



ENGADINE CONSOLIDATED SCHOOLS

Mackinac County, Michigan

Annual Financial Report
For the year ended June 30, 2025

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

October 10, 2025

The Board of Education
Engadine Consolidated Schools

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Engadine Consolidated Schools as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise Engadine Consolidated Schools' 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, the major fund, and the aggregate remaining fund information of Engadine Consolidated Schools, as of June 30, 2025, and the respective changes in financial position and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Engadine Consolidated 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 Engadine Consolidated Schools' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America 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 Engadine Consolidated Schools' 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 Engadine Consolidated Schools' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Engadine Consolidated Schools' basic financial statements. The accompanying combining and individual fund financial statements and schedules 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 fund financial statements and schedules 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 10, 2025, on our consideration of Engadine Consolidated 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 Engadine Consolidated Schools' 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 Engadine Consolidated Schools' internal control over financial reporting and compliance.



Certified Public Accountants
Grand Rapids, Michigan

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Engadine Consolidated Schools ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of four parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, Required Supplementary Information, and Supplementary Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Position and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - ♦ *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

The Basic Financial Statements also include Notes to Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data; Required Supplementary Information includes pension and OPEB information schedules; Other Supplementary Information follows and includes combining and individual fund statements and schedules.

District-wide Financial Statements

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position, and how it has changed. Net position - the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax-base, economic factors that might influence state aid revenue, and the condition of school buildings and other facilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ENGADINE CONSOLIDATED SCHOOLS

June 30, 2025

In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service, and athletics. State aid and property taxes finance most of these activities.

Condensed District-Wide Financial Information

The Statement of Net Position provides financial information on the District as a whole.

	<u>2025</u>	<u>2024</u>
Assets		
Current assets	\$ 3,188,933	\$ 3,008,475
Net capital assets	2,405,859	2,577,031
Net OPEB asset	873,788	121,189
Total Assets	<u>6,468,580</u>	<u>5,706,695</u>
Deferred Outflows of Resources	<u>1,687,889</u>	<u>2,406,397</u>
Liabilities		
Current liabilities	678,467	959,386
Long-term liabilities	124,088	236,229
Net pension liability	5,050,219	7,068,040
Total Liabilities	<u>5,852,774</u>	<u>8,263,655</u>
Deferred Inflows of Resources	<u>3,055,270</u>	<u>2,085,466</u>
Net Position		
Net investment in capital assets	2,405,859	2,397,031
Restricted	270,215	323,877
Unrestricted (deficit)	(3,427,649)	(4,956,937)
Total Net Position	<u>\$ (751,575)</u>	<u>\$ (2,236,029)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

ENGADINE CONSOLIDATED SCHOOLS

June 30, 2025

The Statement of Activities presents changes in net position from operating results:

	2025	2024
Program Revenues		
Charges for services	\$ 105,110	\$ 98,528
Operating grants	2,996,808	3,039,918
General Revenues		
Property taxes	2,480,723	2,436,121
State school aid, unrestricted	783,677	984,041
Interest and investment earnings	43,381	44,821
Other	259,533	211,276
Total Revenues	<u>6,669,232</u>	<u>6,814,705</u>
Expenses		
Instruction	2,507,975	2,865,295
Supporting services	1,845,962	2,201,896
Community services	490,266	435,259
Food service	141,370	219,072
Interest on long-term debt	5,000	10,275
Depreciation - unallocated	194,205	191,539
Total Expenses	<u>5,184,778</u>	<u>5,923,336</u>
Increase (Decrease) in net position	1,484,454	891,369
Net Position, Beginning of Year	<u>(2,236,029)</u>	<u>(3,127,398)</u>
Net Position, End of Year	<u>\$ (751,575)</u>	<u>\$ (2,236,029)</u>

Financial Analysis of the District as a Whole

Total revenues exceeded expenses by \$1,484,454 on the Statement of Activities, increasing total net position from a deficit of \$2,236,029 at June 30, 2024, to a deficit of \$751,575 at June 30, 2025. Unrestricted net position increased by \$1,529,288 to a deficit of \$3,427,649 at June 30, 2025. The District's net pension liability, including deferred outflows and inflows of resources, decreased by \$673,808, during the fiscal year, and its net OPEB asset, including outflows and inflows of resources, decreased by \$408,300 during the fiscal year.

The District's financial position is the product of various financial transactions, including the net results of activities, the acquisition and payment of debt, the acquisition of capital assets, and the depreciation of capital assets. A large portion of the District's net position reflects investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, and furniture and equipment); less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to its students; consequently, they are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's total revenues were \$6.7 million. Property taxes and unrestricted State aid accounted for a significant portion of the District's revenues, contributing 49% of the total. The remainder came from State and federal aid for specific programs (45%), fees charged for services, interest earnings, and other local sources.

The total cost of all programs decreased by 12.5% to a total of \$5.2 million. The District's expenses are predominantly related to instruction (48.4%) and supporting services (35.6%), which includes various functions such as caring for (pupil services) and transporting students, administrative services, and operating and maintenance services. Community service, which includes community service direction, community recreation, and other community activities offered by CCSS, accounted for an additional 10 percent of total District expenses.

The current position of the District's finances can be credited to careful monitoring of economic changes and appropriate cost-cutting measures to maintain programs during these challenging economic times. Despite the ongoing uncertainty of funding revenue from the State of Michigan, the District has endeavored to maintain a positive fund balance.

- The District has conducted a thorough budget analysis and has broken the budget down into specific components and their related expenses. This has allowed the District to prioritize expenses, and also to identify where cuts could occur if necessary.
- Periodic updates were provided to the Board of Education during the school year. This information is also presented to the community via the District's website transparency reporting.
- Collaboration with the surrounding districts has helped reduce expenditures in many areas including special education, special education transportation, technology, and business services. The nineteen school districts and academies as well as the Intermediate School District in the Eastern Upper Peninsula have historically collaborated in many areas and continue to find more ways to collaborate to provide the most services while maximizing efficiencies.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. As a general rule, fund balances from one fund are prohibited from being expended on expenditures of another fund.

The District utilizes one kind of fund:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds' statements explains the relationship (or differences) between them.

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. Engadine Consolidated Schools' funds are described as follows:

Major Funds

- The General Fund is the District's only major fund. It includes the primary operating fund of Engadine Consolidated Schools, in addition to the operating fund of Consolidated Community School Services (CCSS). CCSS is a consortium of seven local districts that provide alternative, adult, and community education programs. CCSS is presented as a blended component-unit and is included in the General Fund of Engadine Consolidated Schools.

Engadine Consolidated Schools had total revenues of \$4,159,503, other financing sources of \$18,759, total expenditures of \$3,894,320, and other financing uses of \$479. The ending fund balance totaled \$935,983 at June 30, 2025, up from \$652,520 at June 30, 2024. CCSS had total revenues of \$2,038,713 and total expenditures of \$2,049,137. The ending fund balance totaled \$1,317,268 at June 30, 2025, down from \$1,327,692 at June 30, 2024.

Nonmajor Funds

- The Food Service Fund, which administers the school nutrition program of the District, had total revenues of \$215,847, other financing sources of \$479, and total expenditures of \$224,096. The ending fund balance totaled \$109,531 at June 30, 2025, down from \$117,301 at June 30, 2024.
- The Public Purpose Trust Fund is operating as a Special Revenue Fund of the District and is designated specifically for scholarship purposes. The fund had total revenues of \$861 and total expenditures of \$750. The ending fund balance totaled \$57,073 at June 30, 2025, up from \$56,962 at June 30, 2024.
- The Student/School Activity Fund is used to account for transactions of student groups for school and school related purposes. The fund had total revenues of \$94,916 and total expenditures of \$96,552. The ending fund balance totaled \$87,768 at June 30, 2025, down from \$89,404 at June 30, 2024.
- The District operates one Debt Service Fund to finance the repayment of general obligation bonds. The fund had total revenues of \$140,633 and total expenditures of \$185,900. The ending fund balance totaled \$15,843 at June 30, 2025, down from \$61,110 at June 30, 2024.

General Fund Budgetary Highlights

During the course of the year, the District continuously reviews the annual operating budget after the June adoption. Changes in the budget are due to the following:

- Changes made in the fall to account for the final student enrollment, which determines how much state foundation grant will be received during the fiscal year.

- Final amendments are made in June for increases in appropriations to prevent budget overruns and reductions in expenses put into place by the administration.
- The CCSS final budget included revenues of \$1.88 million and expenditures of \$2.2 million. CCSS provides adult education, alternative education, and enrichment opportunities to the Eastern Upper Peninsula and is included with the Engadine Consolidated Schools’ primary operating fund amounts in the Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual on page 20.

Capital Asset and Debt Administration

Capital Assets

By the end of fiscal year 2025, the District had a \$6,133,823 investment in a broad range of capital assets, including land improvements, school buildings, athletic facilities, administrative offices, furniture and equipment, and vehicles. (More detailed information about capital assets can be found in Note E in the Notes to Basic Financial Statements.) Total depreciation expense for the year was \$194,205.

At June 30, 2025, the District’s net investment in capital assets (net of accumulated depreciation), which decreased \$171,172 from the previous year-end, is detailed as follows:

Land improvements	\$ 8,783
Building and improvements	2,012,057
Furniture and equipment	220,841
Vehicles	164,178
	<hr/>
Net Capital Assets	\$ 2,405,859

Long-term Obligations

At year end, the District had \$137,088 in other long-term debt outstanding – a net decrease of \$354,141 from June 30, 2024.

The District’s other obligations include compensated absences. We present more detailed information about our long-term liabilities in Note G in the Notes to Basic Financial Statements.

Factors Bearing on the District's Future

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

- Cost increases exceeding the general rate of inflation continue to be expected for pension contribution obligations. These costs represent a significant portion of the District's budget, and their rate of increase is a concern to management.
- The District and the teacher's bargaining unit negotiated a three-year agreement expiring at the end of the 2026-27 school year. The District has settled with the professional staff with 3.2% increase for 2024-25, 2% for 2025-26 and 2% for 2026-27 including steps and lanes. The District and the support staff successfully bargained a 2-year contract ending June 30, 2026. The District implemented a \$1.25 wage increase for support staff in the current contract for each of the two years. The current contracts provide health insurance through the Michigan Education Special Services Association (MESSA). With all of the plans, the excess premium cost over the state mandated cap is borne by the employee. Recent months have seen a lot of legislative activity in the areas of teacher tenure, seniority and layoffs, teacher and administrator evaluations, student achievement, and employee contributions to health insurance. The District is determined to keep up with all changes even with a reduction in the administrative workforce.
- As the District continues to face budget challenges of the current and upcoming school years, operating efficiencies and balanced budgets will be necessary. The ability to continue to operate an adequate educational system with decreasing revenues and increasing expenditures is the challenge of the future. The Board of Education continues to be aware of the importance of fiscal oversight, fiscal responsibility, and financial planning.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Engadine Consolidated Schools, W13920 Melville Street, Engadine, Michigan 49827.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

ENGADINE CONSOLIDATED SCHOOLS
June 30, 2025

	Governmental Activities
Assets	
Cash	\$ 100
Cash equivalents, deposits and investments (Note B)	2,371,104
Accounts receivable	253
Due from other governmental units (Note C)	816,226
Inventory	1,250
Capital assets being depreciated, net (Note E)	2,405,859
Net OPEB Asset (Note I)	873,788
Total Assets	6,468,580
Deferred Outflows of Resources	
Deferred pension amounts	1,474,573
Deferred OPEB amounts	213,316
Total Deferred Outflows of Resources	1,687,889
Liabilities	
Accounts payable	28,986
Due to other governmental units	177,851
Payroll withholdings payable	54,324
Accrued expenses	23,626
Salaries payable	239,420
Unearned revenue	141,260
Long-term liabilities (Note G):	
Due within one year	13,000
Due in more than one year	124,088
Net pension liability (Note H)	5,050,219
Total Liabilities	5,852,774
Deferred Inflows of Resources	
Deferred pension amounts	1,850,107
Deferred OPEB amounts	1,205,163
Total Deferred Inflows of Resources	3,055,270
Net Position	
Net investment in capital assets	2,405,859
Restricted for:	
Debt service	15,843
Food service	109,531
Public purpose trust	57,073
Student/school activities	87,768
Unrestricted (deficit)	(3,427,649)
Total Net Position	\$ (751,575)

**BALANCE SHEET
GOVERNMENTAL FUNDS**

**ENGADINE CONSOLIDATED SCHOOLS
June 30, 2025**

	General	Nonmajor	Total
Assets			
Cash	\$ 100	\$ -	\$ 100
Cash equivalents, deposits and investments (Note B)	2,095,018	276,086	2,371,104
Accounts receivable	-	253	253
Due from other governmental units (Note C)	812,922	3,304	816,226
Inventory	-	1,250	1,250
Total Assets	\$ 2,908,040	\$ 280,893	\$ 3,188,933
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 28,486	\$ 500	\$ 28,986
Due to other governmental units	174,388	3,463	177,851
Payroll related accrued liabilities	52,758	1,566	54,324
Accrued expenditures	23,626	-	23,626
Salaries payable	235,783	3,637	239,420
Unearned revenue	139,748	1,512	141,260
Total Liabilities	654,789	10,678	665,467
Fund Balances (Note A)			
Nonspendable	-	1,250	1,250
Restricted	1,317,268	268,965	1,586,233
Unassigned	935,983	-	935,983
Total Fund Balances	2,253,251	270,215	2,523,466
Total Liabilities and Fund Balances	\$ 2,908,040	\$ 280,893	\$ 3,188,933

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES

ENGADINE CONSOLIDATED SCHOOLS
June 30, 2025

Total governmental fund balances			\$ 2,523,466
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$6,133,823 and accumulated depreciation is \$3,727,964.			2,405,859
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:			
Compensated absences			(137,088)
Net pension liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:			
Net pension liability	\$	(5,050,219)	
Deferred outflows		1,474,573	
Deferred inflows		(1,850,107)	(5,425,753)
Net OPEB asset and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:			
Net OPEB asset		873,788	
Deferred outflows		213,316	
Deferred inflows		(1,205,163)	(118,059)
Total net position - governmental activities			<u>\$ (751,575)</u>

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

**ENGADINE CONSOLIDATED SCHOOLS
For the year ended June 30, 2025**

	General	Nonmajor	Total
Revenues			
Local sources	\$ 2,618,923	\$ 249,773	\$ 2,868,696
Non-educational entity sources	86,372	-	86,372
State sources	2,741,427	27,810	2,769,237
Federal sources	322,277	174,674	496,951
Interdistrict sources	429,217	-	429,217
Total Revenues	6,198,216	452,257	6,650,473
Expenditures			
Current:			
Instruction	3,188,636	-	3,188,636
Supporting services	2,182,235	97,302	2,279,537
Community services	572,586	-	572,586
Food service	-	209,453	209,453
Capital outlay	-	14,643	14,643
Debt service:			
Principal repayment	-	180,000	180,000
Interest and fiscal charges	-	5,900	5,900
Total Expenditures	5,943,457	507,298	6,450,755
Excess (Deficiency) of Revenues Over Expenditures	254,759	(55,041)	199,718
Other Financing Sources (Uses)			
Transfers in	-	479	479
Transfers out	(479)	-	(479)
Other transactions	18,759	-	18,759
Total Other Financing Sources (Uses)	18,280	479	18,759
Net Change in Fund Balances	273,039	(54,562)	218,477
Fund Balances, Beginning of Year	1,980,212	324,777	2,304,989
Fund Balances, End of Year	\$ 2,253,251	\$ 270,215	\$ 2,523,466

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

ENGADINE CONSOLIDATED SCHOOLS
For the year ended June 30, 2025

Net change in fund balances - total governmental funds \$ 218,477

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays.

	Capital outlays	\$ 23,033		
	Depreciation expense	<u>(194,205)</u>		(171,172)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not effect the Statement of Activities:

General obligation bonds 180,000

Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is paid.

900

In the Statement of Net Position, compensated absences for employees are measured by the amount earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits used/paid exceed the amount earned by \$174,141.

174,141

The changes in net pension liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.

673,808

The changes in net OPEB asset and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.

408,300

Total changes in net position - governmental activities

\$ 1,484,454

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND**

**ENGADINE CONSOLIDATED SCHOOLS
For the year ended June 30, 2025**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Local sources	\$ 2,392,469	\$ 2,564,638	\$ 2,618,923	\$ 54,285
Non-educational entity sources	86,000	86,000	86,372	372
State sources	2,613,101	2,638,905	2,741,427	102,522
Federal sources	297,324	301,072	322,277	21,205
Interdistrict sources	387,102	425,133	429,217	4,084
Total Revenues	5,775,996	6,015,748	6,198,216	182,468
Expenditures				
Current:				
Instruction:				
Basic programs	2,215,063	2,424,779	2,294,569	130,210
Added needs	844,379	908,092	787,613	120,479
Adult/continuing education	101,700	104,502	106,454	(1,952)
Supporting services:				
Pupil services	258,515	243,783	218,991	24,792
Instructional staff services	355,853	265,573	254,622	10,951
General administrative services	216,993	221,415	198,393	23,022
School administrative services	257,073	260,316	232,748	27,568
Business services	192,855	173,717	174,506	(789)
Operation and maintenance services	405,935	468,502	453,228	15,274
Pupil transportation services	378,995	385,884	352,122	33,762
Central services	144,837	177,805	220,544	(42,739)
Other supporting services	88,900	89,656	77,081	12,575
Community services	613,420	655,275	572,586	82,689
Debt service	21,000	16,000	-	16,000
Total Expenditures	6,095,518	6,395,299	5,943,457	451,842
Excess (Deficiency) of Revenues Over Expenditures	(319,522)	(379,551)	254,759	634,310
Other Financing Sources (Uses)				
Transfers in	-	9,500	-	(9,500)
Transfers out	-	(6,715)	(479)	6,236
Other transactions	-	18,760	18,759	(1)
Total Other Financing Sources (Uses)	-	21,545	18,280	(3,265)
Net Change in Fund Balances	(319,522)	(358,006)	273,039	631,045
Fund Balances, Beginning of Year	1,980,212	1,980,212	1,980,212	-
Fund Balances, End of Year	\$ 1,660,690	\$ 1,622,206	\$ 2,253,251	\$ 631,045

NOTES TO BASIC FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies

Engadine Consolidated Schools (the “District”) was organized under the School Code of the State of Michigan, and services a population of approximately 297 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District’s significant accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. The Consolidated Community School Services (CCSS) program provides adult education and community recreation to seven school districts in the Eastern Upper Peninsula Intermediate School District. Engadine Consolidated Schools is the fiscal agent for the CCSS program. Due to this relationship, CCSS is considered a blended component unit of the District’s reporting entity and is included in the accompanying financial statements as part of the General Fund.

2. District-wide and Fund Financial Statements

District-wide Financial Statements – The district-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District does not have any *business-type activities*.

The Statement of Net Position is reported on the full accrual, economic resources basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District’s net position is reported in three parts: net investment in capital assets, restricted net position, and unrestricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, unrestricted state aid, interest earnings and other items not included among program revenues are reported 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. The General Fund (which includes Consolidated Community School Services) is the District's only major fund. Nonmajor funds are aggregated and presented in a single column.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities, and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided separately.

Revenues are recognized when susceptible to accrual, i.e., 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 after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

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

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

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a State-wide formula. The foundation allowance is funded from a combination of State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenues in accordance with State law and accounting principles generally accepted in the United States of America.

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

Major Fund:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget. The General Fund also includes the activity of Consolidated Community School Services (CCSS), for which the District serves as the fiscal agent. CCSS is a consortium of seven local school districts that provides alternative, adult, and community education programs. Individual detail of Engadine Consolidated Schools' and CCSS's operating fund is presented in the General Fund Combining Statements in the Supplementary Information section of the report.

Nonmajor Funds:

Special Revenue Funds—Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

School Service Funds—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Funds maintained by the District are the Food Service, Public Purpose Trust, and Student/School Activity Special Revenue Funds.

Debt Service Funds—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases, and school bond loan) principal, interest, and related costs.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. Engadine Consolidated Schools has also adopted budgets for its Special Revenue Funds. A school district's Budget Appropriations Act (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the function level. All appropriations lapse at the end of the fiscal year.

NOTES TO BASIC FINANCIAL STATEMENTS

ENGADINE CONSOLIDATED SCHOOLS
June 30, 2025

For the year ended June 30, 2025, the original and final adopted budgets for the General Fund anticipated budgetary deficits, reflecting expenditures in excess of revenues.

Engadine Consolidated Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Business Manager to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

6. Investments

Investments are recorded at fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

7. Inventory/Prepaid Items

Inventories are valued at cost (first-in, first-out), and are accounted for using the consumption method. Inventories of the Food Service Fund consist of food, and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. The cost of prepaid items is recorded as expenses/expenditures when consumed rather than when purchased.

NOTES TO BASIC FINANCIAL STATEMENTS

ENGADINE CONSOLIDATED SCHOOLS

June 30, 2025

8. Capital Assets

Capital assets, which include land improvements, buildings and improvements, textbooks and library books, vehicles, and furniture and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and improvements, furniture and equipment, textbooks and library books, and vehicles are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	10 - 20 years
Buildings and improvements	40 - 50 years
Furniture and equipment	3 - 10 years
Textbooks and library books	3 - 5 years
Vehicles	5 - 10 years

9. Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. The District's only long-term obligation is compensated absences.

10. Compensated Absences

Compensated absences at the District consist of accumulated sick leave as of June 30, 2025. In accordance with applicable accounting standards, the District accrues a liability for compensated absences when it is more likely than not that the benefit will be realized by the employee, either through future use or payment upon separation from service. As of June 30, 2025, the total accrued compensated absences amounted to \$137,088.

11. Retirement Plan

Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, were implemented by the District during the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. For defined benefit pensions, the Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Cost sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans – pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

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

12. Postemployment Benefits Other Than Pensions

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was implemented by the District during the fiscal year ended June 30, 2018. This Statement establishes standards for recognizing and measuring other postemployment benefits (OPEB) liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB plans, the Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about OPEB are also addressed. Distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet specific criteria. Cost-sharing employers are those whose employees are provided with defined benefit OPEB through cost-sharing multiple-employer OPEB plans—OPEB plans in which the OPEB obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides OPEB through the OPEB plan.

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

13. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two such items that qualify for reporting in this category: the deferred outflows of resources relating to the recognition of net pension liability on the financial statements and the deferred outflows of resources relating to the recognition of net OPEB asset on the financial statements.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two such items that qualify for reporting in this category: the deferred inflows of resources relating to the recognition of net pension liability on the financial statements and the deferred inflows of resources relating to the recognition of net OPEB asset on the financial statements.

14. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net position is reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws, or regulations from other governments.

15. Fund Balance

The District had adopted Governmental Accounting Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The stated objective of GASB Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds, detailed as follows:

- Nonspendable – resources that cannot be spent because they are either (a) not in spendable form (inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact (the principal of a permanent fund).
- Restricted – resources that cannot be spent because of (a) constraints externally imposed by creditors (debt covenants), grantors, contributors, or laws or regulations or (b) imposed by law through constitutional provisions or enabling legislation and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

NOTES TO BASIC FINANCIAL STATEMENTS

ENGADINE CONSOLIDATED SCHOOLS

June 30, 2025

- Committed – resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority (Board of Education). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified uses by taking the same type of action it employed to previously commit those amounts. Committed fund balance does not lapse at year end.
- Assigned – resources that are constrained by the government’s *intent* to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body or official to which the governing body has designated the authority to assign amounts to be used for specific purposes. Assigned fund balance does not lapse at year end.
- Unassigned – unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

As of June 30, 2025, Engadine Consolidated Schools had not established a policy for its use of unrestricted fund balance amounts; it considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used, but reserves the right to selectively spend unassigned resources first to defer the use of other classified funds.

16. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

17. Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents, Deposits, and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.

NOTES TO BASIC FINANCIAL STATEMENTS

ENGADINE CONSOLIDATED SCHOOLS

June 30, 2025

- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the day of purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school district in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district in Michigan.

Balances at June 30, 2025 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Statement of Net Position:	
Governmental activities	<u>\$ 2,371,104</u>

Cash Equivalents and Deposits

Depositories actively used by the District during the year are detailed as follows:

1. First National Bank of St. Ignace
2. Tahquamenon Area Credit Union
3. Central Savings Bank

Cash equivalents consist of bank public funds checking and savings accounts, and deposits consist of certificates of deposit.

June 30, 2025 balances are detailed as follows:

Cash equivalents	\$ 1,974,278
Deposits	315,109
	<u>\$ 2,289,387</u>

NOTES TO BASIC FINANCIAL STATEMENTS

ENGADINE CONSOLIDATED SCHOOLS

June 30, 2025

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation, and the National Credit Union Administration (NCUA). At year end, the carrying amount of the District's cash equivalents and deposits was \$2,289,387, and the bank balance was \$2,315,846. Of the bank balance, \$1,026,132 was covered by federal depository and NCUA insurance, and \$1,289,714 was uninsured and uncollateralized.

Investments

As of June 30, 2025 the District had the following investments:

Surplus Funds Investment Pool Accounts:

Michigan Liquid Asset Fund (MILAF+) – Cash Management Class	\$	36,857
Michigan Liquid Asset Fund (MILAF+) – MAX Class		44,860
	\$	<u>81,717</u>

The Michigan Liquid Asset Fund Plus (MILAF+) is an external pooled investment fund that includes qualified investments in accordance with the applicable sections of the School Code. MILAF+ is not regulated or registered with the Securities Exchange Commission and reported the same value of the pool shares as the fair value of the District's investments at June 30, 2025. The MILAF+ is rated AAAM by Standard and Poor's and is carried at amortized cost. The MILAF+ MAX Class requires a 14-day redemption notice.

Custodial Credit Risk Related to Investments

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District will minimize custodial credit risk by limiting investments to the types of securities allowed by State statute.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District's investment policy does not specifically address credit risk but minimizes its credit risk by limiting investments to the types allowed by the State.

Interest Rate Risk

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

Concentration of Credit Risk

The District minimizes concentration of credit risk which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The District's investment policy places no restrictions on the amount or percentage that may be invested in any one type of security.

Foreign Currency Risk

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

Note C – State School Aid/Property Taxes

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance," which is calculated based on a 3-year blended count of District pupil membership. This blended count includes weighted averages of student enrollment in February and October 2024 and the two preceding years, providing a more stable funding base that accounts for enrollment fluctuations over time. The 2024-25 "Foundation Allowance" for Engadine Consolidated Schools was \$9,608 for 319 "Full Time Equivalent" students, generating \$1,914,807 in state aid payments to the District of which \$343,191 was paid to the District in July and August 2025 and included in "Due From Other Governmental Units" of the General Fund and Food Service Special Revenue Fund of the District.

Property taxes for the District are levied December 1 (the tax lien date) by the Townships of Garfield, Hendricks, Hudson, Newton, and Portage, and are due 75 days after the levy date. The taxes are then collected by each governmental unit and remitted to the District. The County of Mackinac, through its Delinquent Tax Revolving Fund, advances all delinquent real property taxes at March 1 to the District each year prior to June 30.

Section 1211(1) of 1993 PA 312 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill "Local Enhancement Millage" which must be shared between all local districts in each respective county intermediate district.

As Engadine Consolidated Schools' electors had previously (February 2024) approved an operating millage extension, the 18 mill non-homestead property tax was levied in the District for 2024.

The District levied 0.67 mills for debt service purposes in 2024, applied on all taxable property in the District.

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases will be limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A and Public Act 36, taxable property is now divided into two categories: PRE and NPRE.

A principal residence exemption property (PRE) is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted "Local Enhancement Millage" nor any additional voted millage for the retirement of debt.

NOTES TO BASIC FINANCIAL STATEMENTS

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Non-principal residence exemption property (NPRE) is subject to all District levies. However, since Public Act 36, establishing the Michigan Business Tax, was signed into law, Public Acts 37-40 of 2007 now exempt Industrial Personal Property from the 6 mill State Education Tax and up to 18 mills of local school district operating millage (includes property under Industrial Facilities Tax exemptions); and exempt Commercial Personal Property from up to 12 mills of local school district operating millage (exceptions may apply).

The District is subject to tax abatements granted by the County of Mackinac with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assists in the building of new facilities, and promotes the establishment of high tech facilities. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term up to 12 years as determined by the local unit of government. The agreements entered into by each local unit include claw back provisions should the recipient of the tax abatement fail to fully meet its commitments, such as employment levels and timelines for relocation. The tax abated property taxes are calculated by applying half the local property tax millage rate on the total IFT taxable value. This amounts to a reduction in property tax revenue of approximately 50%.

For the year ended June 30, 2025, there were no businesses located within the Engadine Consolidated School District boundaries with an active IFE certificate.

Note D – Interfund Receivables/Payables and Transfers

There were no amounts due from (to) other funds at June 30, 2025.

Operating transfers between funds during the year ended June 30, 2025 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Fund:		
General Fund:		
Special Revenue Funds:		
Food Service	\$ -	\$ 479
Nonmajor Funds:		
Special Revenue Funds:		
Food Service:		
General Fund	479	-
Total All Funds	<u>\$ 479</u>	<u>\$ 479</u>

Transfers made during the year included an adjustment to the prior year's allocation of indirect costs from the General Fund to the Food Service Fund.

NOTES TO BASIC FINANCIAL STATEMENTS

ENGADINE CONSOLIDATED SCHOOLS
June 30, 2025

Note E - Capital Assets

Capital asset activity for the year ended June 30, 2025 was as follows:

	Balances July 1, 2024	Additions	Deductions	Balances June 30, 2025
Capital assets being depreciated:				
Land improvements	\$ 140,009	\$ 9,300	\$ -	\$ 149,309
Buildings and improvements	5,092,797	-	-	5,092,797
Furniture and equipment	336,207	13,733	-	349,940
Textbooks and library books	104,392	-	104,392	-
Vehicles	541,777	-	-	541,777
Total capital assets being depreciated	6,215,182	\$ 23,033	\$ 104,392	6,133,823
Less accumulated depreciation for:				
Land improvements	140,009	\$ 517	\$ -	140,526
Buildings and improvements	2,955,410	125,330	-	3,080,740
Furniture and equipment	107,463	21,636	-	129,099
Textbooks and library books	104,392	-	104,392	-
Vehicles	330,877	46,722	-	377,599
Total accumulated depreciation	3,638,151	\$ 194,205	\$ 104,392	3,727,964
Net Capital Assets	<u>\$ 2,577,031</u>			<u>\$ 2,405,859</u>

Depreciation expense for the District was \$194,205. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

Note F – Short-term Debt

On September 16, 2024, the District borrowed \$600,000 for cash flow purposes, in anticipation of property taxes. The loan was due and paid in full May 1, 2025. The interest rate on the borrowing was 4.78% resulting in a net interest cost of \$17,925, which has been recorded in the General Fund's Other Business Services expenditure function, as required by the Michigan Department of Education.

	Outstanding July 1, 2024	Debt Added	Debt Retired	Outstanding June 30, 2025
Tax Anticipation Note	\$ -	\$ 600,000	\$ 600,000	\$ -

NOTES TO BASIC FINANCIAL STATEMENTS

ENGADINE CONSOLIDATED SCHOOLS

June 30, 2025

Note G – Long-term Obligations

Changes in long-term obligations for the year ended June 30, 2025 are summarized as follows:

	Debt Outstanding July 1, 2024		Adjustment*	Debt Added	Debt Retired	Debt Outstanding June 30, 2025
General obligation bonds: August 26, 2015	\$ 180,000	\$ -	\$ -	\$ -	\$ 180,000	\$ -
Compensated absences	311,229	(177,735)	3,594	-	137,088	
	<u>\$ 491,229</u>	<u>\$ (177,735)</u>	<u>\$ 3,594</u>	<u>\$ 180,000</u>	<u>\$ 137,088</u>	

*See Note L – Change in Accounting Estimate.

Long-term obligations outstanding at June 30, 2025 is comprised of the following:

	Outstanding Balance	Amount Due Within One Year
Compensated absences	<u>\$ 137,088</u>	<u>\$ 13,000</u>

Note H – Retirement Plan

Plan Description

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

ENGADINE CONSOLIDATED SCHOOLS

June 30, 2025

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 at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The age and service requirements range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced by .50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age. The System also provides disability and survivor benefits to DB plan members.

Certain employees have the option to participate in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

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, 2023 valuation will be amortized over a 15-year period beginning October 1, 2023 and ending September 30, 2038.

NOTES TO BASIC FINANCIAL STATEMENTS

ENGADINE CONSOLIDATED SCHOOLS

June 30, 2025

The schedule below summarizes pension contribution rates in effect for the plan fiscal year ended September 30, 2024.

Plan Name	Pension Contribution Rates:		
	Plan Status	Member	District
Basic	Closed	0.0 – 4.0%	23.03%
Member Investment Plan (MIP)	Closed	3.0 – 7.0%	23.03%
Pension Plus (Hybrid)	Closed	3.0 – 6.4%	19.17%
Pension Plus 2 (Hybrid)	Open	6.2%	20.10%
Defined Contribution	Open	0.0%	13.90%

The District's contributions to MPSERS under all pension plans for the year ended June 30, 2025 inclusive of the MSPERS UAAL Stabilization, totaled \$878,822.

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

As of June 30, 2025, the District reported a liability of \$5,050,219 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2023. 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 the pension contributions required from all applicable employers during the measurement period. As of September 30, 2024 the District's proportion was 0.02062828%, which was a decrease from 0.02183781% at September 30, 2023.

NOTES TO BASIC FINANCIAL STATEMENTS

ENGADINE CONSOLIDATED SCHOOLS

June 30, 2025

For the year ended June 30, 2025 the District recognized pension expense of \$187,994. As of June 30, 2025, 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
Difference between expected and actual experience	\$ 137,016	\$ 54,871
Changes of assumptions	526,515	370,021
Net difference between projected and actual earnings on pension plan investments	–	963,796
Changes in proportion and differences between District contributions and proportionate share of contributions	1,654	461,419
District contributions subsequent to the measurement date*	809,388	–
Total	\$ 1,474,573	\$ 1,850,107

* This amount, reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2026.

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

Years Ending June 30	Amount
2026	\$ (327,009)
2027	(108,538)
2028	(460,491)
2029	(288,884)

NOTES TO BASIC FINANCIAL STATEMENTS

ENGADINE CONSOLIDATED SCHOOLS

June 30, 2025

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, 2023
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:	6.00% net of investment expenses
Projected Salary Increases:	2.75% - 11.55%, including wage inflation of 2.75%
Cost-of-Living 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 Members:	PubT-2010 Male and Female Employee Mortality Tables scaled by 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, 2024 is based on the results of an actuarial valuation date of September 30, 2023 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: [4.4612 for non-university employers].
- Recognition period for assets in years: 5.0000.
- Full actuarial assumptions are available in the 2024 MPSERS Annual Comprehensive Financial Report found on the ORS website at (www.michigan.gov/orsschools).

NOTES TO BASIC FINANCIAL STATEMENTS

ENGADINE CONSOLIDATED SCHOOLS
June 30, 2025

Long-Term Expected Rate of Return on Plan Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2024 are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.3%
Private Equity Pools	16.0%	9.6%
International Equity Pools	15.0%	6.5%
Fixed Income Pools	13.0%	2.2%
Real Estate and Infrastructure Pools	10.0%	7.1%
Absolute Return Pools	9.0%	5.2%
Real Return/Oppportunistic Pools	10.0%	6.9%
Short-term Investment Pools	2.0%	1.4%
Total	100.0%	

*Long-term rates of return are net of administrative expenses and 2.3% inflation.

Rate of Return

For the fiscal year ended September 30, 2024, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.47%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus Plan , 6.00% for the Pension Plus 2 Plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus Plan, 6.00% for the Pension Plus 2 plan). The projection of cash flows used to determine the 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.

NOTES TO BASIC FINANCIAL STATEMENTS

ENGADINE CONSOLIDATED SCHOOLS

June 30, 2025

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.00% (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 5.00%	Current Single Discount Rate Assumption 6.00%	1% Increase 7.00%
District's proportionate share of the net pension liability	\$ 7,403,675	\$ 5,050,219	\$ 3,090,514

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 Michigan Public School Employees' Retirement System September 30, 2024 Annual Comprehensive Financial Report, available here: (www.michigan.gov/orsschools).

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

Payables to the pension plan totaling \$106,858 arise from the normal legally required contributions based on the accrued salaries payable at year end, expected to be liquidated with expendable available financial resources. The payables are included in the "Due to Other Governmental Units" at June 30, 2025.

Note I – Other Postemployment Benefits

Plan Description

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

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

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

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

Benefits Provided

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2023 valuation will be amortized over a 15-year period beginning October 1, 2023 and ending September 30, 2038.

NOTES TO BASIC FINANCIAL STATEMENTS

ENGADINE CONSOLIDATED SCHOOLS

June 30, 2025

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2024:

OPEB Contribution Rates:

Benefit Structure	Member	District
Premium Subsidy	3.0%	8.31%
Personal Healthcare Fund (PHF)	0.0%	7.06%

Required contributions to the OPEB plan from the District were \$41,854 for the year ended June 30, 2025.

OPEB Assets, OPEB Credit, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

As of June 30, 2025, the District reported an asset of \$873,788 for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2024, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2023. The District's proportion of the net OPEB asset was determined by dividing each employer's statutorily required OPEB contributions to the System during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. As of September 30, 2024 the District's proportion was 0.02029989%, which was a decrease from 0.02142292% at September 30, 2023.

NOTES TO BASIC FINANCIAL STATEMENTS

ENGADINE CONSOLIDATED SCHOOLS

June 30, 2025

For the year ended June 30, 2025, the District recognized OPEB credit of \$365,695. At June 30, 2025, 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
Difference between expected and actual experience	\$ —	\$ 925,948
Changes of assumptions	190,848	21,936
Net difference between projected and actual earnings on OPEB plan investments	—	165,418
Changes in proportion and differences between District contributions and proportionate share of contributions	5,714	91,861
District contributions subsequent to the measurement date*	16,754	—
Total	\$ 213,316	\$ 1,205,163

* This amount, reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date, will be recognized as an addition of the net OPEB asset in the year ended June 30, 2026.

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

Years Ending June 30	Amount
2026	\$ (327,769)
2027	(202,736)
2028	(194,293)
2029	(171,681)
2030	(94,430)
Thereafter	(17,692)

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.

NOTES TO BASIC FINANCIAL STATEMENTS

ENGADINE CONSOLIDATED SCHOOLS

June 30, 2025

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

Valuation Date:	September 30, 2023
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.00% net of investment expense
Projected Salary Increases:	2.75% - 11.55%, including wage inflation of 2.75%
Healthcare Cost Trend Rate:	Pre-65 - 7.25% Year 1 graded to 3.5% Year 15 Post-65 - 6.50% 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 Members:	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, 2024 is based on the results of an actuarial valuation date of September 30, 2023 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: [6.2834 for non-university employers].
- Recognition period for assets in years: 5.0000.
- Full actuarial assumptions are available in the 2024 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

NOTES TO BASIC FINANCIAL STATEMENTS

ENGADINE CONSOLIDATED SCHOOLS
June 30, 2025

Long-Term Expected Rate of Return on Plan Investments

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2024, are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.3%
Private Equity Pools	16.0%	9.0%
International Equity Pools	15.0%	6.5%
Fixed Income Pools	13.0%	2.0%
Real Estate and Infrastructure Pools	10.0%	7.1%
Absolute Return Pools	9.0%	5.2%
Real Return/Opportunistic Pools	10.0%	6.9%
Short-term Investment Pools	2.0%	1.4%
Total	100.0%	

* Long-term rates of return are net of administrative expenses and 2.3% inflation.

Rate of Return

For the fiscal year ended September 30, 2024, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 15.45%. 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.

NOTES TO BASIC FINANCIAL STATEMENTS

ENGADINE CONSOLIDATED SCHOOLS

June 30, 2025

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

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

	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
District's proportionate share of the net OPEB liability (asset)	\$ (675,271)	\$ (873,788)	\$ (1,045,427)

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

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability (asset)	\$ (1,045,429)	\$ (873,788)	\$ (689,704)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2024 MPSERS Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orschools.

Payables to the OPEB Plan

Payables to the OPEB plan totaling \$1,893 arise from the normal legally required contributions based on the accrued salaries payable at year end, expected to be liquidated with expendable available financial resources. The payables are included in the "Due to Other Governmental Units" at June 30, 2025.

Note J – Risk Management and Employee Benefits

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The District has purchased commercial insurance for property loss, errors and omissions, workers' compensation, health benefits, and dental and vision benefits provided to employees. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

There were no significant reductions in insurance coverage in fiscal 2024-25, and as of year ended June 30, 2025, there were no material pending claims against the District.

Note K – Stewardship, Compliance and Accountability

The District has an unrestricted net position deficit of \$3,427,649 and a total net position deficit of \$751,575, as of June 30, 2025. These deficit net positions result primarily from the net pension liability of \$5,425,753 and the net OPEB asset of \$118,059 (net of deferred outflows and inflows of resources related to the pension and OPEB plans).

Note L – Change in Accounting Estimate

During the fiscal year ended June 30, 2025, the District re-evaluated its policies and estimates used to recognize liabilities for compensated absences to more accurately reflect obligations related to current employment arrangements, as required by applicable accounting standards.

The change, which enhances the accuracy and consistency of the District's financial reporting, led to a decrease of \$177,735 to the compensated absences liability reported in the government-wide financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MPSERS COST-SHARING MULTIPLE-EMPLOYER PLAN**

	<u>Year Ended June 30, 2025</u>	<u>Year Ended June 30, 2024</u>	<u>Year Ended June 30, 2023</u>
District's proportion of the net pension liability	0.02062828%	0.02183781%	0.02254482%
District's proportionate share of the net pension liability	\$ 5,050,219	\$ 7,068,040	\$ 8,478,818
District's covered-employee payroll	\$ 2,148,140	\$ 2,144,467	\$ 2,180,047
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	235.10%	329.59%	388.93%
Plan fiduciary net position as a percentage of the total pension liability	74.44%	65.91%	60.77%

Note: The amounts presented for each of the last ten fiscal years were determined as of September 30 of the preceding year.

ENGADINE CONSOLIDATED SCHOOLS
June 30, 2025

Year Ended June 30, 2022	Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016
0.02291828%	0.02342192%	0.02462821%	0.02195129%	0.01692188%	0.01516678%	0.01508430%
\$ 5,425,997	\$ 8,045,684	\$ 8,156,035	\$ 6,598,954	\$ 4,385,178	\$ 3,783,988	\$ 3,684,344
\$ 2,094,093	\$ 2,090,698	\$ 2,092,550	\$ 2,202,846	\$ 1,486,951	\$ 1,322,798	\$ 1,292,427
259.11%	384.83%	389.77%	299.56%	294.91%	286.06%	285.07%
72.60%	59.72%	60.31%	62.12%	63.96%	63.01%	62.92%

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
MPSERS COST-SHARING MULTIPLE-EMPLOYER PLAN**

	Year Ended June 30, 2025	Year Ended June 30, 2024	Year Ended June 30, 2023
District's proportion of the net OPEB liability (asset)	0.02029989%	0.02142292%	0.02226822%
District's proportionate share of the net OPEB liability (asset)	\$ (873,788)	\$ (121,189)	\$ 471,655
District's covered-employee payroll	\$ 2,148,140	\$ 2,144,467	\$ 2,180,047
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	(40.68%)	(5.65%)	21.64%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	143.08%	105.04%	83.09%

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

Note: GASB Statement No 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

ENGADINE CONSOLIDATED SCHOOLS
June 30, 2025

Year Ended June 30, 2022	Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018
0.02296772%	0.02347834%	0.02390463%	0.02584953%	0.01679948%
\$ 350,574	\$ 1,257,797	\$ 1,715,814	\$ 2,054,767	\$ 1,487,673
\$ 2,094,093	\$ 2,090,698	\$ 2,092,550	\$ 2,202,846	\$ 1,486,951
16.74%	60.16%	82.00%	93.28%	100.05%
59.44%	59.44%	48.46%	43.10%	36.53%

**SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
MPSERS COST-SHARING MULTIPLE-EMPLOYER PLAN**

	Year Ended June 30, 2025	Year Ended June 30, 2024	Year Ended June 30, 2023
Contractually required contribution	\$ 878,822	\$ 863,030	\$ 1,025,916
Contributions in relation to the contractually required contribution	<u>878,822</u>	<u>863,030</u>	<u>1,025,916</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,396,146	\$ 2,084,242	\$ 2,156,996
Contributions as a percentage of covered employee payroll	36.68%	41.41%	47.56%

ENGADINE CONSOLIDATED SCHOOLS
June 30, 2025

Year Ended June 30, 2022	Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016
\$ 786,677	\$ 699,855	\$ 654,735	\$ 661,244	\$ 578,669	\$ 408,469	\$ 379,892
786,677	699,855	654,735	661,244	578,669	408,469	379,892
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 2,095,117	\$ 1,998,938	\$ 2,117,506	\$ 2,107,143	\$ 2,215,385	\$ 1,314,408	\$ 1,333,136
37.55%	35.01%	30.92%	31.38%	26.12%	31.08%	28.50%

**SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
MPSERS COST-SHARING MULTIPLE-EMPLOYER PLAN**

	Year Ended June 30, 2025	Year Ended June 30, 2024	Year Ended June 30, 2023
Contractually required contribution	\$ 41,854	\$ 163,985	\$ 170,838
Contributions in relation to the contractually required contribution	41,854	163,985	170,838
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 2,396,146	\$ 2,084,242	\$ 2,156,996
Contributions as a percentage of covered employee payroll	1.75%	7.87%	7.92%

Note: GASB Statement No 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

ENGADINE CONSOLIDATED SCHOOLS
June 30, 2025

Year Ended June 30, 2022	Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018
\$ 163,980	\$ 165,262	\$ 170,604	\$ 168,953	\$ 165,629
163,980	165,262	170,604	168,953	165,629
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 2,095,117	\$ 1,998,938	\$ 2,117,506	\$ 2,107,143	\$ 2,215,385
7.83%	8.27%	8.06%	8.02%	7.48%

Note A – Net Pension Liability and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2024-25.

Changes of assumptions: There were no changes of benefit assumptions in 2024-25.

Note B – Net OPEB Liability (Asset) and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2024-25.

Changes of assumptions: There were no changes of benefit assumptions in 2024-25.

SUPPLEMENTARY INFORMATION

GENERAL FUND

To account for resources which are traditionally associated with the general operation of the District and not required to be accounted for in another fund.

**COMBINING BALANCE SHEET
GENERAL FUND**

**ENGADINE CONSOLIDATED SCHOOLS
June 30, 2025**

	Engadine Operating	CCSS	Intra Account Eliminations	General Fund Total
Assets				
Cash	\$ 100	\$ -	\$ -	\$ 100
Cash equivalents, deposits, and investments	1,159,600	935,418	-	2,095,018
Due from other funds	-	366,308	(366,308)	-
Due from other governmental units	626,344	186,578	-	812,922
Total Assets	\$ 1,786,044	\$ 1,488,304	\$ (366,308)	\$ 2,908,040
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 19,419	\$ 9,067	\$ -	\$ 28,486
Due to other funds	366,308	-	(366,308)	-
Due to other governmental units	150,469	23,919	-	174,388
Payroll withholdings payable	47,734	5,024	-	52,758
Accrued expenditures	6,999	16,627	-	23,626
Salaries payable	168,327	67,456	-	235,783
Unearned revenue	90,805	48,943	-	139,748
Total Liabilities	850,061	171,036	(366,308)	654,789
Fund Balances				
Restricted	-	1,317,268	-	1,317,268
Unassigned	935,983	-	-	935,983
Total Fund Balances	935,983	1,317,268	-	2,253,251
Total Liabilities and Fund Balances	\$ 1,786,044	\$ 1,488,304	\$ (366,308)	\$ 2,908,040

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GENERAL FUND**

**ENGADINE CONSOLIDATED SCHOOLS
For the year ended June 30, 2025**

	Engadine Operating	CCSS	General Fund Total
Revenues			
Local sources	\$ 2,475,568	\$ 143,355	\$ 2,618,923
Non-educational entity sources	-	86,372	86,372
State sources	1,047,214	1,694,213	2,741,427
Federal sources	228,623	93,654	322,277
Interdistrict sources	408,098	21,119	429,217
Total Revenues	4,159,503	2,038,713	6,198,216
Expenditures			
Current:			
Instruction:			
Basic programs	1,443,968	850,601	2,294,569
Added needs	691,189	96,424	787,613
Adult/continuing education	-	106,454	106,454
Supporting services:			
Pupil services	199,062	19,929	218,991
Instructional staff services	104,906	149,716	254,622
General administrative services	193,993	4,400	198,393
School administrative services	232,748	-	232,748
Business services	118,295	56,211	174,506
Operation and maintenance services	391,391	61,837	453,228
Pupil transportation services	302,789	49,333	352,122
Central services	138,629	81,915	220,544
Other supporting services	77,081	-	77,081
Community services	269	572,317	572,586
Total Expenditures	3,894,320	2,049,137	5,943,457
Excess (Deficiency) of Revenues Over Expenditures	265,183	(10,424)	254,759
Other Financing Sources (Uses)			
Transfers out	(479)	-	(479)
Other transactions	18,759	-	18,759
Total Other Financing Sources (Uses)	18,280	-	18,280
Net Change in Fund Balances	283,463	(10,424)	273,039
Fund Balances, Beginning of Year	652,520	1,327,692	1,980,212
Fund Balances, End of Year	\$ 935,983	\$ 1,317,268	\$ 2,253,251

NONMAJOR GOVERNMENTAL FUNDS

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

	Special Revenue			Debt Service	Total
	Food Service	Public Purpose Trust	Student/School Activity	2015	
Assets					
Cash equivalents and deposits	\$ 114,902	\$ 57,073	\$ 88,268	\$ 15,843	\$ 276,086
Accounts receivable	253	-	-	-	253
Due from other governmental units	3,304	-	-	-	3,304
Inventory	1,250	-	-	-	1,250
Total Assets	\$ 119,709	\$ 57,073	\$ 88,268	\$ 15,843	\$ 280,893
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 500	\$ -	\$ 500
Due to other governmental units	3,463	-	-	-	3,463
Payroll related accrued liabilities	1,566	-	-	-	1,566
Salaries payable	3,637	-	-	-	3,637
Unearned revenue	1,512	-	-	-	1,512
Total Liabilities	10,178	-	500	-	10,678
Fund Balances					
Nonspendable	1,250	-	-	-	1,250
Restricted	108,281	57,073	87,768	15,843	268,965
Total Fund Balances	109,531	57,073	87,768	15,843	270,215
Total Liabilities and Fund Balances	\$ 119,709	\$ 57,073	\$ 88,268	\$ 15,843	\$ 280,893

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

	Special Revenue			Debt Service	Total
	Food Service	Public Purpose Trust	Student/School Activity	2015	
Revenues					
Local sources:					
Property taxes	\$ -	\$ -	\$ -	\$ 132,067	\$ 132,067
Interest earnings	618	861	-	4,008	5,487
Food sales	14,037	-	-	-	14,037
Other local sources	3,266	-	94,916	-	98,182
Total local sources	17,921	861	94,916	136,075	249,773
State sources	23,252	-	-	4,558	27,810
Federal sources	174,674	-	-	-	174,674
Total Revenues	215,847	861	94,916	140,633	452,257
Expenditures					
Current:					
Supporting services	-	750	96,552	-	97,302
Food service	209,453	-	-	-	209,453
Capital outlay	14,643	-	-	-	14,643
Debt service:					
Principal repayment	-	-	-	180,000	180,000
Interest and fiscal charges	-	-	-	5,900	5,900
Total Expenditures	224,096	750	96,552	185,900	507,298
Excess (Deficiency) of Revenues Over Expenditures	(8,249)	111	(1,636)	(45,267)	(55,041)
Other Financing Sources (Uses)					
Transfers in	479	-	-	-	479
Net Change in Fund Balances	(7,770)	111	(1,636)	(45,267)	(54,562)
Fund Balances, Beginning of Year	117,301	56,962	89,404	61,110	324,777
Fund Balances, End of Year	\$ 109,531	\$ 57,073	\$ 87,768	\$ 15,843	\$ 270,215

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – FOOD SERVICE SPECIAL REVENUE FUND**

**ENGADINE CONSOLIDATED SCHOOLS
For the year ended June 30, 2025**

	Budget	Actual	Variance
Revenues			
Local sources	\$ 15,559	\$ 17,921	\$ 2,362
State sources	20,848	23,252	2,404
Federal sources	157,671	174,674	17,003
Total Revenues	194,078	215,847	21,769
Expenditures			
Current:			
Food service	254,797	209,453	45,344
Capital outlay	13,400	14,643	(1,243)
Total Expenditures	268,197	224,096	44,101
Excess (Deficiency) of Revenues Over Expenditures	(74,119)	(8,249)	65,870
Other Financing Sources (Uses)			
Transfers in	-	479	479
Net Change in Fund Balances	(74,119)	(7,770)	66,349
Fund Balances, Beginning of Year	117,301	117,301	-
Fund Balances, End of Year	\$ 43,182	\$ 109,531	\$ 66,349

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – PUBLIC PURPOSE TRUST SPECIAL REVENUE FUND**

**ENGADINE CONSOLIDATED SCHOOLS
For the year ended June 30, 2025**

	Budget	Actual	Variance
Revenues			
Local sources	\$ 1,000	\$ 861	\$ (139)
Expenditures			
Current:			
Other supporting services	1,000	750	250
Net Change in Fund Balance	-	111	111
Fund Balance, Beginning of Year	56,962	56,962	-
Fund Balance, End of Year	\$ 56,962	\$ 57,073	\$ 111

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – STUDENT/SCHOOL ACTIVITY SPECIAL REVENUE FUND**

**ENGADINE CONSOLIDATED SCHOOLS
For the year ended June 30, 2025**

	Budget	Actual	Variance
Revenues			
Local sources	\$ 88,588	\$ 94,916	\$ 6,328
Expenditures			
Current:			
Other supporting services	96,052	96,552	(500)
Net Change in Fund Balance	(7,464)	(1,636)	5,828
Fund Balance, Beginning of Year	89,404	89,404	-
Fund Balance, End of Year	\$ 81,940	\$ 87,768	\$ 5,828

INTERNAL CONTROL AND COMPLIANCE

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

October 10, 2025

The Board of Directors
Engadine Consolidated Schools

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, the major fund, and the aggregate remaining fund information of Engadine Consolidated Schools (the "District"), as of and for the year ended June 30, 2025, 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 10, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

A handwritten signature in black ink that reads "Hungerford". The signature is written in a cursive, flowing style.

Certified Public Accountants
Grand Rapids, Michigan