	-	-	182,204
Equipment	1,847,290	-	-	1,847,290
Intangible right to use - Subscription based information technology	16,823	-	-	16,823
Intangible right to use - bus leases	587,401	86,572	-	673,973
Subtotal	26,552,578	2,022,789	1,473,597	30,048,964
Less accumulated depreciation/amortization:				
Buildings and improvements	(11,040,287)	(789,994)	-	(11,830,281)
Vehicles and buses	(85,626)	(14,755)	-	(100,381)
Equipment	(1,084,789)	(91,956)	-	(1,176,745)
Intangible right to use - subscription based information technology	(1,402)	(5,608)	-	(7,010)
Intangible right to use - bus leases	(156,368)	(131,896)	-	(288,264)
Subtotal	(12,368,472)	(1,034,209)	-	(13,402,681)
Capital assets being depreciated, net	14,184,106	988,580	1,473,597	16,646,283
Capital assets, net	$ 15,805,703	$ 2,136,320	$ -	$ 17,942,023

Depreciation expense for the fiscal year ended June 30, 2024 amounted to $1,034,209. The School District determined that it was impractical to allocate depreciation expense to the various government activities as the capital assets serve multiple functions.

The bus lease amortization is presented as depreciation expense on the statement of activities related to the School District's intangible asset of buses, which is included in the above table as intangible right to use - bus leases. With the implementation of Governmental Accounting Standards Board Statement No. 87 *Leases*, a lease meeting the criteria of this Statement requires the lessee to recognize a lease liability and an intangible right to use asset.

The subscription-based information technology amortization is presented as depreciation expense on the statement of activities related to the School District's intangible asset of subscription based information technology, which is included in the above table as intangible right to use - bus leases. With the implementation of Governmental Accounting Standards Board Statement No. 96 *Subscription-based Information Technology Arrangements*, an arrangement/agreement meeting the criteria of this Statement requires the assignee to recognize a long-term liability and an intangible right to use asset.

Note 5 - Interfund Receivables, Payables, and Transfers

Interfund balances as of June 30, 2024 consisted of fund receivables and payables listed below:

Receivable Fund	Payable Fund	Amount
General	Food service	$ 3,253

Interfund balances resulted primarily 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.

The following schedule summarizes the operating transfers during the year:

Transfers In	Transfers Out	Amount
General	Food service	$ 83,819

The $83,819 interfund transfer was an eligible reimbursement from the food service fund to the general fund for indirect costs incurred by the general fund on behalf of the food service fund.

Note 6 - Long-term Debt

Long-term debt activity for the year ended June 30, 2024 was as follows:

	Balance at June 30, 2023	Additions	Reductions	Balance at June 30, 2024	Due Within One Year
2016 general obligation bonds	$ 8,490,000	$ -	$ 315,000	$ 8,175,000	$ 325,000
2016 bond issuance premium	177,633	-	7,723	169,910	-
2024 general obligation bonds	-	2,050,000	-	2,050,000	350,000
2024 bond issuance premium	-	48,268	1,931	46,337	-
Subscription based information technology	15,434	-	5,507	9,927	5,627
Lease obligations	441,643	86,572	129,797	398,418	137,168
Compensated absences	300,171	-	6,294	293,877	-
Total	$ 9,424,881	$ 2,184,840	$ 466,252	$ 11,143,469	$ 817,795

Compensated absences are generally liquidated by the general fund.

The ***2016 general obligation bonds*** were issued to fund school building and site improvements. Payments are due semiannually on November 1 and May 1 each year, with annual installments ranging from $100,000 to $520,000 and interest of 2.00% to 2.85%, maturing on May 1, 2046.

The ***2024 general obligation bonds*** were issued to fund school building and site improvements. Payments are due semiannually on November 1 and May 1 each year, with annual installments ranging from $50,000 to $250,000 and interest of 4.00% to 5.00%, maturing on May 1, 2048.

Annual debt service requirements to maturity for governmental activities general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	$ 675,000	$ 266,000	$ 941,000
2026	560,000	242,000	802,000
2027	340,000	242,838	582,838
2028	400,000	235,188	635,188
2029	405,000	276,000	681,000
2030-2034	2,205,000	1,175,600	3,380,600
2035-2039	2,250,000	547,650	2,797,650
2040-2044	2,375,000	233,600	2,608,600
2045-2048	1,015,000	86,800	1,101,800
Totals	$ 10,225,000	$ 3,305,675	$ 13,530,675

2021 Lease Payable

$70,952 has been recorded as an intangible right to use lease for a 90-passenger bus. Due to the implementation of GASB Statement No. 87, *Leases,* this lease for bus met the criteria for a lease; thus, requiring it to be recorded by the School District. This asset will be amortized over the lease term of five years since it is shorter than the useful life and the School District is not taking ownership of the bus. There are no residual value guarantees in the lease provisions. The lease will end in July 2026.

2021 Lease Payable

$123,490 has been recorded as an intangible right to use lease for two 77-passenger buses. Due to the implementation of GASB Statement No. 87, *Leases*, this lease for buses met the criteria for a lease; thus, requiring it to be recorded by the School District. This asset will be amortized over the lease term of five years since it is shorter than the useful life and the School District is not taking ownership of the buses. There are no residual value guarantees in the lease provisions. The lease will end in July 2026.

2023 Lease Payable

$392,959 has been recorded as an intangible right to use lease for four 77-passenger buses and one 90-passenger bus. Due to the implementation of GASB Statement No. 87, *Leases,* this lease for buses met the criteria for a lease; thus, requiring it to be recorded by the School District. This asset will be amortized over the lease term of five years since it is shorter than the useful life and the School District is not taking ownership of the buses. There are no residual value guarantees in the lease provisions. The lease will end in July 2027.

2024 Lease Payable

$86,572 has been recorded as an intangible right to use lease for one 77-passenger buses. Due to the implementation of GASB Statement No. 87, *Leases*, this lease for the bus met the criteria for a lease; thus, requiring it to be recorded by the School District. This asset will be amortized over the lease term of five years since it is shorter than the useful life and the School District is not taking ownership of the bus. There are no residual value guarantees in the lease provisions. The lease will end in July 2028.

A summary of the principal and interest amounts for the remaining leases is as follows:

Year Ending June 30,	Principal	Interest	Total
2025	$ 137,168	$ 11,405	$ 148,573
2026	141,867	6,706	148,573
2027	100,658	2,064	102,722
2028	18,725	309	19,034
Totals:	$ 398,418	$ 20,484	$ 418,902

2023 SBITA

During 2023, the School District entered into an agreement for the right-to-use IXL Learning software. $16,823 has been recorded as a long-term liability along with a corresponding right-to-use SBITA asset. The agreement began April 1, 2023 and will end March 1, 2026.

A summary of the principal and interest amounts for the remaining SBITA payments is as follows:

Year Ending June 30,	Principal	Interest	Total
2025	$ 5,627	$ 158	$ 5,785
2026	4,300	39	4,339
Totals:	$ 9,927	$ 197	$ 10,124

Note 7 - Pension Plan

Plan Description

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

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

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

The System's financial statements are available on the ORS website at ***Michigan.gov/ORSSchools***.

Benefits Provided

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

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

Contributions

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

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

The schedule below summarizes pension contribution rates in effect for fiscal year ended Sept. 30, 2023:

Benefit Structure	Member	Non-Universities
Basic	0.00 - 4.00%	20.16%
Member investment plan	3.00 - 7.00%	20.16%
Pension plus	3.00 - 6.40%	17.24%
Pension plus 2	6.20%	19.95%
Defined contribution	0.00%	13.75%

Required contributions to the pension plan from the School were $2,781,934 for the year ended Sept. 30, 2023.

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

At June 30, 2024, the School reported a liability of $25,790,881 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of Sept. 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2022. The School's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At Sept. 30, 2023, the School's proportion was .07968 percent, which was a decrease of .03726 percent from its proportion measured as of Sept. 30, 2022.

For the year ending June 30, 2024, the School recognized pension expense of $2,736,465. At June 30, 2024, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 814,139	$ 39,508
Changes of assumptions	3,494,782	2,015,012
Net difference between projected and actual earnings on pension plan investments	-	527,765
Changes in proportion and differences between employer contributions and proportionate share of contributions	113,539	1,124,178
Employer contributions subsequent to the measurement date	3,782,496	-
Total	**$ 8,204,956**	**$ 3,706,463**

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

Plan Year Ended September 30	Amount:
2024	$ 195,356
2025	137,415
2026	876,309
2027	(493,083)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

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

Notes:

Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the Sept. 30, 2023 valuation. The total pension liability as of Sept. 30, 2023, is based on the results of an actuarial valuation date of Sept. 30, 2022, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4406 for non-university employers.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2023 MPSERS Annual Comprehensive Financial Report found on the ORS website at *Michigan.gov/ORSSchools*.

Long-term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of Sept. 30, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic equity pools	25.0%	5.8%
Private equity pools	16.0	9.6
International equity pools	15.0	6.8
Fixed income pools	13.0	1.3
Real estate and infrastructure pools	10.0	6.4
Absolute return pools	9.0	4.8
Real return/opportunistic pools	10.0	7.3
Short-term investment pools	2.0	0.3
Total	100.0%	

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

Rate of Return

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

Discount Rate

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

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate

The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), as well as what the School'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:

1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
$34,843,404	$25,790,881	$18,254,327

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS ACFR, available on the ORS website at ***Michigan.gov/ORSSchools***.

Note 8 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

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

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

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

The System's financial statements are available on the ORS website at *Michigan.gov/ORSSchools*.

Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning 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 Jan. 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending Sept 3, 2012 or were on an approved professional services or military leave of absence on Sept. 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 Feb. 1, 2013.

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

Contributions

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

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

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

Benefit Structure	Member	Non-Universities
Premium subsidy	3.00%	8.07%
Personal healthcare fund (PHF)	0.00%	7.21%

Required contributions to the OPEB plan from the School were $598,790 for the year ended Sept. 30, 2023.

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

At June 30, 2024, the School reported a liability (asset) of $(434,835) for its proportionate share of the MPSERS net OPEB liability (asset). The net OPEB liability (asset) was measured as of Sept. 30, 2023, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation rolled forward from September 2022. The School's proportion of the net OPEB liability (asset) was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At Sept. 30, 2023, the School's proportion was .07687 percent, which was a decrease of .00556 percent from its proportion measured as of Oct. 1, 2022.

For the year ending June 30, 2024, the School recognized OPEB expense of negative $(857,533). At June 30, 2024, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ -	$ 3,285,835
Changes of assumptions	968,018	116,568
Net difference between projected and actual earnings on pension plan investments	1,326	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	47,228	361,546
Employer contributions subsequent to the measurement date	626,707	-
Total	**$ 1,643,279**	**$ 3,763,949**

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

Plan Year Ended September 30	Amount:
2024	$ (873,754)
2025	(829,919)
2026	(328,190)
2027	(325,854)
2028	(258,543)
Thereafter	(131,117)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2022
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.00%, net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	Pre-65: 7.50% Year 1 graded to 3.5% Year 15 Post-65: 6.25% Year 1 graded to 3.5% Year 15
Mortality:	
Retirees:	PubT-2010 Male and Female Retiree Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Active:	PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Other Assumptions:	
Opt-Out Assumption	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree’s death
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents.

Notes:

Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the Sept. 30, 2023 valuation. The total OPEB liability as of Sept. 30, 2023, is based on the results of an actuarial valuation date of Sept. 30, 2022, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.5099 for non-university employers.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2023 MPSERS Annual Comprehensive Financial Report found on the ORS website at **Michigan.gov/ORSSchools**.

Long-term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of Sept. 30, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic equity pools	25.0%	5.8%
Private equity pools	16.0	9.6
International equity pools	15.0	6.8
Fixed income pools	13.0	1.3
Real estate and infrastructure pools	10.0	6.4
Absolute return pools	9.0	4.8
Real return/opportunistic pools	10.0	7.3
Short-term investment pools	2.0	0.3
Total	100.0%	

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

Rate of Return

For the fiscal year ended Sept. 30, 2023, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 7.94%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

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

Sensitivity of the School's proportionate share of the net OPEB liability to changes in the discount rate

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

1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
$450,793	($434,835)	($1,195,945)

Sensitivity of the School District's proportionate share of the net OPEB liability to Healthcare Cost Trend Rate

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
($1,197,843)	($434,835)	$390,990

OPEB Plan Fiduciary Net Position

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

Note 9 - Risk Management

The School District 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 School District has purchased commercial insurance for general liability, property and casualty and health claims and participates in the MASB/SET-SEG (risk pool) for claims relating to employee injuries/workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 10 - State of Michigan School Aid

The School District reports State of Michigan school aid in the fiscal year in which the School District is entitled to the revenue as provided by State of Michigan School aid appropriation acts. State funding provided approximately 76.1% of the total revenues to the School District during the June 30, 2024 fiscal year.

Note 11 - Fund Balance

The School District reports fund balance in governmental funds based on the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Detailed information on fund balances of governmental funds is as follows:

	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Inventories	$ -	$ -	$ 12,364	$ 12,364
Restricted for:				
Capital projects	-	970,916	-	970,916
Food services	-	-	899,561	899,561
Debt service	-	-	711,507	711,507
Total restricted	-	970,916	1,611,068	2,581,984
Committed for student activities	-	-	237,152	237,152
Unassigned	5,341,827	-	-	5,341,827
Total fund balances - governmental funds	$ 5,341,827	$ 970,916	$ 1,860,584	$ 8,173,327

Note 12 - Tax Abatements

The District receives reduced property tax revenues as a result of the Industrial Facilities Tax Exemptions (IFT), granted by the City of Jackson and Leoni Township. IFT's are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities. The Property taxes abated were $12,679 for the operating millage and $2,043 for the debt millage.

Note 13 - Subsequent Events

The School District has an ongoing HVAC construction project. The School District is expecting to spend, at minimum, the remaining funds it has available within the capital projects fund.

Management is not aware of any other subsequent events that would have a significant impact on the financial condition of the School District.

Note 14 - Changes in Fund Classification

Reclassification of Nonmajor Fund to Major Fund

During the fiscal year ended June 30, 2024, the capital projects fund, previously reported as a nonmajor fund, was reclassified as a major fund in accordance with the provisions of GASB Statement No. 100, Accounting Changes and Error Corrections. This reclassification was due to an increase in the fund's total assets and liabilities, which met the major fund reporting criteria outlined in GASB Statement No. 34.

The reclassification resulted from the School District issuing bonds of $2,050,000 thereby increasing total assets and the fund having an outstanding accounts payable balance of $821,170 thereby increasing total liabilities. Both are in relation to the continued HVAC construction project. These changes brought the fund's financial activity above the threshold for major fund reporting. The effect of this change was applied prospectively and did not require restatement of prior periods.

As a result of this change, the capital projects fund is presented as a major governmental fund in the accompanying financial statements, providing additional detail and transparency about its financial position and operations. This change enhances the usefulness of the financial statements for assessing the financial health of the fund.

Reclassification of Nonmajor Fund to Major Fund

In a similar manner, the food service fund, previously reported as a major fund, was reclassified as a nonmajor fund in accordance with the provisions of GASB Statement No. 100, Accounting Changes and Error Corrections. This reclassification was due to the significant changes described above within the capital projects fund resulting in the food service fund not meeting the major fund reporting criteria outlined in GASB Statement No. 34.

Required Supplementary Information

Michigan Center School District
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2024

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Local sources	$ 1,253,137	$ 1,631,981	$ 1,623,686	$ (8,295)
State sources	13,957,078	16,023,198	16,029,207	6,009
Federal sources	308,982	394,418	392,305	(2,113)
Other sources	1,014,093	978,381	977,291	(1,090)
Total Revenues	16,533,290	19,027,978	19,022,489	(5,489)
Other Financing Sources				
Lease financing	--	--	86,572	86,572
Transfers in	40,000	83,819	83,819	--
Total Revenues and Other Financing Sources	16,573,290	19,111,797	19,192,880	81,083
Expenditures				
Instruction				
Basic programs	8,798,409	8,526,968	8,506,712	20,256
Added needs	2,418,181	2,772,268	2,771,303	965
Total instruction	11,216,590	11,299,236	11,278,015	21,221
Supporting services				
Pupil	604,722	724,693	722,754	1,939
Instructional services	452,751	530,836	529,957	879
General administration	403,211	376,016	370,650	5,366
School administration	1,401,691	1,215,580	1,209,992	5,588
Business services	283,720	263,102	262,051	1,051
Operations and maintenance	2,032,468	3,106,025	2,830,954	275,071
Transportation services	530,574	520,646	513,641	7,005
Central services	284,959	375,329	374,447	882
Athletics	332,641	314,555	314,641	(86)
Total supporting services	6,326,737	7,426,782	7,129,087	297,695
Community services				
Community and welfare	300	2,675	2,432	243
Site improvements	--	37,564	30,796	6,768
Total Expenditures	17,543,627	18,766,257	18,440,330	325,927
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	(970,337)	345,540	752,550	407,010
Net Change in Fund Balance	**(970,337)**	**345,540**	**752,550**	**407,010**
Fund Balance at Beginning of Period	4,589,277	4,589,277	4,589,277	--
Fund Balance at End of Period	**$ 3,618,940**	**$ 4,934,817**	**$ 5,341,827**	**$ 407,010**

Michigan Center School District
Schedule of School District's Proportionate Share of Net Pension Liability
Michigan Public School Employee Retirement Plan
Last Ten Fiscal Years (Amounts were determined as of September 30 of each fiscal year)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
School District's Portion of Net Pension Liability (%)	0.07968%	0.08341%	0.08272%	0.08412%	0.08598%	0.08794%	0.08811%	0.08514%	0.08274%	0.06907%
School District's Proportionate Share of Net Pension Liability	$ 25,790,881	$ 31,369,858	$ 19,583,312	$ 28,896,355	$ 28,475,109	$ 26,436,045	$ 22,833,588	$ 21,242,075	$ 20,209,062	$ 17,885,996
School District's Covered Payroll	$ 7,611,896	$ 7,920,616	$ 7,453,741	$ 7,275,760	$ 7,495,513	$ 7,247,248	$ 7,434,147	$ 7,246,628	$ 7,000,469	$ 5,295,774
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	338.82%	396.05%	262.73%	397.16%	379.90%	364.77%	307.14%	293.13%	288.68%	337.74%
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%

Michigan Center School District
Schedule of School District's Pension Contributions
Michigan Public School Employee Retirement Plan
Last Ten School District Fiscal Years (Amounts determined as of June 30 of each year)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily Required Contributions	$ 2,871,934	$ 2,838,970	$ 2,483,643	$ 2,311,745	$ 2,284,206	$ 2,394,597	$ 2,066,696	$ 1,911,894	$ 1,596,146	$ 1,261,118
Contributions in Relation to Statutorily Required Contributions	2,871,934	2,838,970	2,483,643	2,311,745	2,284,206	2,394,597	2,066,696	1,911,894	1,596,146	1,261,118
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School District's Covered Payroll	$ 7,906,962	$ 7,581,854	$ 7,589,089	$ 7,359,111	$ 7,296,757	$ 7,489,307	$ 7,255,586	$ 7,246,628	$ 7,000,469	$ 5,295,774
Contributions as a Percentage of Covered Payroll	36.32%	37.44%	32.73%	31.41%	31.30%	31.97%	28.48%	26.38%	22.80%	23.81%

Michigan Center School District
Schedule of School District's Proportionate Share of Net OPEB Liability
Michigan Public School Employee Retirement Plan
Last Seven Fiscal Years (Amounts were determined as of September 30 of each fiscal year)

	2023	2022	2021	2020	2019	2018	2017
School District's Portion of Net OPEB Liability (%)	0.07687%	0.08243%	0.08320%	0.08244%	0.08604%	0.08527%	0.08776%
School District's Proportionate Share of Net OPEB Liability	$ (434,835)	$ 1,745,935	$ 1,269,938	$ 4,416,472	$ 6,175,566	$ 6,778,311	$ 7,771,545
School District's Covered Payroll	$ 7,611,896	$ 7,920,616	$ 7,453,741	$ 7,275,760	$ 7,495,513	$ 7,247,248	$ 7,434,147
School District's Proportionate Share of Net OPEB Liability as a Percentage of its Covered Payroll	-5.71%	22.04%	17.04%	60.70%	82.39%	93.53%	104.54%
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	105.04%	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

Michigan Center School District
Schedule of School District's OPEB Contributions
Michigan Public School Employee Retirement Plan
Last Seven School District Fiscal Years (Amounts determined as of June 30 of each year)

	2024	2023	2022	2021	2020	2019	2018
Statutorily Required Contributions	$ 598,790	$ 627,902	$ 617,627	$ 582,451	$ 590,741	$ 553,504	$ 683,247
Contributions in Relation to Statutorily Required Contributions	598,790	627,902	617,627	582,451	590,741	553,504	683,247
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School District's Covered Payroll	$ 7,906,962	$ 7,581,854	$ 7,589,089	$ 7,359,111	$ 7,296,757	$ 7,489,307	$ 7,255,586
Contributions as a Percentage of Covered Payroll	7.57%	8.28%	8.14%	7.91%	8.10%	7.39%	9.42%

Combining and Individual Fund Statements and Schedules

Michigan Center School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2024

	Special Revenue		Debt Service	
	Food Service	**Student Activity**	**Debt Service**	**Total Nonmajor Governmental Funds**
ASSETS				
Cash and investments	$ 901,432	$ 243,393	$ 711,507	$ 1,856,332
Due from other governmental units	41,601	--	--	41,601
Inventories	12,364	--	--	12,364
Total Assets	**$ 955,397**	**$ 243,393**	**$ 711,507**	**$ 1,910,297**
LIABILITIES				
Accounts payable	$ 8,961	$ 6,241	$ --	$ 15,202
Salaries payable	31,258	--	--	31,258
Due to other funds	3,253	--	--	3,253
Total Liabilities	43,472	6,241	--	49,713
FUND BALANCE				
Nonspendable	12,364	--	--	12,364
Restricted	899,561	--	711,507	1,611,068
Committed	--	237,152	--	237,152
Unassigned	--	--	--	--
Total Fund Balance	911,925	237,152	711,507	1,860,584
Total Liabilities and Fund Balance	**$ 955,397**	**$ 243,393**	**$ 711,507**	**$ 1,910,297**

Michigan Center School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	Special Revenue		Debt Service	
	Food Service	**Student Activity**	**Debt Service**	**Total Nonmajor Governmental Funds**
Revenues				
Local sources	$ 109,539	$ 391,701	$ 747,116	$ 1,248,356
State sources	188,269	--	--	188,269
Federal sources	820,222	--	--	820,222
Total Revenues	1,118,030	391,701	747,116	2,256,847
Expenditures				
Supporting services	--	409,120	--	409,120
Food services	1,163,556	--	--	1,163,556
Debt service, principal	--	--	315,000	315,000
Debt service, interest	--	--	237,550	237,550
Total Expenditures	1,163,556	409,120	552,550	2,125,226
Excess of Revenues Over (Under) Expenditures	(45,526)	(17,419)	194,566	131,621
Other Financing Sources (Uses)				
Transfers out	(83,819)	--	--	(83,819)
Net Other Financing Sources (Uses)	(83,819)	--	--	(83,819)
Net Change in Fund Balance	**(129,345)**	**(17,419)**	**194,566**	**47,802**
Fund Balance at Beginning of Period	1,041,270	254,571	516,941	1,812,782
Fund Balance at End of Period	**$ 911,925**	**$ 237,152**	**$ 711,507**	**$ 1,860,584**

MICHIGAN CENTER SCHOOL DISTRICT
SINGLE AUDIT COMPLIANCE
YEAR ENDED JUNE 30, 2024

Michigan Center School District
Schedule of Expenditures of Federal Awards
June 30, 2024

Federal Grantor / Pass Through Grantor / Program / Project Number / Cluster	*Assistance Listing Number*	*Program or Award Amount*	*Prior Year Expenditures (Memorandum Only)*	*Accrued Revenue at July 1, 2023*	*Current Year Receipts*	*Current Year Expenditures*	*Accrued (Unearned) Revenue at June 30, 2024*
U.S. Department of Agriculture:							
Passed through Michigan Department of Education							
Child Nutrition Cluster:							
231960 National School Lunch Program	10.555	$ 67,762	$ -	$ -	$ 67,762	$ 67,762	$ -
241960 National School Lunch Program	10.555	427,139	-	-	427,139	427,139	-
231970 School Breakfast Program	10.553	17,807	-	-	17,807	17,807	-
241970 School Breakfast Program	10.553	116,656	-	-	116,656	116,656	-
240910 Food Service Supply Chain Grant	10.555	50,112	-	(12,629)	37,483	50,112	-
230900 Summer Food Service Program Operating	10.559	30,255	-	-	30,255	30,255	-
Bonus Commodities - 2324	10.555	145	-	-	145	145	-
Entitlement Commodities - 2324	10.555	58,124	-	-	58,124	58,124	-
Total Child Nutrition Cluster		768,000	-	(12,629)	755,371	768,000	-
230985 Local Food for Schools	10.185	18	-	-	18	18	-
231920 Child and Adult Care Food Program Meals	10.558	8,679	-	-	8,679	8,679	-
241920 Child and Adult Care Food Program Meals	10.558	40,137	-	-	40,137	40,137	-
232010 Child and Adult Care Food Program Cash in Lieu	10.558	602	-	-	602	602	-
242010 Child and Adult Care Food Program Cash in Lieu	10.558	2,786	-	-	2,786	2,786	-
Total U.S. Department of Agriculture		$ 820,222	$ -	$ (12,629)	$ 807,593	$ 820,222	$ -

Continued...

Michigan Center School District
Schedule of Expenditures of Federal Awards
June 30, 2024

Federal Grantor / Pass Through Grantor / Program / Project Number / Cluster	*Assistance Listing Number*	*Program or Award Amount*	*Prior Year Expenditures (Memorandum Only)*	*Accrued Revenue at July 1, 2023*	*Current Year Receipts*	*Current Year Expenditures*	*Accrued (Unearned) Revenue at June 30, 2024*
U.S. Department of Education:							
Passed through Michigan Department of Education							
Title I, Part A - Educationally Deprived							
231530 2223	84.010	$ 216,923	$ 170,873	$ 13,398	$ 52,129	$ 38,731	$ -
241530 2324	84.010	191,232	-	-	152,855	163,787	10,932
Total Title I, Part A		408,155	170,873	13,398	204,984	202,518	10,932
Title II, Part A - Improving Teacher Quality State Grants							
230520 2223	84.367	48,375	34,013	1,350	1,550	200	-
240520 2324	84.367	43,980	-	-	31,259	33,259	2,000
Total Title II, Part A		92,355	34,013	1,350	32,809	33,459	2,000
Title IV							
230750 Part A - Student Support and Academic Enrichment 2223	84.424	16,128	8,486	-	5,970	5,970	-
240750 Part A - Student Support and Academic Enrichment 2324	84.424	15,929	-	-	6,567	6,567	-
Total Title IV, Part A		32,057	8,486	-	12,537	12,537	-
Elementary and Secondary School Emergency Relief (ESSER) Fund:							
COVID-19 - 211012 2122 - MV American Rescue Plan Homeless II	84.425W	13,290	-	-	5,883	5,883	-
COVID-19 - 213742 2122 - ESSER II Formula	84.425D	30,250	20,608	1,875	3,536	1,661	-
COVID-19 - 213782 2223 - ESSER II Formula	84.425D	69,787	-	-	69,787	69,787	-
COVID-19 - 213713 2122 - American Rescue Plan /ESSER III Formula	84.425U	1,809,010	1,653,701	1,399,888	1,393,227	60,809	67,470
Total ESSER		1,922,337	1,674,309	1,401,763	1,472,433	138,140	67,470
Total ARP		1,922,337	1,674,309	1,401,763	1,472,433	138,140	67,470
Passed through Jackson County Intermediate School District							
JCISD 2023-24 - McKinney - Vinto (Homeless)	84.196	1,000	546	189	317	128	-
Total U.S. Department of Education		2,455,904	1,888,227	1,416,700	1,723,080	386,782	80,402
U.S. Department of Health and Human Services:							
Passed through Jackson County Intermediate School District							
JCISD 2023-24 - Medicaid Outreach / Medicaid Cluster	93.778	-	-	-	5,523	5,523	-
Total U.S. Department of Health and Human Services		-	-	-	5,523	5,523	-
Total Federal Financial Assistance		**$ 3,276,126**	**$ 1,888,227**	**$ 1,404,071**	**$ 2,536,196**	**$ 1,212,527**	**$ 80,402**

See Notes to the Schedule of Expenditures of Federal Awards

Concluded.

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the Michigan Center School District (the “District”) 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the District's financial statements. 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. Pass-through entity identifying numbers are presented where applicable and have been identified in the Schedule.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been included and all grant requirements have been met.

The Schedule has been arranged to provide information on both the actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue, and accounts payable items at both the beginning and the end of the fiscal year have been reported.

Expenditures are in agreement with amounts reported in the financial statements and the grant financial reports. The amounts on the Grant Auditor Report reconcile with this Schedule.

The District has elected not to use the 10-percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

Note 3 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The grantee received no noncash assistance during the year ended June 30, 2024 that is not included on the schedule of expenditures of federal awards.

Note 4 - Reconciliation to the Schedule of Expenditures of Federal Awards

The School reported federal revenues in the fund financial statements of $1,212,527, which is equal to the federal expenditures reported in the schedule of expenditures of federal awards.

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

To the Board of Education
Michigan Center School District
Michigan Center, 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 the Michigan Center School District (the "School"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 9, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, MI
October 9, 2024

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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
Michigan Center School District
Michigan Center, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Michigan Center School District's (the "School") 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 the School's major federal programs for the year ended June 30, 2024. The 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, the 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 the 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 the 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 the 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 the 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 the 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 the 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 the 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 the 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.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, MI
October 9, 2024

Michigan Center School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal controls over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
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 2 CFR 200.516?	No

Identification of Major Programs

Name of Federal Program or Cluster	Assistance Listing Number
Child Nutrition Cluster	10.553, 10.555, 10.559

Dollar threshold used to distinguish between Type A and B programs?	$750,000
Auditee qualified as a low-risk auditee?	Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

No matters were reported.

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October 9, 2024

To the Board of Education
Michigan Center School District
Michigan Center, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Michigan Center School District (the "School") for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 23, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 to the financial statements. There were no new accounting policies adopted during the fiscal year ended June 30, 2024. We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability.

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 9, 2024.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

As required by the OMB Uniform Guidance, we have also completed an audit of the federal programs administered by the School District. The results of that audit are provided to the Board of Education in our report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with the OMB Uniform Guidance dated October 9, 2024.

Other Matters

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

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

Recommendation: Excess Fund Balance in the Food Service Fund

During our audit, we noted that the School's Food Service Fund had an excess fund balance of approximately $511,709 as of the fiscal year-end, which exceeds the allowable limit of three months' average expenditures, as per USDA regulations (7 CFR Part 210.14(b)).

According to the USDA, when a School Food Authority (SFA) has an excess fund balance, it is required to develop and implement a spend-down plan to reduce the balance to an acceptable level in the following school year. This plan must be submitted to the Michigan Department of Education (MDE) for approval via the Grant Electronic Monitoring System (GEMS/MARS). The excess funds must be used specifically for the school meals program and cannot benefit the general fund (7 CFR Part 210.10(a)(2)).

We recommend that management prepare a spend-down plan to address the excess fund balance and submit it to MDE for approval. The plan could include:

- Enhancements to the food service program to improve meal quality and infrastructure.

- Expenditures related to food service operations, such as kitchen equipment or facility upgrades.

Restriction on Use

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

Very truly yours,

Gabridge & Company

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