

Addison Community Schools

Report on Financial Statements
(with required supplementary and
additional supplementary information)
Year Ended June 30, 2024



Addison Community Schools

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Independent Auditor's Report

To the Board of Education
Addison Community Schools
Addison, Michigan

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Your partner in financial statement auditing and all things accounting.

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To the Board of Education
Addison Community Schools
Addison, Michigan

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of net liability and schedule of contributions, related to pensions and other postemployment benefits, on pages 4 through 12, pages 48 through 49 and pages 50 through 54, respectively, 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.

To the Board of Education
Addison Community Schools
Addison, Michigan

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Addison Community Schools' 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 28, 2024, on our consideration of the Addison Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Addison Community Schools' internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, Addison Community Schools' 2023 basic financial statements for the year ended June 30, 2023, which are not presented with the accompanying financial statements, and we expressed on unmodified opinions the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The comparative totals for the year ended June 30, 2023, are presented for 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 2023 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 the auditing standards generally accepted in the United States of America. In our opinion, the 2023 comparative totals are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Meredith Francis, CPA, P.C.

Brooklyn, Michigan
October 28, 2024

**Addison Community Schools
Management's Discussion and Analysis
June 30, 2024**

Our discussion and analysis of Addison Community School District financial performance provides an overview of the School District's financial activities in the fiscal year ended June 30, 2024. The Addison Community School District implemented GASB 34 requirements in the June 30, 2004 audit as required by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments issued June 2000. Certain comparative information between the current year and the prior year is required and will be presented in this MD&A. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

The management's discussion and analysis is provided at the beginning of the audit and organized so that the reader can understand terms the past and current position of the Addison Community School District financial condition. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the School District's revenues by program for the General Fund and Special Revenue Funds.

Using This Annual Report

The School District's Annual Report consists of a series of financial statements that show information for the School District as a whole, its funds, and its fiduciary responsibilities. The *District Wide Financial Statements*, which include the **Statement of Net Position** and the **Statement of Activities** provide information about the district as a whole and present a longer-term view of the School District's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The *Fund Financial Statements* provide detailed information about the School District's most significant funds-not the School District as a whole.

Reporting the school district as a whole

These two statements report the School District's net position-the difference between assets and liabilities, as reported in the **Statement of Net Position** – as one way to measure the School District's financial health or financial position. The **Statement of Net Position**, for the first time, combines and consolidates governmental fund's current financial resources with capital assets and long-term obligations, regardless if they are currently available or not. In comparison to "other assets", capital assets are those assets that are tangible, valued over a specified amount, and usually have a long life. They are depreciated over a useful life. More detail on capital assets and their recorded useful lives is found in the footnote section of the audit. Long-term obligations (liabilities) are those that are longer than one year. Some liabilities are classified as "short-term" for the portion due in a year, and "long-term" for the portion due in future years (such as leases payable, compensated absences, and debt obligations). "Other liabilities" are considered to be obligations due within a year. Over time, increases or decreases in the School District's net position – as reported in the **Statement of Activities** – is one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the School District's operating results.

However, the School District's goal is to provide services to our students, not to generate a profit as commercial entities do. There are other factors to consider such as quality of education and school safety to assess the overall health of the School District.

The **Statement of Net Position** and **Statement of Activities** report the governmental activities and business-type activities. These statements for the Addison Community School District will include only governmental activities which encompass all of the School District's services including instruction, supporting services, athletics, and food service. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

**Addison Community Schools
Management's Discussion and Analysis
June 30, 2024**

Reporting the school district's most significant funds

The School District's fund financial statements provide detailed information about the School District's most significant funds- not the School District as a whole. The fund statements are similar to financial presentations in the past, but the focus is on the District's major funds rather than fund types. The two Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. Some funds are required by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (such as Food Service) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies (such as Special Revenue). Due to the passing of the 2010 bond, the School District now has 2 major funds. The School District's major funds are the General Fund and Debt Service Fund.

The School District's services are reported in governmental funds. Governmental fund reporting focuses on how money flows into and out of the funds and the balances left at year-end that are available for spending in future periods. They are reported using an accounting method called "modified accrual" accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's operations and services it provides. Governmental fund information 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. We describe the relationship (or differences) between *governmental activities* (reported in the Statement of Net Position and the Statement of Activities) and *governmental funds* in reconciliation on page 16 and 18.

Fund types include the General Fund, Debt Retirement Fund, Capital Projects Fund, and Special Revenue Funds. The General Fund is used primarily to account for the general education requirements of the District. Its revenues are derived from property taxes, state and federal distributions and grants and other intergovernmental revenues. The Debt Fund is used to record the funding and payment of principal and interest on Bonded Debt. The Special Revenue Fund is used to record the funding and expenditures of monies specified for a specific purpose (Food service). The Student Activity Fund accounts for assets held by the District in a trustee capacity or as an agent for various student groups and related activities.

Recording of Pension Liability

Employees of Addison Community Schools are members of the Michigan Public School Employees Retirement System (MPERS). Due to a requirement from the Governmental Accounting Standards Board (GASB 68) each district in the state of Michigan must disclose its proportionate share of net pension liability and pension expense as of September 30 of the previous year. Also, there are additional requirements for pension-related Notes to the Financial Statement and Required Supplemental Information contained in the footnotes.

Proportionate share is based on each district's historical pension contributions to the system and is based on the MPERS plan fiscal year (October 1 – September 30). Addison's share of net pension liability for the state is 0.044628% and amounts to \$14,444,305 as of the end of the fiscal year. This amount is included in "long term liabilities outstanding" on the government-wide statement and puts the district in a negative position for total net position. Addison's proportionate share of pension expense is \$1,588,394 as of the end of the MPERS plan fiscal year.

This data will change every year as the liability is paid off over time, the market value of assets fluctuates over time, and the reporting unit proportionate share can change.

**Addison Community Schools
Management's Discussion and Analysis
June 30, 2024**

Recording of Other Postemployment Benefits (OPEB) Liability

Another requirement from the Governmental Accounting Standards Board (GASB 75) requires each district in the state of Michigan to disclose its proportionate share of retiree health insurance liability. Also, there are additional requirements for benefits-related Notes to the Financial Statement and Required Supplemental Information contained in the footnotes.

Proportionate share is based on each district's historical pension contributions to the system and is based on the MPSERS plan fiscal year (October 1 – September 30). During this year, OPEB numbers have adjusted to the point that our share is now an asset vs liability. Addison's share of net OPEB Asset for the state is 0.0441538% and amounts to \$249,777 as of the end of the plan fiscal year. This amount is included in "noncurrent assets" on the government-wide statement. Even though it has changed from a liability to an asset this fiscal year, the district is still in a negative position for total net position. Addison's proportionate share of OPEB expense is \$343,956 as of the end of the MPSERS plan fiscal year.

This data will change every year as the liability is paid off over time, the market value of assets fluctuates over time, and the reporting unit proportionate share can change.

The School District as a Whole

The School District's net position was (\$7,761,161) at the end of June 30, 2024 compared to (\$10,023,286) at the end of June 30, 2023. Due to GASB 68, there are line items listed under Noncurrent Liabilities – Net Pension Liability - \$14,444,305 and Net OPEB Asset- \$249,777 which results in a negative balance for Unrestricted Net Position. This fiscal year and going forward our Net Position will be negative because of showing this new liability on the government wide statements. See **Recording of Pension Liability and Recording of OPEB liability** (above) and **Notes 10 and 11** (near end of footnotes) for more detailed information. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net position for day-to-day operations. Our analysis below focuses on the **Net Position** (Table 1) and **Change in Net Position** (Table 2) of the School District's governmental activities.

**Addison Community Schools
Management's Discussion and Analysis
June 30, 2024**

The School District as a Whole (Continued)

Table 1

		Governmental Activities	
		2024	2023
Current and other assets	\$	3,426,135	\$ 3,463,318
Noncurrent assets		15,182,829	15,283,810
Total assets		18,608,964	18,747,128
Deferred outflows of resources		4,098,318	5,054,769
Long term liabilities outstanding		24,149,242	28,615,317
Other liabilities		1,544,545	1,530,322
Total liabilities		25,693,787	30,145,639
Deferred inflows of resources		4,774,656	3,679,544
Net position:			
Invested in capital assets, net of related debt		5,394,500	4,729,258
Restricted for:			
Debt		522,951	620,927
Capital Projects		8	8
Unrestricted		(13,678,620)	(15,373,479)
Total net position	\$	<u>(7,761,161)</u>	<u>\$ (10,023,286)</u>

Taking Net Pension Liability and Net OPEB Asset out of the calculation for total net position \$515,908 is the unrestricted net position of governmental activities which represents the accumulated results of all past years' operations. It means that if we had to pay off all of our bills *today*, including all of our noncapital liabilities, (compensated absences for example), we would have \$515,908 left.

The **Statement of Activities** presented later in the government-wide financial statement, provides greater detail on the District's annual activity. The **Statement of Changes in Net Position from Operating Results** (Table 2) showed on next page details the cost of the District's governmental activities and how those activities were financed.

**Addison Community Schools
Management's Discussion and Analysis
June 30, 2024**

The School District as a Whole (Concluded)

Table 2

	Governmental Activities	
	2024	2023
Program revenues:		
Charges for services:		
Instruction	\$ 6,878	\$ 3,724
Support services	7,780	7,644
Food services	48,314	57,916
Athletics	38,080	34,013
Community services	9,274	7,027
Operating grants:		
Instruction:		
Local contributions	13,246	33,991
State aid-Categoricals	146,940	104,846
Federal programs	234,634	586,138
Support services:		
Local contributions	153,778	186,462
State aid-Categoricals	402,746	223,016
Federal programs	14,292	121,441
Food services:		
Free and reduced lunch program	794,422	563,292
State sources	140,602	38,950
QSCB tax subsidy	194,114	236,396
Contributions for Athletics	39,600	20,313
Total program revenues	2,244,700	2,225,169
General revenues:		
Property taxes	5,133,364	4,919,828
Investment earnings	36,044	25,865
State sources-unrestricted	4,410,774	4,542,542
Intermediate sources	505,345	457,022
Other	35,351	9,783
Total general revenues	10,120,878	9,955,040
Total revenues	12,365,578	12,180,209
Expenses:		
Instruction	6,039,626	6,048,322
Support services	1,789,245	3,601,063
Food services	818,449	649,008
Athletics	428,121	508,629
Student activities	177,412	166,462
Interest expense	394,526	452,325
Unallocated depreciation	451,345	464,856
Total expenses	10,103,453	11,891,138
Change in net position	2,262,125	289,071
Net position, beginning of year	(10,023,286)	(10,312,357)
Net position, end of year	<u>\$ (7,761,161)</u>	<u>\$ (10,023,286)</u>

**Addison Community Schools
Management's Discussion and Analysis
June 30, 2024**

Financial Analysis of the District's Funds

The financial performance of the district as a whole is reflected in its governmental funds as well.

General Fund

Factors affecting Revenue

- *State Aid funding* - The State of Michigan provides a \$9,608 per pupil foundation allowance that provides a substantial portion of our district's revenue. The District's blended count, which is used to compute the State Aid allowance, consists of 90% of the fall student count and 10% of the previous spring's student count. For the 2023-24 school year, the District blended count was 708.94. In addition, the district also receives various grants from the state. This means that the financial stability of the District rests primarily with the economic health of the State of Michigan. State aid payments are made with the first payment of the school year beginning in October, and the last payment being made in August. Therefore, at the end of the District's fiscal year end, there is adjustment made that includes 2 months of state aid payments into revenue that has not yet been made.
- *Property Taxes* – The District levies 18 mills of property taxes for operations on non-homestead properties, less the mandatory reductions required by the Headlee Amendment, Article IX, Section 31. For the 2023-24 fiscal year, 18 mills were levied on non-homestead property for general purposes and 1.8 mills were levied on all property for payment of the 2010 school building and site bonds passed in May 2010. In the 2023-24 fiscal year, there was a Headlee millage reduction fraction of .9413. In November 2016, an additional mill was approved by the voters to cover any Headlee millage reductions. This extra voted millage was applied for 2023 levy allowing the district to levy the full 18 mills. Property tax revenues are recorded on a cash basis and for the 2023-24 fiscal year were \$34,148,604 for general purposes and \$984,760 for debt service.
- *Schools of Choice*- The School District have an agreement with the other public schools in Lenawee County to implement a Lenawee County Schools of Choice (Open Enrollment) program. During the 2023-24 school year, of the 701 pupils enrolled, 180 (26%) of our student population were schools of choice pupils. The number and % of school of choice students increased by approximately 2% compared to the previous school year.

Factors affecting Expenditures

- *Salaries and Benefits*- A significant portion of the School District's expenditures are related to compensation.
- *Instructional purchases*- A substantial part of each year's budgetary expenditures include textbooks and supplemental learning materials, supplies, and purchased services.
- *Operation and Maintenance*- Much of each year's budgetary expenditures also include the general operation and maintenance of our school buildings.

**Addison Community Schools
Management's Discussion and Analysis
June 30, 2024**

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. As a matter of practice, the District amends its budget during the school year. In fact, all Michigan school districts must complete a second full budget after the state's official student membership count date (the first Wednesday in October), because only then are they knowledgeable of their Foundation Grant's income level. These revisions are made in order to deal with the unexpected changes in revenues and expenditures. The following analysis describes the reasons for changes in the budget during the year.

Original Budget versus Final Budget

- *Revenues*- Estimated original budgets for revenues were \$9,661,988 versus the final budget of \$10,059,716. This is an increase in revenue of \$397,728. New funding – District Transportation Costs Grant, Michigan Future Educator Grant(pass through grant), blended count up by 7 vs original budget and MPSERS and UAAL increased funding revenue all contributed to the net increase.
- *Expenditures*- The original budget for expenditures was \$10,157,471 versus the final budget of \$9,973,094. This is a decrease in expenditures of (\$184,377). This decrease in expenses is a result of net staffing changes and the due diligence in all departments as we all work together to reduce expenditures.

Final Budget versus Actual Figures

- The majority (about 94%) of *Local Revenues* are property taxes received from five townships including Liberty, Rollin, Somerset, Wheatland and Woodstock.
- *Expenditures*- Expenditures were budgeted at \$9,985,252 versus actual expenditures of \$9,973,094. The economy for the state continued to be very uncertain for the fiscal year 2023-2024. As a school district, Addison Community Schools tried to be very conservative in our spending in order for us to provide the best instructional opportunities to our students. The majority of this change was due to interest refunded in August from MDE on State Aid Note borrowing.
- *Revenues*- Revenues were budgeted at \$10,031,716 versus actual revenues of \$10,047,305.

Actual Figures 2023-2024 compared to 2022-2023

- *Local Revenues* for the fiscal year ended June 30, 2024 were \$4,334,857 compared to \$3,940,481 in the previous year. Due to GASB changes in fiscal year 2010/11, the Athletic Fund is now recorded as part of the General Fund. Athletic revenue from admission fees, donations, etc. is now recorded as part of the local source revenue in the General Fund. Property tax value change was the biggest factor in this change as it resulted in shift in how the foundation allowance per student was funded in 2023-2024 fiscal year.
- *State Revenues* for the fiscal year ended June 30, 2024 were \$4,960,460 compared to \$4,870,404 in the previous fiscal year. This change reflects various changes included in state aid payments and grants including increase in UAAL funding and MPSERS funding.

**Addison Community Schools
Management's Discussion and Analysis
June 30, 2024**

Actual Figures 2023-2024 compared to 2021-2023 (Concluded)

- *Federal Revenues* for the fiscal year ended June 30, 2024 were \$248,926 compared to \$707,579 from the previous school year. As ESSER II and ESSER III grants are being exhausted, federal revenues are decreasing.
- *Expenditures* for the fiscal year ended June 30, 2024 were \$9,973,094 compared to \$10,268,091 from the previous school year. This decrease in expenditures were largely due to network and phone system upgrades completed in 2022-23.

Special Revenue Funds

- *School Lunch Fund*- The School Lunch Fund receives its revenues from the sale of goods, federal grants, and transfers from the General Fund. For the fiscal year 2023-24, the General Fund did not transfer money to the School Lunch Fund. The School Lunch Fund transferred \$28,000 in indirect costs to the General Fund in fiscal year 2023-24.
- *Athletic Fund*- Beginning in the fiscal year 2010-11, the Athletic fund is no longer considered a special revenue fund but is recorded as part of the General Fund. In the past, the money used to balance the Athletic Fund was shown on the statements as a transfer out. The Athletic Fund receives its revenues from admission fees, and transfers from the General Fund. Beginning 2010-11 fiscal year and going forward, athletics is now recorded as a line item in the General fund expenditures as athletic activities. The net result of revenue and expenditures was that the General Fund subsidized athletics with \$358,366 for the 2023-2024 fiscal year compared to \$453,276 for the 2022-2023 fiscal year.
- *Capital Projects Fund*- The additional Capital Project funds are now closed as the bond construction is complete. The original Capital Projects fund is the only one remaining. Capital Projects fund #1 (existed from prior years) - receives its revenues from transfers from the General Fund and interest earned from previous transfers. There were no transfers into this Capital Projects Fund since the 2007/2008 fiscal year.

Debt Service Fund

- Due to the passing of the 2010 bond, there are two new additional debt service funds – QSCB and BAB. Both of these are used to pay the annual interest and principal payments on their corresponding bond issues. The maximum number of years the bonds may be outstanding is twenty-five (25) years. The BAB portion of the original 2010 bond was refunded on February 27, 2020. This bond refunding will save the taxpayers approximately \$1.07 million dollars over the next 15 years due to a lowering of the debt tax levy going forward.

Capital Asset and Debt Administration

- *Capital Assets*- At June 30, 2024, the School District had \$14,933,052 invested in capital assets, net of accumulated depreciation. This compares to \$15,283,810 in the 2022-2023 fiscal year. This decrease is due to increase in accumulated depreciation. As these items also relate to capital assets, the amount *invested in capital assets net of related debt* is \$5,394,500 compared to \$4,729,258 in the previous year.

**Addison Community Schools
Management's Discussion and Analysis
June 30, 2024**

Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the 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, please contact:

Business Office
Addison Community Schools
219 N. Comstock St
Addison, MI 49220

Addison Community Schools

Statement of Net Position

June 30, 2024 and 2023

	Governmental Activities	
	2024	2023
Assets:		
Current assets:		
Cash and cash equivalents	\$ 881,361	\$ 1,167,855
Investments	1,116,171	890,817
Accounts receivable	6,401	11,239
Interest receivable	290	1,361
Due from other governmental units	1,342,076	1,312,062
Prepaid expenses	70,476	72,374
Inventory	9,360	7,610
Total current assets	<u>3,426,135</u>	<u>3,463,318</u>
Noncurrent assets:		
Capital assets	27,078,842	26,962,123
Less: Accumulated depreciation	<u>(12,145,790)</u>	<u>(11,678,313)</u>
Net other postemployment benefit asset	249,777	-
Total noncurrent assets	<u>15,182,829</u>	<u>15,283,810</u>
Total assets	<u>18,608,964</u>	<u>18,747,128</u>
Deferred outflows of resources:		
Deferred property taxes	141,812	-
Deferred pension amounts	3,076,176	3,756,462
Deferred other postemployment benefit amounts	880,330	1,298,307
Total assets and deferred outflows of resources	<u><u>22,707,282</u></u>	<u><u>23,801,897</u></u>
Liabilities:		
Current liabilities:		
Accounts payable	239,511	303,069
State aid loan payable	185,714	157,839
Due to other governmental units	158,869	224,974
Unearned revenue	372,788	260,195
Salaries payable	432,892	435,162
Accrued expenses	154,771	149,083
Total current liabilities	<u>1,544,545</u>	<u>1,530,322</u>
Noncurrent liabilities:		
Due within one year	1,077,028	1,026,602
Due in more than one year	8,627,909	9,618,800
Net pension liability	14,444,305	17,006,118
Net other postemployment benefit liability	-	963,797
Total liabilities	<u>25,693,787</u>	<u>30,145,639</u>
Deferred inflows of resources:		
Deferred pension amounts	2,606,435	1,509,137
Deferred other postemployment benefit amounts	<u>2,168,221</u>	<u>2,170,407</u>
Total liabilities and deferred inflows of resources	<u>30,468,443</u>	<u>33,825,183</u>
Net position:		
Invested in capital assets net of related debt	5,394,500	4,729,258
Restricted for:		
Debt service	522,951	620,927
Capital projects	8	8
Unrestricted	<u>(13,678,620)</u>	<u>(15,373,479)</u>
Total net position	<u><u>\$ (7,761,161)</u></u>	<u><u>\$ (10,023,286)</u></u>

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

Addison Community Schools

Statement of Activities

**For the Year Ended June 30, 2024
With Comparative Totals for the Year Ended June 30, 2023**

Functions/programs	Expenses	Program Revenues		Total Governmental Activities	
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Position	
				2024	2023
Governmental activities:					
Instruction	\$ 6,039,626	\$ 6,878	\$ 394,820	\$ (5,637,928)	\$ (5,319,623)
Support services	1,789,245	7,780	417,038	(1,364,427)	(3,248,962)
Food services	818,449	48,314	935,024	164,889	11,150
Athletics	428,121	38,080	39,600	(350,441)	(454,303)
Student activities	177,412	-	153,778	(23,634)	20,000
Community services	4,729	9,274	-	4,545	6,554
Interest expense	394,526	-	194,114	(200,412)	(215,929)
Unallocated depreciation	451,345	-	-	(451,345)	(464,856)
Total governmental activities	<u>\$ 10,103,453</u>	<u>\$ 110,326</u>	<u>\$ 2,134,374</u>	<u>\$ (7,858,753)</u>	<u>\$ (9,665,969)</u>
General revenues:					
Property taxes, levied for general purposes				\$ 4,148,604	\$ 3,798,121
Property taxes, levied for debt service				984,760	1,121,707
Investment earnings				36,044	25,865
State sources-unrestricted				4,410,774	4,542,542
Intermediate sources				505,345	457,022
Other				35,351	9,783
Total general revenues				<u>10,120,878</u>	<u>9,955,040</u>
Change in net position				2,262,125	289,071
Net position, beginning of year				<u>(10,023,286)</u>	<u>(10,312,357)</u>
Net position, end of year				<u>\$ (7,761,161)</u>	<u>\$ (10,023,286)</u>

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

Addison Community Schools

Balance Sheet

Governmental Funds

June 30, 2024

With Comparative Totals for June 30, 2023

	General	Debt Service Fund	Nonmajor Funds	Total Governmental Funds 2024	2023
Assets:					
Cash and cash equivalents	\$ 255,539	\$ 522,951	\$ 102,871	\$ 881,361	\$ 1,167,855
Investments	969,059	-	147,112	1,116,171	890,817
Accounts receivable	6,066	-	335	6,401	11,239
Deposit	290	-	-	290	1,361
Due from other governments	1,207,124	-	134,952	1,342,076	1,312,062
Prepaid expenditures	70,476	-	-	70,476	72,374
Inventory	-	-	9,360	9,360	7,610
Total assets	2,508,554	522,951	394,630	3,426,135	3,463,318
Deferred outflows of resources:					
Deferred property taxes	141,812	-	-	141,812	-
Total assets and deferred outflows	2,650,366	522,951	394,630	3,567,947	3,463,318
Liabilities:					
Accounts payable	210,043	-	29,468	239,511	303,069
State aid loan payable	185,714	-	-	185,714	157,839
Due to other governmental units	158,769	-	100	158,869	224,974
Unearned revenue	370,592	-	2,196	372,788	260,195
Salaries payable	428,149	-	4,743	432,892	435,162
Accrued expenditures	152,956	-	1,815	154,771	149,083
Total liabilities	1,506,223	-	38,322	1,544,545	1,530,322
Deferred inflows of resources:					
Unavailable revenue	53,496	-	-	53,496	51,213
Fund Balances:					
Nonspendable					
Prepays	70,476	-	-	70,476	72,374
Inventory	-	-	9,360	9,360	7,610
Restricted for:					
Food service	-	-	263,802	263,802	158,030
Debt service	-	522,951	-	522,951	620,927
Capital projects	-	-	8	8	8
Assigned			83,138	83,138	106,772
Unassigned	1,020,171	-	-	1,020,171	916,062
Total fund balances	1,090,647	522,951	356,308	1,969,906	1,881,783
Total liabilities, deferred inflows & fund balances	\$ 2,650,366	\$ 522,951	\$ 394,630	\$ 3,567,947	\$ 3,463,318

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

Addison Community Schools

Reconciliation of the Fund Balances of Governmental Funds

To the Net Position of Governmental Activities

June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Total governmental fund balances	\$ 1,969,906	\$ 1,881,783
Amounts reported for governmental activities in the statement of net position are different because.		
Deferred outflows of resources - unavailable revenue	53,496	51,213
Deferred outflows of resources - related to pensions	3,076,176	3,756,462
Deferred outflows of resources - related to other postemployment benefits	880,330	1,298,307
Deferred inflows of resources - related to pensions	(2,606,435)	(1,509,137)
Deferred inflows of resources - related to other postemployment benefits	(2,168,221)	(2,170,407)
Capital assets used in the governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital asset is	27,078,842	26,962,123
The accumulated depreciation is	<u>(12,145,790)</u>	<u>(11,678,313)</u>
	14,933,052	15,283,810
Long term liabilities are not due and payable in the current period and are not reported in the funds.		
Bonds payable	(9,538,552)	(10,554,552)
Compensated absences	(166,385)	(90,850)
Proportionate share of the MPSERS net pension liability	(14,444,305)	(17,006,118)
Proportionate share of the MPSERS net OPEB liability	<u>249,777</u>	<u>(963,797)</u>
Net position of governmental activities	<u><u>\$ (7,761,161)</u></u>	<u><u>\$(10,023,286)</u></u>

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

Addison Community Schools

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2024

With Comparative Totals for the Year Ended June 30, 2023

		Debt		Total	
		Service	Nonmajor	Governmental Funds	
		Fund	Funds	2024	2023
Revenues:		General			
Local sources:					
Property taxes		\$ 4,148,604	\$ 984,760	\$ 5,133,364	\$ 4,919,828
Investment earnings		36,044	-	36,044	25,865
Sales, admissions and fees		62,012	-	264,104	296,786
Contributions		52,846	-	52,846	54,304
Other		35,351	-	35,351	9,783
	Total local sources	4,334,857	984,760	5,521,709	5,306,566
State sources		4,960,460	-	5,101,062	4,909,354
Federal sources		248,926	194,114	1,237,462	1,507,267
Intermediate sources		503,062	-	503,062	456,758
	Total revenues	10,047,305	1,178,874	12,363,295	12,179,945
Expenditures:					
Current:					
Instruction		5,964,872	-	5,964,872	6,062,934
Supporting services		3,329,826	-	3,329,826	3,539,343
Food service		-	-	818,449	649,008
Athletics		428,121	-	428,121	508,629
Student activities		-	-	177,412	166,462
Interest		59,926	334,600	394,526	452,325
Other		-	2,250	2,250	2,600
Capital outlay		71,220	-	100,587	-
	Total expenditures	9,858,694	336,850	11,220,772	11,381,774
Excess (deficiency) of revenues over (under) expenditures		188,611	842,024	1,142,523	798,171
Other financing sources (uses):					
Redemption of principal		(76,000)		(76,000)	(69,500)
Redemption of principal		-	(940,000)	(940,000)	(925,487)
Payments to other non-for-profit entities		(38,400)	-	(38,400)	(19,200)
Transfers in		28,000	-	28,000	28,000
Transfers out		-	-	(28,000)	(28,000)
	Total other financing sources (uses)	(86,400)	(940,000)	(1,054,400)	(1,014,187)
	Change in fund balances	102,211	(97,976)	88,123	(216,016)
Fund balances:					
Beginning of year		\$ 988,436	\$ 620,927	1,881,783	2,097,799
End of year		\$ 1,090,647	\$ 522,951	\$ 1,969,906	\$ 1,881,783

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

Addison Community Schools

Reconciliations of the Change in Fund Balances of Governmental Funds

To the Change in Net Position of Governmental Activities

For the Years Ended June 30, 2024 and 2023

	2024	2023
Change in fund balances - total governmental funds	\$ 88,123	\$ (216,016)
Amounts reported for governmental activities in the statement of activities are different		
Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation.		
Depreciation expense	(451,345)	(464,856)
Capital outlay	100,587	-
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available.		
Deferred inflows-Unearned revenue, beginning of year	(51,213)	(50,949)
Deferred inflows-Unearned revenue, end of year	53,496	51,213
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment on long-term debt and related items.		
Repayment of principal	1,016,000	994,987
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Net pension liability, beginning of year	17,006,118	10,776,785
Net pension liability, end of year	(14,444,305)	(17,006,118)
Net other postemployment benefit liability, beginning of year	963,797	675,425
Net other postemployment benefit liability, end of year	249,777	(963,797)
Deferred outflows-pension expense, beginning of year	(3,756,462)	(1,491,274)
Deferred outflows-pension expense, end of year	3,076,176	3,756,462
Deferred outflows-other postemployment benefits expense, beginning of year	(1,298,307)	(883,276)
Deferred outflows-other postemployment benefits expense, end of year	880,330	1,298,307
Deferred inflows-pension expense, beginning of year	1,509,137	4,644,638
Deferred inflows-pension expense, end of year	(2,606,435)	(1,509,137)
Deferred inflows-other postemployment benefits expense, beginning of year	2,170,407	2,792,030
Deferred inflows-other postemployment benefits expense, end of year	(2,168,221)	(2,170,407)
Accrued compensated absences, beginning of year	90,850	145,904
Accrued compensated absences, end of year	(166,385)	(90,850)
Change in net position of governmental activities	<u>\$ 2,262,125</u>	<u>\$ 289,071</u>

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

Addison Community Schools

Notes to Financial Statements

June 30, 2024

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. The government-wide financial statements categorize primary activities as either governmental or business-type. All of the District’s activities are classified as governmental activities. For the most part, the effect of interfund activity has been removed from the government-wide statements.

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 paid by recipients who purchase, use or directly benefit from goods or services 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. state aid, taxes, certain revenue from the intermediate school district, and other unrestricted items are not included as program revenues but instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Addison Community Schools

Notes to Financial Statements

June 30, 2024

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Accrual Method

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

Modified Accrual Method

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

Property taxes, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

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

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

The District reports the following nonmajor funds:

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trust or major capital projects). The District accounts for its food service activities and student groups and activities in Special Revenue Funds.

The *Capital Projects Fund* accounts for the receipt of debt proceeds and transfers from the General Fund for the acquisition of capital assets or to complete construction of major capital projects.

Addison Community Schools

Notes to Financial Statements

June 30, 2024

Note 1. Summary of Significant Accounting Policies (Continued)

D. Other Accounting Policies

The District first utilizes restricted resources when both restricted and unrestricted resources are available for use, then unrestricted resources as they are needed.

The District allocates indirect costs based on the state formula in the Food Service Fund.

Use of Estimates

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

Cash and cash equivalents

Cash and equivalents include amounts in cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Inventories and Prepaids

Inventories are valued at cost (first-in, first-out). Inventories in the Special Revenue Funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as revenue when utilized. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

Addison Community Schools

Notes to Financial Statements

June 30, 2024

Note 1. Summary of Significant Accounting Policies (Continued)

D. Other Accounting Policies (Continued)

Capital Assets

The District's capitalization policy is to capitalize individual amounts equal to or exceeding \$5,000. Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and equipment	5 – 20 years
Transportation equipment	8 years

Deferred outflows of resources

In addition to assets, the statement of financial 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 District only has two items that qualify for reporting in this category. They are the deferred charges for pension expense and other postemployment benefits expense reported in the government-wide statement of net position. Deferred charges on pension expense and other postemployment benefits expense are used to calculate future years' pension expense.

Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net position. Where applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing resources. Premiums received in debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

Compensated Absences

Employees can accumulate compensated absences by not using the number of sick days allotted each year. The liability was calculated using the vesting method, in which leave days for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination.

Addison Community Schools

Notes to Financial Statements

June 30, 2024

Note 1. Summary of Significant Accounting Policies (Continued)

D. Other Accounting Policies (Continued)

Deferred inflows of resources

In addition to liabilities, the statement of financial 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 District has one item, which arises only under a modified accrual basis of accounting in the fund financial statements; and another that qualifies for reporting on the government wide statement of net position in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues primarily from one source: receipts that exceeded 60 days of year end. The deferred inflows from pension expense and other postemployment benefits are presented on the face of the government wide statement of net position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Equity

Fund balances on the Governmental Fund Balance Sheet are classified as either nonspendable, restricted, assigned or unassigned. The term nonspendable indicates that a portion of the fund balance that will either never convert to cash or not convert within the current period. General fund reports a portion of fund balance as nonspendable for prepaid expenditures and the food service report reports an amount for inventory. Restricted fund balances are reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. Assigned fund balance represents the portion of fund balance that is constrained to specific purposes intended to be spent within the purpose of the fund. The unassigned fund balance represents the residual classification for the general fund.

When the District incurs an expenditure for purposes which various fund balance classifications could be used, it is the District's policy to use restricted fund balance first, followed by committed fund balance, assigned fund balance, and then unassigned fund balance.

Pensions

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

Postemployment Benefits Other than Pensions

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

Addison Community Schools

Notes to Financial Statements

June 30, 2024

Note 1. Summary of Significant Accounting Policies (Concluded)

D. Other Accounting Policies (Concluded)

Subsequent Events

Management has reviewed subsequent events up to October 28, 2024, the date of this report. The financial statements were available to be issued on the same date.

Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

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

<u>Fund</u>	<u>2024</u>	<u>2023</u>
General Fund:		
Non-Principal Residence Exemption	18.0000	18.0000
Commercial Personal Property	6.0000	6.0000
Debt Service Fund:		
Principal and Non-Principal Residence Exemption	1.800	2.200

State Revenue

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

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on principal residence exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for commercial personal property tax. The state revenue is recognized during the foundation period and is funded through payments from October 2023 to August 2024. Thus, the unpaid portion at June 30th is reported as due from other governments.

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

Addison Community Schools

Notes to Financial Statements

June 30, 2024

Note 2. Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General, Special Revenue, and Debt Service Funds.

Appropriations lapse at the end of the fiscal year, even if they have related encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or services. The District does not utilize encumbrance accounting.

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
6. The budget was amended during the year with supplemental appropriation, the last one approved prior to June 30, 2024. The District does not consider these amendments to be significant.
7. On the Budgetary Comparison Schedules, one function exceeded budget for the General Fund, the Debt Fund had no functions exceeding budget. See pages 48 and 49 for more information. Total expenditures did not exceed the amount appropriated in any fund.

Note 3. Deposits and Investments

Deposits

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2024 and 2023, \$772,242 and \$1,152,558, respectively, of the District's bank balance of \$1,022,242 and \$1,402,558, respectively was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 772,242</u>	<u>\$ 1,152,558</u>
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Addison Community Schools

Notes to Financial Statements

June 30, 2024

Note 3. Deposits and Investments (Continued)

Investments

The District's investments include deposits in Michigan Cooperative Liquid Assets Securities System (CLASS). Michigan CLASS is a Participant controlled trust available only to Michigan municipalities, school districts and public agencies for the purpose of enabling such entities to cooperate in the investment of their available funds. Michigan CLASS operates like a money market mutual fund with each share valued at \$1.00.

The District also invests in the Michigan Liquid Asset Fund (MILAF) and MILAF+ Portfolio. MILAF is a local government investment pool. MILAF may only invest in instruments as authorized by Sections 622, 1221 and 1223 of the Michigan school code. MILAF shares are distributed by PFM Fund Distributors, Inc., member Financial Industry Regulatory Authority (FINRA). MILAF reports the fair value of the District's investment is the same as the value of the pool shares.

The District held the following investments at June 30, 2024:

	Weighted Average Maturity	Fair Value	Standard & Poor Rating
Investment:			
Michigan CLASS	85.00	\$ 1,115,133	AAAm
MILAF+ Portfolio	42.00	1,038	*
		<u>\$ 1,116,171</u>	
	*S&P Rating	Percentage of Portfolio	
	AA+	7.81%	
	A-1+	17.69%	
	A-1	43.94%	
	Exempt	30.56%	

The District held the following investments at June 30, 2023:

	Weighted Average Maturity	Fair Value	Standard & Poor Rating
Investment:			
Michigan CLASS	77.00	\$ 889,833	AAAm
MILAF+ Portfolio	21.00	984	*
		<u>\$ 890,817</u>	
	*S&P Rating	Percentage of Portfolio	
	AA+	12.64%	
	A-1+	25.09%	
	A-1	45.07%	
	Exempt	17.20%	

Addison Community Schools

Notes to Financial Statements

June 30, 2024

Note 3. Deposits and Investments (Continued)

Investments (Concluded)

Credit Risk: The risk that an issuer or other counterparty to an investment will not fulfill its obligations. The CLASS investment is rated AAAM by Standard and Poor's Ratings Services. The District's MILAF investment consists of the Cash Management Class and the MAX Class of the MILAF+ portfolio and is rated as classified above by Standard and Poor's Ratings Services.

Concentration of credit risk: The risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy is to diversify investments to minimize the impact of potential losses. As of June 30, 2024, concentrations of 5% or higher were 0.11% of investments at MILAF and 99.89% of investments at Michigan CLASS.

Interest Rate Risk: The District will minimize interest rate risk, which is the risk that the market value of securities invested will fall due to changes in market interest rates, by: structuring the investments so that they mature to meet cash requirements for ongoing operations and thus avoiding the need to sell in the open market; and by investing in shorter-term securities. The weighted average maturity of the securities underlying the CLASS investment was 85 and 77 days, respectively, at June 30, 2024 and 2023. The weighted average maturity of the MILAF+ portfolio at September 30, 2023 and 2022 was 42 and 21 days, respectively.

Valuation of Investments

Michigan CLASS Securities, other than repurchase agreements, are valued at the most recent market bid price as obtained from one or more market makers for such securities. Repurchase agreements are recorded at cost, which approximates market value.

MILAF+ Portfolio securities are valued at amortized cost, which approximates market value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium. It is the Fund's policy to compare amortized cost and fair values of the securities periodically throughout each month and as of the last business day of each month. Fair value is determined by reference to quoted market prices.

In accordance with the authoritative guidance on fair value measurements and disclosures under GAAP, each investment agency discloses the fair value of the investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (level 3 measurements). The guidance establishes three levels of the fair value hierarchy as follows:

Level 1 – Quoted prices in active markets for identical assets.

Level 2 – Inputs other than quoted prices that are observable for the asset, including quoted prices for similar investments based on interest rates, credit risk and like factors.

Level 3 – Unobservable inputs for the assets, including the Portfolios' own assumption for determining fair value.

Addison Community Schools

Notes to Financial Statements

June 30, 2024

Note 3. Deposits and Investments (Concluded)

Valuation of Investments (Concluded)

Investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

There have been no significant changes in valuation techniques used in valuing any such positions held by Michigan CLASS since the beginning of the fiscal year. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The inputs used as of June 30, 2024 to value Michigan CLASS's investments in securities and other financial instruments was categorized as Levels 1 and 2. There were no transfers between Level 1 and Level 2 during the year ending June 30, 2024.

In accordance with GASB Statement No. 79, MILAF+ Portfolio securities are valued at amortized cost, which approximates fair value. GASB Statement No. 79 requires a comparison of the MILAF+ Portfolio's investments on an amortized cost basis to fair values determined on a market value basis at least monthly. The market prices used to determine fair values in this comparison are derived from closing bid prices as of the last business day of the month as supplied by third-party pricing services. Where prices are not available from these generally recognized sources, the securities are priced using a yield-based matrix system to arrive at an estimated market value. Prices that fall between data points are interpolated. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Since the value is not obtained from a quoted price in an active market, all securities held by the Portfolios at September 30, 2023 are categorized as Level 2. There were no transfers between levels during the year ended September 30, 2023.

Note 4. Receivables

Receivables as of June 30, 2024 for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	General Fund	Nonmajor Funds	Total
Accounts receivable	\$ 6,066	\$ 335	\$ 6,401
Due from other governments	1,207,124	134,952	1,342,076
	<u>\$ 1,213,190</u>	<u>\$ 135,287</u>	<u>\$ 1,348,477</u>

Addison Community Schools

Notes to Financial Statements

June 30, 2024

Note 5. Capital Assets

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

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Land improvements	\$ 2,370,477	\$ -	\$ -	\$ 2,370,477
Buildings and improvements	23,802,009	-	-	23,802,009
Machinery and equipment	726,638	100,587	-	827,225
Vehicles other than buses	79,131	-	-	79,131
Depreciable capital assets	26,978,255	100,587	-	27,078,842
Less accumulated depreciation for:				
Land improvements	2,370,477	-	-	2,370,477
Buildings and improvements	8,625,645	448,419	-	9,074,064
Machinery and equipment	622,536	11,733	-	634,269
Vehicles other than buses	62,276	4,704	-	66,980
Total accumulated depreciation	11,680,934	464,856	-	12,145,790
Governmental activities capital assets, net	<u>\$15,297,321</u>	<u>\$ (364,269)</u>	<u>\$ -</u>	<u>\$14,933,052</u>

Depreciation includes amortization on leased equipment, if applicable. Depreciation expense for the fiscal year ended June 30, 2024 and 2023 was \$464,856 and \$467,424, respectively. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

Addison Community Schools

Notes to Financial Statements

June 30, 2024

Note 6. Short Term Debt-State Aid Anticipation Notes

The District issued state aid anticipation notes of \$1,300,000 and pledged its State aid as collateral. In the event of unavailability or insufficiency of State school aid, the note is payable from taxes levied by the District. The balance at June 30, 2024 was \$185,714. The note has an interest rate of 3.46% and maturity date of July 2024. The interest expense for these notes was \$41,357 and \$19,744 for the years ended June 30, 2024 and 2023, respectively. The District refinanced its State School aid anticipation note in the 2024-25 fiscal year.

Short-term debt activity for the fiscal year ended June 30, 2024 is as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
State aid anticipation note	\$ 157,839	\$ 1,300,000	\$ (1,272,125)	\$ 185,714

Note 7. Long-Term Debt

The District issued general obligation bonds, 2010 School Building and Site Bonds, Series A, in the amount of \$15,000,000 (federally taxable-Qualified School Construction Bonds-direct payment). The proceeds are to be used for the purpose of erecting, equipping and furnishing additions to and remodeling, equipping and re-equipping and furnishing and re-furnishing a school building; acquiring, installing and equipping and re-equipping school buildings for technology; developing and improving playgrounds, athletic fields and athletic facilities; preparing, developing and improving sites; and paying the costs of issuing the bonds. Interest expense of \$237,600 and \$292,800 for the years ended June 30, 2024 and 2023, respectively.

Term bonds are due as follows:

Year Ended June 30,	Principal	Interest	Total
2025	\$ 975,000	\$ 181,200	\$ 1,156,200
2026	1,005,000	122,700	1,127,700
2027	1,040,000	62,400	1,102,400
	<u>\$ 3,020,000</u>	<u>\$ 366,300</u>	<u>\$ 3,386,300</u>

Addison Community Schools**Notes to Financial Statements****June 30, 2024****Note 7. Long-Term Debt (Continued)**

The District issued refunding general obligation bonds of \$4,850,000 dated February 27, 2024, to refund a portion of the outstanding 2010 School Building and Site Bonds, Series B, in the original amount of \$4,990,000 (federally taxable-Build America Bonds-direct payment). The proceeds of the bonds were used to pay certain costs of issuance related to the refunding of the prior bonds. Interest expense of \$97,000 and \$97,000 for the years ended June 30, 2024 and 2023, respectively.

The following is a schedule of repayment:

Year Ended June 30,	Principal	Interest	Total
2025	\$ -	\$ 97,000	\$ 97,000
2026	-	97,000	97,000
2027	-	97,000	97,000
2028	575,000	97,000	672,000
2029	585,000	85,500	670,500
2030	595,000	73,800	668,800
2031	605,000	61,900	666,900
2032	615,000	49,800	664,800
2033	615,000	37,500	652,500
2034	625,000	25,200	650,200
2035	635,000	12,700	647,700
	<u>\$ 4,850,000</u>	<u>\$ 734,400</u>	<u>\$ 5,584,400</u>

Total interest paid on all bonds and notes for the years ended June 30, 2024 and 2023 was \$334,600 and \$389,800, respectively.

Debt service requirements at June 30, 2024 were as follows:

Year Ended June 30,	Principal	Interest	Total
2025	\$ 975,000	\$ 278,200	\$ 1,253,200
2026	1,005,000	219,700	1,224,700
2027	1,040,000	159,400	1,199,400
2028	575,000	97,000	672,000
2029	585,000	85,500	670,500
2030-2034	3,055,000	248,200	3,303,200
2035	635,000	12,700	647,700
	<u>\$ 7,870,000</u>	<u>\$ 1,100,700</u>	<u>\$ 8,970,700</u>

Addison Community Schools

Notes to Financial Statements

June 30, 2024

Note 7. Long-Term Debt (Concluded)

Compensated Absences

Employees can accumulate compensated absences by not using the number of sick days allotted each year. The vested liability for compensated absences for teachers is based on the amount specified in the employee's contract multiplied by the number of days accumulated by employees who have been employed by the District for twenty or more years. Other support staff have negotiated the daily rate in each employee's contract. The days of leave are more likely than not to be paid or used. The increase shown below is a net amount. The current portion represents the estimated amount that will be paid to employees in the next fiscal year.

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

	Bonds	Compensated Absences	Total
Balance July 1, 2023	8,810,000	90,850	\$ 8,900,850
Increases	-	75,535	75,535
Decreases	(940,000)	-	(940,000)
Balance June 30, 2024	7,870,000	166,385	8,036,385
Less: current portion	975,000	19,228	994,228
Total due after one year	<u>\$ 6,895,000</u>	<u>\$ 147,157</u>	<u>\$ 7,042,157</u>

Addison Community Schools

Notes to Financial Statements

June 30, 2024

Note 8. Long-Term Liability

The District entered into a financing agreement to finance the installation of energy conservation measures and related upgrades for \$1,869,700. The financing matures in March 2036 and the interest rate is 3.65%.

Payments are scheduled as follows:

Year Ended June 30,	Principal	Interest	Total
2025	\$ 82,800	\$ 57,152	\$ 139,952
2026	90,000	54,130	144,130
2027	97,700	50,844	148,544
2028	105,700	47,278	152,978
2029	114,100	43,420	157,520
2030-2034	713,700	147,872	861,572
2035-2036	361,800	20,028	381,828
	<u>\$ 1,565,800</u>	<u>\$ 420,724</u>	<u>\$ 1,986,524</u>
		2024	2023
Total minimum lease payments		\$ 1,986,524	\$ 2,122,450
Less: Amount representing interest costs		(420,724)	(480,650)
Present value of minimum lease payments		<u>\$ 1,565,800</u>	<u>\$ 1,641,800</u>

Note 9. Interfund Transfers

Interfund transfers are used to move the indirect costs incurred in the nonmajor food service fund to the general fund that expended them; and to use unrestricted revenues collected in the general fund to finance various programs accounted for in the nonmajor community service fund in accordance with budgetary authorizations.

A schedule of interfund transfers follows:

Fund	Transfers In	Fund	Transfers Out
General	\$ 28,000	Nonmajor	\$ 28,000
Totals	<u>\$ 28,000</u>		<u>\$ 28,000</u>

Addison Community Schools

Notes to Financial Statements

June 30, 2024

Note 10. Employee Retirement System Defined Benefit Plan

Plan Description

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

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

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

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 September 30, 2022 valuation will be amortized over a 16-year period beginning Oct. 1, 2022 and ending September 30, 2038.

Addison Community Schools

Notes to Financial Statements

June 30, 2024

Note 10. Employee Retirement System Defined Benefit Plan (Continued)

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

Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	20.16%
Member Investment Plan	3.0 - 7.0%	20.16%
Pension Plus	3.0 - 6.4%	17.24%
Pension Plus 2	6.2%	19.95%
Defined Contribution	0.0%	13.75%

Required contributions to the pension plan from Addison Community Schools were \$1,608,440 for the year ended September 30, 2023. The District's contribution to MPSERS under all pension plans for the year ended June 30, 2024 was \$1,366,760. See the schedule of pension contributions on page 46 for additional information.

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

At June 30, 2024 and 2023, the District reported a liability of \$14,444,305 and \$17,006,118, respectively, for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2022. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2023, the District's proportion was .04462793%, which was a decrease of .00059062% from its proportion measured as of September 30, 2022 (.04521855%).

Addison Community Schools

Notes to Financial Statements

June 30, 2024

Note 10. Employee Retirement System Defined Benefit Plan (Continued)

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

For the year ended June 30, 2024 and 2023, the District recognized pension expense of \$1,588,394 and \$1,886,356, respectively. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 455,963	\$ 22,126
Changes of assumptions	1,957,269	1,128,517
Net difference between projected and actual earnings on pension plan investments	-	295,577
Changes in proportion and differences between Reporting Unit contributions and proportionate share of contributions	1,146	445,696
Employer contributions subsequent to the measurement date	661,798	714,519
Total	<u>\$ 3,076,176</u>	<u>\$ 2,606,435</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. 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	\$ 95,695
2025	84,364
2026	573,037
2027	(230,634)

Addison Community Schools

Notes to Financial Statements

June 30, 2024

Note 10. Employee Retirement System Defined Benefit Plan (Continued)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2022
Actuarial Cost Method	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return	
- 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 September 30, 2023 valuation. The total pension liability as of September 30, 2023, is based on the results of an actuarial valuation date of September 30, 2022, and rolled forward using generally accepted actuarial procedures, including the experience study.*
- *Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4406*
- *Recognition period for assets in years: 5.0000*
- *Full actuarial assumptions are available in the 2023 MPSERS Comprehensive Annual Financial Report found on the ORS website at [Michigan.gov/ORSSchools](https://michigan.gov/ORSSchools).*

Addison Community Schools

Notes to Financial Statements

June 30, 2024

Note 10. Employee Retirement System Defined Benefit Plan (Continued)

Long-Term Expected Return on Plan Assets

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.8%
Private Equity Pools	16.0%	9.6%
International Equity	15.0%	6.8%
Fixed Income Pools	13.0%	1.3%
Real Estate and Infrastructure Pools	10.0%	6.4%
Absolute Return Pools	9.0%	4.8%
Real Return/Opportunistic Pools	10.0%	7.3%
Short Term Investment Pools	2.0%	0.3%
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 September 30, 2023, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 8.29%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Addison Community Schools

Notes to Financial Statements

June 30, 2024

Note 10. Employee Retirement System Defined Benefit Plan (Concluded)

Discount Rate

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.0% 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, 6.0% 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 Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease		Current Single Discount		1% Increase	
5.00%		Rate Assumption		7.00%	
		6.00%			
\$	19,514,214	\$	14,444,305	\$	10,223,423

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

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

Note 11. Employee Retirement System Other Postemployment Benefit (OPEB) Plan

Plan Description

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

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

Addison Community Schools

Notes to Financial Statements

June 30, 2024

Note 11. Employee Retirement System Other Postemployment Benefit (OPEB) Plan (Continued)

Plan Description (Concluded)

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 September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

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

Contributions

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

Addison Community Schools

Notes to Financial Statements

June 30, 2024

Note 11. Employee Retirement System Other Postemployment Benefit (OPEB) Plan (Continued)

Contributions (Concluded)

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

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

Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.07%
Personal Healthcare Fund (PHF)	0.0%	7.21%

Required contributions to the OPEB plan from the District were \$343,956 and \$346,617 for the years ended September 30, 2023 and 2022, respectively.

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

At June 30, 2024 and 2023, the District reported an asset of \$249,777 and a liability of \$963,797, respectively, for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2022. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2023, the District's proportion was .04415382 percent, which was a decrease of .0013499 percent from its proportion measured as of October 1, 2022 (.0455037%).

Addison Community Schools

Notes to Financial Statements

June 30, 2024

Note 11. Employee Retirement System Other Postemployment Benefit (OPEB) Plan (Concluded)

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

For the year ending June 30, 2024 and 2023, the District recognized OPEB credits of \$481,253 and \$417,358, respectively. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,887,447
Changes of assumptions	556,048	66,959
Net difference between projected and actual earnings on OPEB plan investments	762	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	63,779	213,815
Employer contributions subsequent to the measurement date	259,741	-
Total	<u>\$ 880,330</u>	<u>\$ 2,168,221</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date 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	\$ (495,517)
2025	(475,807)
2026	(207,619)
2027	(166,714)
2028	(132,968)
Thereafter	(69,007)

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.

Addison Community Schools

Notes to Financial Statements

June 30, 2024

Note 11. Employee Retirement System Other Postemployment Benefit (OPEB) Plan (Continued)

Actuarial Assumptions (Concluded)

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 Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents.

Notes:

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

Addison Community Schools

Notes to Financial Statements

June 30, 2024

Note 11. Employee Retirement System Other Postemployment Benefit (OPEB) Plan (Continued)

Long-Term Expected Return on Plan Assets

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.8%
Private Equity Pools	16.0%	9.6%
International Equity	15.0%	6.8%
Fixed Income Pools	13.0%	1.3%
Real Estate and Infrastructure Pools	10.0%	6.4%
Absolute Return Pools	9.0%	4.8%
Real Return/Opportunistic Pools	10.0%	7.3%
Short Term Investment Pools	2.0%	0.3%
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 September 30, 2023, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 7.94%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.00% was used to measure the total OPEB liability. 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.

Addison Community Schools

Notes to Financial Statements

June 30, 2024

Note 11. Employee Retirement System Other Postemployment Benefit (OPEB) Plan (Continued)

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

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the 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	Current Discount Rate	1% Increase
5.00%	6.00%	7.00%
\$ 258,944	\$ (249,777)	\$ (686,974)

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

The following presents the District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the 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	1% Increase
	Cost Trend Rate	
\$ (688,064)	\$ (249,777)	\$ 224,592

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.

Addison Community Schools

Notes to Financial Statements

June 30, 2024

Note 12. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. The premiums are accrued based on the ultimate cost of the experience to date of participating members. The District cannot estimate any losses from reported and unreported claims at June 30, 2024.

In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The likelihood of additional District liability is minimal.

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

Note 13. Net Position Restricted by Enabling Legislation

The government-wide statement of net position reports \$522,959 of restricted net position at June 30, 2024, all of which is restricted by enabling legislation.

Required Supplementary Information

Addison Community Schools

Required Supplementary Information

**Budgetary Comparison Schedule
General Fund**

For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive/(Negative)
Revenues:				
Local sources	\$ 3,908,505	\$ 4,333,045	\$ 4,334,857	\$ 1,812
State sources	4,953,860	4,951,143	4,960,460	9,317
Federal sources	257,494	273,324	248,926	(24,398)
Intermediate sources	514,129	474,204	503,062	28,858
Total revenues	9,633,988	10,031,716	10,047,305	15,589
Expenditures:				
Instruction:				
Basic programs	4,427,215	4,465,706	4,465,724	(18)
Added needs	1,447,167	1,499,166	1,499,148	18
Total instruction	5,874,382	5,964,872	5,964,872	-
Supporting services:				
Pupil	555,569	430,369	430,369	-
Instructional staff	22,185	22,866	22,866	-
General administration	368,836	365,698	367,956	(2,258)
School administration	647,060	572,148	572,148	-
Business services	208,903	233,803	219,387	14,416
Operation & maintenance	1,138,379	1,021,033	1,021,033	-
Pupil transportation	644,947	623,450	623,450	-
Technology	85,400	66,589	66,589	-
Other	7,500	6,028	6,028	-
Community services	7,687	4,729	4,729	-
Athletics	460,697	428,121	428,121	-
Debt Service:				
Interest	59,926	59,926	59,926	-
Total support services	4,207,089	3,834,760	3,822,602	12,158
Capital outlay		71,220	71,220	-
Total expenditures	10,081,471	9,870,852	9,858,694	12,158
Excess (deficiency) of revenues over (under) expenditures	(447,483)	160,864	188,611	27,747
Other financing sources (uses):				
Redemption of principal	(76,000)	(76,000)	(76,000)	-
Payments to other non-for-profit entities	-	(38,400)	(38,400)	-
Transfers in	28,000	28,000	28,000	-
Transfers out				-
Total other financing sources (uses)	(48,000)	(86,400)	(86,400)	-
Change in fund balance	(495,483)	74,464	102,211	27,747
Fund balance:				
Beginning of year			988,436	
End of year			<u>\$ 1,090,647</u>	

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

Addison Community Schools
Required Supplementary Information
Budgetary Comparison Schedule
Debt Service Fund
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Local sources	\$ 917,476	\$ 984,760	\$ 984,760	\$ -
Federal sources	211,781	194,114	194,114	-
Total revenues	1,129,257	1,178,874	1,178,874	-
Expenditures:				
Current:				
Interest	334,600	334,600	334,600	-
Other	2,600	2,250	2,250	-
Total expenditures	337,200	336,850	336,850	-
Excess (deficiency) of revenues over (under) expenditures	792,057	842,024	842,024	-
Other financing sources (uses):				
Redemption of principal	(940,000)	(940,000)	(940,000)	-
Total other financing sources (uses)	(940,000)	(940,000)	(940,000)	-
Change in fund balance	(147,943)	(97,976)	(97,976)	-
Fund balance:				
Beginning of year			620,927	
End of year			<u>\$ 522,951</u>	

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

Addison Community Schools

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability

June 30, 2024

		2023	2022	2021	2020	2019
A.	Reporting unit's proportion of net pension liability (%)	0.044628%	0.045219%	0.045519%	0.047701%	0.047663%
B.	Reporting unit's proportionate share of net pension liability	\$ 14,444,305	\$ 17,006,118	10,776,785	\$ 16,385,898	\$ 15,784,473
C.	Reporting unit's covered-employee payroll (gross wages)	\$ 4,424,849	\$ 4,421,634	\$ 4,007,648	\$ 4,207,979	\$ 4,205,578
D.	Reporting units' proportionate share of net pension liability as a percentage of its covered-employee payroll	326.4361%	384.6116%	268.9055%	389.4007%	375.3223%
E.	Plan fiduciary net position as a percentage of total pension liability	66.30%	60.95%	72.32%	59.49%	60.08%
		2018	2017	2016	2015	2014
A.	Reporting unit's proportion of net pension liability (%)	0.047488%	0.048317%	0.050102%	0.050566%	0.050130%
B.	Reporting unit's proportionate share of net pension liability	\$ 14,275,891	\$ 12,520,942	\$ 12,499,977	\$ 12,350,652	\$ 11,042,091
C.	Reporting unit's covered-employee payroll (gross wages)	\$ 4,015,951	\$ 3,964,610	\$ 4,215,771	\$ 4,125,900	\$ 4,230,053
D.	Reporting units' proportionate share of net pension liability as a percentage of its covered-employee payroll	355.4797%	315.8177%	296.5051%	299.3444%	261.0391%
E.	Plan fiduciary net position as a percentage of total pension liability	62.12%	63.96%	63.01%	62.92%	66.15%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

The notes to the required supplementary information are an integral part of this schedule.

Addison Community Schools
Required Supplementary Information
Schedule of Pension Contributions
June 30, 2024

		<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
A.	Statutorily required contributions	\$ 1,608,440	\$ 1,539,052	\$ 1,366,760	\$ 1,310,893	\$ 1,266,193
B.	Contributions in relation to statutorily required contributions	\$ 1,608,440	\$ 1,539,052	\$ 1,366,760	\$ 1,310,893	\$ 1,266,193
C.	Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
D.	Reporting unit's covered-employee payroll	\$ 4,319,281	\$ 4,403,506	\$ 4,215,734	\$ 4,020,506	\$ 4,228,207
E.	Contributions as a percentage of covered-employee payroll	37.2386%	34.9506%	32.4205%	32.6052%	29.9463%
		<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
A.	Statutorily required contributions	\$ 1,253,084	\$ 1,205,683	\$ 1,123,758	\$ 1,135,137	\$ 1,118,535
B.	Contributions in relation to statutorily required contributions	\$ 1,253,084	\$ 1,205,683	\$ 1,123,758	\$ 1,135,137	\$ 1,118,535
C.	Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
D.	Reporting unit's covered-employee payroll	\$ 4,163,271	\$ 4,129,711	\$ 3,962,061	\$ 3,968,199	\$ 3,922,807
E.	Contributions as a percentage of covered-employee payroll	30.0985%	29.1953%	28.3630%	28.6058%	28.5136%

The notes to the required supplementary information are an integral part of this schedule.

Addison Community Schools

Required Supplementary Information

Schedule of Proportionate Share of the Other Postemployment Benefit (OPEB) Liability

		June 30, 2024			
		2023	2022	2021	2020
A.	Reporting unit's proportion of net OPEB liability (%)	0.0441538%	0.0455037%	0.0442502%	0.0474480%
B.	Reporting unit's proportionate share of net OPEB (asset)/liability	\$ (249,777)	\$ 963,797	\$ 675,425	\$ 2,541,914
C.	Reporting unit's covered-employee payroll	\$ 4,424,849	\$ 4,421,634	\$ 4,007,648	\$ 4,207,979
D.	Reporting units' proportionate share of net OPEB liability as a percentage of its covered-employee payroll	-5.6449%	21.7973%	16.8534%	60.4070%
E.	Plan fiduciary net position as a percentage of total OPEB liability	105.72%	83.62%	87.87%	59.76%
		2019	2018	2017	
A.	Reporting unit's proportion of net OPEB liability (%)	0.0481026%	0.047192%	0.04833%	
B.	Reporting unit's proportionate share of net OPEB (asset)/liability	\$ 3,452,683	\$ 3,751,279	\$ 4,279,495	
C.	Reporting unit's covered-employee payroll	\$ 4,205,578	\$ 4,015,951	\$ 3,964,610	
D.	Reporting units' proportionate share of net OPEB liability as a percentage of its covered-employee payroll	82.0977%	93.4095%	107.9424%	
E.	Plan fiduciary net position as a percentage of total OPEB liability	48.67%	43.10%	36.53%	

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

The notes to the required supplementary information are an integral part of this schedule.

Addison Community Schools
Required Supplementary Information
Schedule of Other Postemployment Benefit Contributions
June 30, 2024

		<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
A.	Statutorily required contributions	\$ 343,956	\$ 346,617	\$ 328,489	\$ 335,232	\$ 330,276	\$ 324,666	\$ 323,268
B.	Contributions in relation to statutorily required contributions	\$ 343,956	\$ 346,617	\$ 328,489	\$ 335,232	\$ 330,276	\$ 324,666	\$ 323,268
C.	Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D.	Reporting unit's covered-employee payroll	\$ 4,319,281	\$ 4,403,506	\$ 4,215,734	\$ 4,215,734	\$ 4,228,207	\$ 4,163,271	\$ 4,163,271
E.	Contributions as a percentage of covered-employee payroll	7.9633%	7.8714%	7.7920%	7.9519%	7.8113%	7.7983%	7.7648%

The notes to the required supplementary information are an integral part of this schedule.

Addison Community Schools
Notes to Required Supplementary Information
For the Year Ended June 30, 2024

Changes of benefit terms: There were no changes of benefit terms in 2023.

Changes of assumptions: There were no changes of benefit assumptions in 2023.

Additional Supplementary Information

Addison Community Schools

Combining Balance Sheets

Nonmajor Funds

June 30, 2024

With Comparative Totals for June 30, 2023

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds	
			2024	2023
Assets:				
Cash and cash equivalents	\$ 102,863	\$ 8	\$ 102,871	\$ 150,330
Investments	147,112	-	147,112	116,571
Accounts receivable	335	-	335	338
Due from other governments	134,952	-	134,952	14,268
Inventory	9,360	-	9,360	7,610
Total assets	<u>394,622</u>	<u>8</u>	<u>394,630</u>	<u>289,117</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	29,468	-	29,468	3,959
Due to other governments	100	-	100	3,958
Salaries payable	4,743	-	4,743	2,556
Accrued expenditures	1,815	-	1,815	914
Unearned revenue	2,196	-	2,196	5,310
Total liabilities	<u>38,322</u>	<u>-</u>	<u>38,322</u>	<u>16,697</u>
Fund Balances:				
Nonspendable				
Inventory	9,360	-	9,360	7,610
Restricted for:				
Food service	263,802	-	263,802	158,030
Capital projects	-	8	8	8
Assigned	83,138	-	83,138	106,772
Total fund balances	<u>356,300</u>	<u>8</u>	<u>356,308</u>	<u>272,420</u>
Total liabilities & fund balances	<u>\$ 394,622</u>	<u>\$ 8</u>	<u>\$ 394,630</u>	<u>\$ 289,117</u>

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

Addison Community Schools

Combining Statements of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Funds

**For the year ended June 30, 2024
With Comparative Totals for June 30, 2023**

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds	
			2024	2023
Revenues:				
Local sources:				
Food sales and other revenues	\$ 202,092	\$ -	\$ 202,092	\$ 244,378
Total local sources	202,092	-	202,092	244,378
State sources	140,602	-	140,602	38,950
Federal sources	794,422	-	794,422	563,292
Total revenues	1,137,116	-	1,137,116	846,620
Expenditures:				
Current:				
Food service	818,449	-	818,449	649,008
Student activities	177,412	-	177,412	166,462
Capital outlay	29,367	-	29,367	-
Total expenditures	1,025,228	-	1,025,228	815,470
Excess (deficiency) of revenues over (under) expenditures	111,888	-	111,888	31,150
Other financing sources (uses):				
Transfers out	(28,000)	-	(28,000)	(28,000)
Change in fund balances	83,888	-	83,888	3,150
Fund balances:				
Beginning of year	272,412	8	272,420	269,270
End of year	\$ 356,300	\$ 8	\$ 356,308	\$ 272,420

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

Addison Community Schools

Combining Balance Sheets

Special Revenue Funds

June 30, 2024

With Comparative Totals for June 30, 2023

	Food Service	Student Activities	Totals	
			2024	2023
ASSETS:				
Cash and cash equivalents	\$ 19,725	\$ 83,138	\$ 102,863	\$ 150,322
Investments	147,112	-	147,112	116,571
Accounts receivable	335	-	335	338
Due from other governments	134,952	-	134,952	14,268
Inventory	9,360	-	9,360	7,610
Total assets	<u>311,484</u>	<u>83,138</u>	<u>394,622</u>	<u>289,109</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	29,468	-	29,468	3,959
Due to other governments	100	-	100	3,958
Salaries payable	4,743	-	4,743	2,556
Accrued expenditures	1,815	-	1,815	914
Unearned revenue	2,196	-	2,196	5,310
Total liabilities	<u>38,322</u>	<u>-</u>	<u>38,322</u>	<u>16,697</u>
Fund Balances:				
Nonspendable				
Inventory	9,360	-	9,360	7,610
Restricted for:				
Food service	263,802	-	263,802	158,030
Assigned	-	83,138	83,138	106,772
Total fund balances	<u>273,162</u>	<u>83,138</u>	<u>356,300</u>	<u>272,412</u>
Total liabilities and fund balances	<u>\$ 311,484</u>	<u>\$ 83,138</u>	<u>\$ 394,622</u>	<u>\$ 289,109</u>

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

Addison Community Schools

Combining Statements of Revenues, Expenditures and Changes in Fund Balances

Special Revenue Funds

For the year ended June 30, 2024
With Comparative Totals for June 30, 2023

	Food Service	Student Activities	Totals	
			2024	2023
Revenues:				
Local sources:				
Food sales and other revenues	\$ 48,314	\$ 153,778	\$ 202,092	\$ 244,378
Total local sources	48,314	153,778	202,092	244,378
State sources	140,602	-	140,602	38,950
Federal sources	794,422	-	794,422	563,292
Total revenues	983,338	153,778	1,137,116	846,620
Expenditures:				
Cost of goods sold	485,872	-	485,872	333,983
Salaries and wages	171,258	-	171,258	150,197
Employee benefits	106,787	-	106,787	105,936
Contracted services	7,762	-	7,762	10,710
Travel, workshops and conferences	2,358	-	2,358	1,537
Meetings and supplies	41,963	-	41,963	44,697
Capital outlay	29,367	-	29,367	-
Miscellaneous	2,449	177,412	179,861	168,410
Total expenditures	847,816	177,412	1,025,228	815,470
Deficiency of revenues under expenditures	135,522	(23,634)	111,888	31,150
Other financing sources (uses):				
Transfers out	(28,000)	-	(28,000)	(28,000)
Change in fund balances	107,522	(23,634)	83,888	3,150
Fund balances:				
Beginning of year, as restated	\$ 165,640	\$ 106,772	272,412	269,262
End of year	\$ 273,162	\$ 83,138	\$ 356,300	\$ 272,412

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

**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
Addison Community Schools
Addison, Michigan

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Addison Community Schools (District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 28, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Addison Community Schools' 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 Addison Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Addison Community Schools' 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.

Your partner in financial statement auditing and all things accounting.

Phone: 517.945.3312 - Meredith@MeredithFrancis.com

To the Board of Education
Addison Community Schools
Addison, Michigan

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Meredith Francis, CPA, P.C.

Brooklyn, Michigan
October 28, 2024



**Independent Auditor's Report on Compliance for Each Major Federal Program
and on Internal Control over Compliance Required by the Uniform Guidance**

To the Board of Education
Addison Community Schools
Addison, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Addison Community Schools' (District) 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 Addison Community Schools' major federal programs for the year ended June 30, 2024. The District'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, Addison Community Schools 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 District 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 District'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 District's federal programs.

Your partner in financial statement auditing and all things accounting.

Phone: 517.945.3312 - Meredith@MeredithFrancis.com

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 District'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 District'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 District'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 District'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 District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance.

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.

To the Board of Education
Addison Community Schools
Addison, Michigan

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.

Meredith Francis, CPA, P.C.

Brooklyn, Michigan
October 28, 2024

Addison Community Schools

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2024

Federal Grantor Pass Through Grantor Program Title/Project Number	Grant Project Number	Assistance Listing Number	Approved Awards Amount	(Memo Only) Prior Years Expenditures	Accrued (Deferred) Revenue July 1, 2023	Federal Funds/ Payments In-Kind	Current Years Expenditures	Accrued (Deferred) Revenue June 30, 2024
Clusters:								
Child Nutrition Cluster - U.S. Department of Agriculture Passed Through the Michigan Department of Education (MDE)								
School Breakfast Program								
School Breakfast Program 2022-23	231970	10.553	\$ 16,083	\$ -	\$ 562	\$ 16,645	\$ 16,083	-
School Breakfast Program 2023-24	241970	10.553	107,041	-	-	105,125	107,041	1,916
School Breakfast Program Subtotal			123,124	-	562	121,770	123,124	1,916
National School Lunch Program								
Entitlement Commodities 2023-24	n/a	10.555	42,461	-	-	42,461	42,461	-
Bonus Commodities 2023-24	n/a	10.555	307	-	-	307	307	-
Cash Assistance								
National School Lunch Program 2023-24	240910	10.555	21,560	-	-	21,560	21,560	-
National School Lunch Program 2022-23	231960	10.555	40,036	-	-	43,508	43,508	-
National School Lunch Program 2023-24	241960	10.555	244,601	-	-	238,049	241,128	3,079
National School Lunch Program (including commodities) Subtotal			348,965	-	-	345,885	348,964	3,079
Summer Food Service Program 2022-23	230900	10.559	231,224	59,963	59,963	231,224	171,261	-
Summer Food Service Program 2023-24	240900	10.559	94,033	-	-	-	94,033	94,033
Summer Food Service Program Subtotal			325,257	59,963	59,963	231,224	265,294	94,033
Fresh Fruit and Vegetable Program								
Fresh Fruit and Vegetable Program 2024-1	240950	10.582	19,740	-	-	17,485	18,089	604
Total Child Nutrition Cluster			\$ 817,086	\$ 59,963	\$ 60,525	\$ 716,364	\$ 755,471	\$ 99,632

See Notes to Schedule of Expenditures of Federal Awards.

Addison Community Schools
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Federal Grantor Pass Through Grantor Program Title/Project Number	Grant Project Number	Assistance Listing Number	Approved Awards Amount	(Memo Only) Prior Years Expenditures	Accrued (Deferred) Revenue July 1, 2023	Federal Funds/ Payments In-Kind	Current Years Expenditures	Accrued (Deferred) Revenue June 30, 2024
Other federal awards:								
Passed Through the Michigan Department of Education (MDE)								
Title I, Part A, Improving Basic Programs								
Title I, Part A 2022-23	231530	84.010A	184,956	161,503	18,008	18,008	-	-
Title I, Part A 2023-24	241530	84.010A	202,627			141,894	177,150	35,256
Total Title I, Part A			387,583	161,503	18,008	159,902	177,150	35,256
Title II, Part A, Supporting Effective Instruction								
Title II Part A 2022-23	230520	84.367A	38,674	33,548	500	500	-	-
Title II Part A 2023-24	240520	84.367A	35,518	-	-	31,592	31,592	-
Total Title II Part A			74,192	33,548	500	32,092	31,592	-
Title IV, Part A, Student Support and Academic Enrichment								
Title IV, Part A 2023-2024	240750	84.424A	12,955	-	-	12,955	12,955	-
Education Stabilization Fund								
Covid-19 ESSER II Credit Recovery	213742	84.425D	24,200	16,137	2,545	4,454	1,909	-
Covid-19 ESSER II Credit Recovery	213782	84.425D	37,642	34,454	21,715	21,715	-	-
Covid-19 ARP ESSER Formula Funds III	213713	84.425U	1,331,382	1,313,086	38,154	56,450	18,296	-
Covid-19 Homeless Children & Youth ARP E	211012	84.425W	8,612	-	-	3,615	3,615	-
Education Stabilization Fund Subtotal			1,401,836	1,363,677	62,414	86,234	23,820	-

See Notes to Schedule of Expenditures of Federal Awards.

Addison Community Schools
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Federal Grantor Pass Through Grantor Program Title/Project Number	Grant Project Number	Assistance Listing Number	Approved Awards Amount	(Memo Only) Prior Years Expenditures	Accrued (Deferred) Revenue July 1, 2023	Federal Funds/ Payments In-Kind	Current Years Expenditures	Accrued (Deferred) Revenue June 30, 2024
Other federal awards (Continued):								
Passed Through the Michigan Department of Education (MDE)								
Local Food for Schools (LFS) Cooperative								
Local Food for Schools (LFS) Cooperative 23	230985	10.185	3,557	3,327	3,327	3,557	230	-
Local Food for Schools (LFS) Cooperative Subtotal			3,557	3,327	3,327	3,557	230	-
Total non-cluster programs passed through the MDE			<u>\$ 1,880,123</u>	<u>\$ 1,562,055</u>	<u>\$ 84,249</u>	<u>\$ 294,740</u>	<u>\$ 245,747</u>	<u>\$ 35,256</u>
Total Passed through the MDE			<u>\$ 2,697,209</u>	<u>\$ 1,622,018</u>	<u>\$ 144,774</u>	<u>\$ 1,011,104</u>	<u>\$ 1,001,218</u>	<u>\$ 134,888</u>
Passed through Action for Healthy Kids (AFHK)								
Child Nutrition Discretionary Grants Limited Availability								
Healthy Meals Incentives 2024-1	n/a	10.579	79,000	-	-	8,701	38,721	30,020
Total non-cluster programs passed through AFHK			79,000	-	-	8,701	38,721	30,020
Passed through the Lenawee ISD								
Medical Assistance Program 2024	n/a	93.778	\$ 3,409	\$ -	\$ -	\$ 3,409	\$ 3,409	\$ -
Total non-cluster programs passed through the Lenawee ISD			3,409	-	-	3,409	3,409	-
Total Federal Awards			<u>\$ 2,779,618</u>	<u>\$ 1,622,018</u>	<u>\$ 144,774</u>	<u>\$ 1,023,214</u>	<u>\$ 1,043,348</u>	<u>\$ 164,908</u>

See Notes to Schedule of Expenditures of Federal Awards.

Addison Community Schools

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2024

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards presents the activity of all awards programs of Addison Community Schools (District). Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the Schedule.

The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The reporting entity of the District is defined in Note 1 of the District's basic financial statements.

Note 2. De Minimis Cost Rate

The District did not use the de minimis cost rate, as it did not charge indirect costs to grants.

Note 3. Basis of Accounting

The accompanying schedule of expenditures of federal awards (SEFA) is presented using the modified accrual basis of accounting which is described in Note 1 of the District's basic financial statements.

Management has utilized the Grant Auditor Report (GAR) in preparing the Schedule of Expenditures of Federal Awards. Differences on amounts reported are shown below:

Current year receipts per Schedule of Expenditures of Federal Awards	\$ 1,023,214
Add: ESSER III included on prior year SEFA	1,778
Less: rounding on Title II	(1)
ESSER II not included on grant auditor report	(21,715)
Healthy Kids Program not on grant auditor report	(8,701)
Child Nutrition Cluster not included on grant auditor report	(3,472)
Commodities	(42,461)
Commodities Bonus	(307)
Amount passed through LISD	(3,409)
Total Grant Auditor Report per the State of Michigan	<u><u>\$ 944,926</u></u>

The District also received a federal tax credit through the Qualified School Construction Bonds (QSCB) that is included in federal revenue that is not reported on the SEFA. A reconciliation follows:

Revenues from Federal Sources - Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 1,237,462
Less: Federal tax credit on QSCB bonds not required to be reported on the Schedule of Expenditures of Federal Awards and are not covered by the Single Audit Act	<u>(194,114)</u>
Expenditures subject to Uniform Guidance	<u><u>\$ 1,043,348</u></u>

Addison Community Schools
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 Control over Financial Reporting:

Material weakness(es) disclosed? Yes X No

Significant deficiency (ies) disclosed that are not considered to be material weaknesses? Yes X No

Noncompliance material to financial statements? Yes X No

Federal Awards

Internal Control Over Major Programs:

Material weakness(es) disclosed? Yes X No

Significant deficiency (ies) disclosed that are not considered to be material weaknesses? Yes X 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 Uniform Guidance requirements?

 Yes X No

Identification of Major Programs

<u>Assistance Listing</u>	<u>Name of Federal Program/Cluster</u>
84.010	Title I, Part A
10.553/10.555/10.559/10.582	Child Nutrition Cluster

Dollar Threshold Used to Distinguish Between Type A and Type B

\$750,000

Auditee qualified as low-risk auditee?

 X Yes No

The accompanying notes are an integral part of this schedule.

Addison Community Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

Section IV – Prior Year Findings

None.

The accompanying notes are an integral part of this schedule.